

## **Section I** London in 1991 – Setting the scene

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# Introduction: Honor Chapman and *London: World City*

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In 1991, the London Planning Advisory Committee published *London: World City Moving into the 21st Century* (hereafter *London: World City*). The content of this report was groundbreaking, and its impact on London's business and policy community considerable. It is no exaggeration to describe it as helping to usher in a new chapter in London's 2000-year history.

Published at the beginning of a new era for an enlarged global economy, *London: World City* recognised London's evolving role as an international urban centre. Its authors identified growing competitive pressures as other European, North American and East Asian cities proactively pursued internationalisation, and sought hub status among firms in financial services and other sectors of strategic significance. The report, researched and prepared through dialogue with a wide range of experts and overseen by London's local government and business leaders, argued strongly for London to adopt purposeful measures to promote itself internationally.

Honor Chapman, a towering figure in the city's real estate industry and a pioneer in applying the tools of competitive business analysis to the world of commercial real estate, applied this approach to thinking about London's competitive position. During 1992, she led a detailed study at Jones Lang Wootton on how London could respond to the new global challenge. A year later, this work was adopted by the newly-formed business leadership organisation London

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First, and detailed work began to be undertaken to prepare London's response. With support from central government, and with backing from the City of London, the City of Westminster, London Docklands Development Corporation and others, London First created London First Centre, a new inward investment centre (now integrated with London's tourism and higher education promotion and known as London & Partners). Honor Chapman was appointed its first Chief Executive, serving for three years before joining its Board as a non-Executive Director.

The premise of this book is that the activity and vision of Honor Chapman and London's business and real estate community helped steer London into a new cycle of internationalisation which was crowned by the 2012 Olympic Games, and whose effects will see London's population likely reach a landmark nine million for the first time in 2021. In the intervening period, the city became a place of unique appeal. It experienced exceptional demand for investment opportunities and corporate locations, for its labour market and higher education institutions, and as a destination of entertainment and culture. London's civil society, political leadership and commercial stakeholders all fostered an unprecedented global reach and cosmopolitan identity. In doing so, they have reaffirmed the city's open and organic character, in which change occurs in incremental, unexpected and exciting ways.

In 2015, with the Olympics now a fond memory and a new global business cycle well under way, there is a consensus that London is once again moving full steam ahead. But with a new cycle comes new challenges. London's historic strengths, and its progress since *London: World City*, will not, on their own, be sufficient to guarantee success in the medium-term future. Success has brought with it a new set of tasks, the unintended consequences of getting other things right. The nature of the challenges has changed, the emerging global system of cities is different to that of 1991 and many more cities are empowered to compete. The city development tools of the late 20th and early 21st centuries have proved to be effective only for certain problems. As such, London's model of success is incomplete, because it has not yet shown the capacity to manage and accommodate the growth that accompanies the additional demand stimulated for a thriving world city. The research and interviews conducted for this book have revealed an imperative for the activation of a new phase of innovation and ambition, especially (but not only) in the areas of governance, investment, housing and structural disadvantage.

The impulse for a new and positive direction for London is driven by competitive challenges: challenges to practically every role that the city plays, and from a larger number of competent urban service providers than ever before. In this book, three dimensions to this external landscape of competition are highlighted. First, other leading cities are addressing their own development challenges with new verve. New York, Paris, Hong Kong, Tokyo and Singapore are all formulating new niches, metropolitan solutions and development paths. Second, the principal cities in the fastest-growing markets now offer provision that overlaps with London in ways not previously anticipated. Dubai is now a world-class hub for aviation and Islamic finance, Shanghai a new banking and trading powerhouse, and Mumbai a capital of creative industries. Third,

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established European business cities such as Stockholm, Zurich, Munich, Amsterdam, Frankfurt and Basel offer attractive alternative locations in fields where London has been seeking to grow its role, such as environmental technologies, digital innovation, life sciences and design.

