

The Mayor's Draft Economic Development Strategy
A consultation submission by the London Sustainable Development
Commission, January 2010

1. Introduction

- 1.1 The London Sustainable Development Commission (LSDC) was established in 2002 to advise the Mayor of London on ways to make London a sustainable, world-class city. The Commission is an independent body advising, supporting and challenging policy makers to promote a better quality of life for all Londoners, both now and in the future, whilst also considering London's wider global impacts.
- 1.2 The LSDC is grateful for the opportunity to comment on the draft Economic Development Strategy (EDS). As a 'critical friend' to the GLA, the LSDC has an important role in promoting sustainable development in London and advising on the sustainable nature of London wide strategies. The comments below on the EDS should be read in conjunction with those on the London Plan and Mayor's Transport Strategy. (See attached responses)
- 1.3 The LSDC is pleased to submit its comments on the LDA's Economic Development Strategy. During the entire strategy development process the Commission has met with LDA staff and submitted comments on the early versions of the LDA Investment Strategy and Rising to the challenge.
- 1.4 The LSDC current work programme involves establishing sustainable development priorities and targets. The Commission would welcome the opportunity for further discussion with all partners including the LDA on these issues.

2. Summary

- 2.1 In preparing its observations the LSDC considered the following questions:
- **Vision:** does the EDS set out both a compelling vision of how London's economy will operate consistent with sustainable development principles and practice, and the steps necessary to reach the stated aim?
 - **Challenge:** How well does the approach taken by the EDS fit with the imperatives for reduced social inequalities and carbon reduction, economic decarbonisation and other consumption-based reductions which our research and that of the Climate Change Committee and other sources, indicates are necessary for modern economies to move toward at speed?
 - **Gaps:** are there significant gaps in the EDS, which the LSDC considers should be addressed?
 - **Role:** is the role of the LDA clearly stated in delivering a vision, which is commensurate with the challenges identified by the Commission?
- 2.2 Overall we find that the LDA does not have a clear pathway to a sustainable economy. The current version of the EDS tends to set out a return to pre-recession activity without considering how the economy needs to operate to avoid both future shocks and economic activity, which is inconsistent with social and environmental needs.

2.3 Some further attention is given to the role of the 'green' economic sector, which is welcome in as far as this goes but is no substitute for a whole economy approach to ensuring that all sectors of the economy play their role in London's sustainable economy.

3. Vision

3.1 Key Recommendations:

- **A clearer vision** - the EDS would benefit from a more explicit expression of what the economy in 2031 should look like and how this would support the Mayoral ambition of achieving the highest of environmental standards and quality of life.
- **Consistent with objectives** - the EDS should set out more coherently where London should aim to get to and how it will fulfil Mayoral objectives especially objectives 2 and 3, as the stated policies themselves appear insufficient.
- **Competitiveness** - the EDS should set out what London seeks to be competitive in and how this will be achieved in ways, which make a fundamental shift to London being a sustainable economy.
- **Reliance on consumption** - the EDS should address fundamental questions about how one runs the economy, how this economic approach will be expressed spatially in London, including in outer London, and how to avoid risks to the economy from being reliant on high resource-use based consumption.
- **Beyond the green economy** - it is necessary for the EDS to go beyond the 'green economy' by mainstreaming sustainable economic activity across all sectors of the economy, and being clear about the role of the LDA and others in this.
- **Making more of LDA projects** - innovative work by the LDA which we applaud such as the Low Carbon Capital Growth report by Ernst and Young should be highlighted far more throughout the EDS and should then be used to show how work is being undertaken to take a wider approach to economic recovery and activity than the EDS itself currently suggests.

3.2 The LSDC supports the Mayor's vision (as stated in paragraph A1) that, *"Over the years to 2031 and beyond, London should excel among global cities, expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life, and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change."*

3.3 The LSDC also agrees that, *"Achieving this vision will mean making sure London makes the most of the benefits of the energy, dynamism and diversity that characterise the city and its people; embraces change while promoting its heritage, neighbourhoods and identity; and values responsibility, compassion and citizenship."*

3.4 The LSDC notes, however, that despite, or perhaps because of the economic downturn and market failures, the EDS is not explicit on the LDA's vision of London's economy in the next 15-20 years (also see EDS paragraph A1).

- 3.5 The EDS appears to be banking on a return to business as usual in the economy and relying on backing any form of activity rather than identifying the type of economy, which is required for London's economic progress to be considered truly sustainable. This does not come across as an especially proactive approach nor one which will result in a post recession economy which is better placed to operate with economic integrity, environmental sustainability and social equity as core components.
- 3.6 In paragraph A.26 the LDA appears open minded about which economic sectors will emerge in coming years but the LSDC does not consider that being open minded requires the LDA to be laissez faire about the transition that each key economic sector needs to take to play in its role in creating a sustainable economy.
- 3.7 Further, in paragraph A.39 the EDS discusses what changes might there be to the London economy by 2031, and concludes "*There will be changes to the way London works, as firms adjust to the imperatives of climate change and make more use of information and communications technology*". Yet the EDS remains vague about what London should do and how it should be positioned apart from seeking to secure global competitiveness. Fundamentally, the EDS must answer convincingly what London seeks to be competitive in, as a result of the global and societal pressures, which are to a greater or lesser extent a product of previous economic approaches. We therefore recommend that the EDS **sets out the critical paths** necessary for London's key economic sectors to take in meeting the standards which will be necessary to advance the Mayor's overall aims for a sustainable world class city.
- 3.8 There is a need for the **whole economy** to be considered to support the Mayor's ambition to achieve the highest quality of life and environmental standards. At present it is not clear how the EDS policies will result in changes and will need to include a transition plan for each key sector of the economy.

4. Challenge

4.1 Key Recommendations:

- **Economic routes to reduced inequality and carbon** - the EDS should set out with more evidence and certainty how the economic approach and assumptions made will deliver equity and carbon reduction and the role necessary to be played in this by all sectors.
- The EDS should set out how the approach to be taken will complement and not undermine the necessary **climate change and quality of life actions**.
- The EDS should set out a **step change** in its well established programmes to meet socio-economic needs on employment, skills and housing and other inequalities so that trends identified in the LSDC's Quality of Life indicators do not worsen as a result of the recession.
- The EDS should include a fundamental assessment of London's economic resilience as part of a '**whole economy**' approach not confined to the burgeoning 'green economy'.

- 4.2 The EDS's preference for relying on London's inherent 'baseline' strengths has not been worked through and as a result it is unclear how these will be consistent with the need to achieve carbon consumption-based reductions. Post recession, assuming a return to business as usual and reliance on core economic strengths,

there are still likely to be extreme inequalities as a result of the way the economy operates, and is allowed to operate.

- 4.3 We note paragraph A.43 (page 28) that, “Key areas of concern are that too many Londoners experience poverty, poor health, inadequate housing and other forms