This book argues that London has highly distinctive, indeed inimitable, attributes that make it more resilient than most to the caprices of global competition. But it is nevertheless a reality in 2015 that many urban centres within and beyond Europe have the capacity to invest more, to deliver major developments faster, to coordinate and manage growth better, to address inclusion more effectively, and to draw on consistent and long-term financial flows and instruments. As I detail in Chapter 5, London's incremental governance empowerment has achieved significant outcomes, but there has not been sufficient progress to ensure the city's current demand bubble is translated into a commercial, social and environmental sustainability.

The concluding section of the book details the central aspects of London's current model whose modification may impact on the city's future success. Three of these elements are mentioned here. First, London's business environment has been a forceful driver of growth since the mid-1990s, but it is not so compelling on its own that it can automatically facilitate the economic growth and diversification needed to support investment and to grow the base of jobs. The city's business image and identity is regularly undermined by infrastructural systems deficits and occasional unrest. There is also a persistent tension and chronic uncertainty in the relationship between the city's commercial nucleus, on the one hand, and the national government, European regulators, and even the local and national electorate on the other.

Second, London's governance arrangements are not optimally configured to tackle inequality and exclusion in jobs and skills, or to upgrade patchy provision in housing, health care, and other amenities. There are constraints that inhibit the pursuit of more than one major infrastructure project at a time, principally the fact that such projects require national support. The city's local and metropolitan governments have very limited access to capital markets to raise the finance with which to invest in and improve infrastructure, and this is compounded by a narrow scope to integrate systems of infrastructure and utilities (largely a result of mass privatisation or ongoing national control) and achieve more efficient outcomes.

Third, London's relationship with the rest of the UK, including both its role and contribution to national development as the capital city and gateway, and its partnership with the other major cities, is poorly defined and disorganised. The capital's reputation is emerging from a cyclical low because of the banking sector's perceived contribution to the financial crisis and the initially lethargic character of the economic recovery, and the perception that this recovery is dominated by the London and the Greater South East. There remains a lack of any regional dimension of governance in the 'Greater South East' of England, which means London cannot easily manage growth and change with its interdependent neighbouring areas.

These three themes are just a snapshot of the factors which prevent London from leveraging intense international demand into all-round success. On the one

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hand, this book explains and affirms London's enduring virtues of openness, meritocracy, diversity, language and legal systems, learned institutions and knowledge creation, geo-political location, business culture, and tolerance of edginess, hedonism, and the avant-garde. On the other, it argues that London is not yet equipped to fully realise its potential, and that its weaknesses may be exposed in abrupt and unpredictable ways. The book makes the case that the period since the *London: World City* report witnessed a remarkable set of achievements, but that in some areas the city achieved only partial success whilst in others it only addressed the first phase of 'permanent improvement agendas' which are never complete.

This book advocates that London can learn from other cities as much as it inspires them. The city can draw inspiration from world cities which have effectively tackled problems that are similar in character. Hong Kong has successfully transformed its airport provision in response to rising air traffic demand and has a clear strategy for long-term capacity. New York has reduced violent crime and is building a new reputation as a liveable city. Toronto has a great school system that supports children from disadvantaged backgrounds to excel and succeed. Amsterdam and Stockholm have housing markets that attract large-scale institutional investment into a growing rented sector. Singapore and New York are making tangible strides in building a more diverse and resilient business base and are growing the science and technology dimensions of their economies. Paris, Tokyo, and Hong Kong have highly-evolved regional frameworks for transport, planning, economic development and housing, and are addressing these metropolitan challenges at the appropriate geographic scale. Tokyo has adapted to become a leader in environmental innovation.

This book is divided into three broadly chronological sections, capturing London's past, present and future.

The first section sets the stage for London's early positioning as a world city. In Chapter 2 I consider the groundwork laid for London by government leaders, corporate chiefs and civic activists in the period before 1991. London was the first major city in Europe to undergo large-scale de-industrialisation, a process which had a seismic impact not only on East London's character but on the development and orientation of the whole city. The negotiated response to the city's de-industrialisation and preparation for a different mode of globalisation was marked by political conflict and ideological division. None of the major decisions in this period were made free of tension between central government and local councils, between advocates and critics of the City of London, and between representatives of big business and trade unions. These frictions were both a cause and effect of the abolition of the Greater London Council, the deregulation of financial services and media, and the establishment of the London Docklands Development Corporation. By 1991, however, the largely unplanned sequence of hostilities had forged a broader consensus that London should embrace competitiveness, recognise its role in an enlarged Europe, and become more proactive and strategic in managing its assets. As such, the pre-1991 era constituted a platform, albeit fragile, from which London became a self-conscious world city for the first time.

London's new self-consciousness as a chief participant in a new global economy was exemplified in *London: World City*, whose findings and impacts are

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the subject of Chapter 3. The study introduced the concepts of liveability, culture and brand reputation as competitive assets of world cities for the first time, and made the strongest case yet for a metropolitan government capable of guiding the capital's new growth path. In these fields *London: World City* made a significant contribution to the subsequent terms of political debate about London at the city and national levels. *London: World City* was also a product of its time. Because it was making informed speculations about a future trajectory that no city had yet undertaken, it inevitably overstated the extent of some challenges (culture, entertainment, competition from smaller European cities), and underestimated the scale and intensity of others (housing, environment and health).

The second section of the book evaluates London's experience and performance since 1991 across six dimensions. In Chapter 4 I track London's precipitous economic evolution, and notes the especially significant contribution made by immigrants to the city's growth. London has become a much more cosmopolitan city over the past 20 years, which has supported the city's expanding service economy at a variety of skill and income levels, as well as helping to attract investment from emerging markets. The impact of the global financial crisis has, contrary to some expectations, provisionally reinforced much of London's commercial model, but has also triggered new approaches towards a more diversified and resilient metropolitan economy.

The progress of London as a world city over the past quarter century is also inextricably linked to profound and ongoing modifications in its governance arrangements, which are the focus of Chapter 5. The chapter shows how, in the wake of *London: World City*, a sequence of business-led civic coalitions assembled to help accomplish individual projects and also build political consensus between the 33 units of local government (boroughs) and some elements of central government around the creation of a citywide authority. I then detail the effect of the new mayoral system on the way London has been managed, and how the relationships with the different tiers of government, both 'upwards' and 'downwards', have evolved. While many aspects of the impetus towards self-government remain more aspirational than real, one area where integrated organisation and resources has been achieved is in city promotion, which is featured in the concluding section of the chapter.

Acquisition of new global roles, and expansion of existing proficiencies, has required that London's policy makers undertake numerous projects of urban renewal and regeneration since 1991. The story of redevelopment and re-use of brownfield land, waterfronts, markets, stations, stadia and high streets is told in Chapter 6. After the mixed experience of the London Docklands Development Corporation in the 1980s, the 1990s constituted a noticeable shift towards the deployment of public sector physical infrastructure investments to catalyse wider private sector activity. A change in mindset began to take hold, whereby political opposition to post-industrial revitalisation was superseded by a recognition that the creative, leisure and retail economies, coupled with better public services and physical improvements, were a principal means to revive depressed communities. I describe the successive agendas that animated regeneration, from competitiveness, to pluralism, to inclusion and sustainability. I note that the models pursued have only been partially successful in their aims, and have

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proven financially and strategically limited in their capacity to yield social regeneration or joined-up neighbourhoods, especially in East London.

In Chapter 7 I examine how London's real estate market has responded to the rise in demand associated with the city's finance and business services growth. Despite negative coverage at the time, the developments at Canary Wharf and Broadgate ultimately brought forward much needed new capacity at high specification in the 1990s. I assess how subsequent development cycles were managed to support a dynamic and productive equilibrium. It also considers the impact of a changing office geography, namely the rise of tall buildings, spill-overs into prime areas at the fringe of the City, the re-orientation of the West End and the relative decline of outer London. Ultimately, the astute supervision of unpredictable markets to achieve stability and vibrancy has to a large extent been the product of high-quality information and analytical processes introduced into London's real estate sector from the late 1980s onwards.

By contrast, in Chapter 8 I show that London's housing market has received rather less effective strategic intervention. Amid the population growth generated by a growing economy in the 1990s, both housing construction and affordability declined, not least due to constrained borough councils, the influx of foreign capital, and the stigmatisation of social or subsidised housing. While mayoral housing strategies have sought to inject some momentum into affordable housing and densification, the chapter shows that the city and borough administrations have lacked the tools, incentives or financial support to innovate. As such, I argue that housing constitutes a conspicuous example of London's failure to achieve the manoeuvrability required to manage fully its success as a world city since 1991.

The upgrades to London's transport and core infrastructure, the theme for Chapter 9, are the sixth and final dimension of the city's achievements assessed in this section. A retrospective appraisal cannot overlook the striking number of completed rail, bus and Underground projects, as well as the incremental expansions of airports and other logistical systems. Much progress is attributable to the innovation shown in bringing in private partners to part-fund items of infrastructure, and also to the consolidation of transport powers with Transport for London after 2000. But the constant stream of activity belies the highly protracted character of many of the largest projects, the financial mismanagement of smaller projects, and the lack of a coherent, joined-up and implementable vision for the whole system of London's infrastructure. The evidence from this chapter suggests that London's part-experimental and part-aspirational model of governance and investment is insufficient to fully meet growth challenges in the future.

The third section of the book looks forward to the next phase of London as a world city and offers a panorama from which to assess its future prospects. In Chapter 10 I explore the topology of the global urban system in 2015, drawing on the insights of numerous urban benchmark studies. I evaluate the respective merits of the top tier of cities, and contemplates which of the emerging megacities exert the most compelling pressures on (and provide opportunities for) London. The chapter concludes with ten factors of success which the competitive urban system demands that both established and prospective world city leaders consider.

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London's current standing within this revised global system of cities is explored in comprehensive detail in Chapter 11. The city's mature strengths as a financial, business, cultural and visitor destination are put into analytical context, and contrasted with its limitations in tackling sustainability, smartness, skills deficits and key infrastructure.

These limitations inform Chapter 12, which focuses on London's modest capacity to secure capital investment, compared to five other leading world cities: Hong Kong, New York, Paris, Singapore and Tokyo. The budgets, investment tools and fiscal powers of these cities are put into sharp perspective. The gaps that fiscal centralisation create in London's financing toolkit are highlighted, gaps that the recent London Finance Commission has underlined and tried to address. Several measures for the devolution of financial powers are considered, and the risks of the status quo weighed up.

A series of imperatives for London's policy community over the next decade are proposed in Chapter 13. The findings of the previous chapters are used to identify the ten challenges to London's existing model that have become most visible since the change in conditions shaped by the global financial crisis. Eight priorities are then formulated for the attention of London's leaders, representatives and advocates, put forward in tune with the constructive spirit that defined *London: World City*.

In the 14th and final chapter, I explore the lessons for other cities provided by London's remarkable journey since 1991. London has been either a deliberate or unwitting pioneer of sustained population internationalisation, dockland regeneration, creating a second business district, international investment promotion, train station and street market redevelopment, metropolitan business leadership, road pricing, and building an international student economy. It also has valuable, if not always optimal or replicable, experience in assembling a metropolitan government structure, pursuing large-scale renewal projects and tackling pervasive worklessness. London's progress both reflects and shapes its own unique 'DNA'. I explain how this DNA is instructive for established world cities, emerging megacities, and fast-growing 'middleweight' cities.

London's journey since 1991 is one of inspirational adaptation, determined resilience and, on occasion, thwarted opportunity. There are very few examples of cities with millennia of history being transformed as dramatically and peacefully as London has been in the past quarter of a century. The transformation is a product not only of sweeping structural trends, but also of the applied adaptability, ambition, intelligence, confidence and persistence of London's leaders, ambassadors and citizens. No city's future is assured or predetermined. London's success in the future will depend on an updated formula that combines historic and established attributes with some new technologies, investment tools, geographies, and greater traction with its national governance system. London will also need deeper global economic networks, with more diverse locations than in the past quarter century.

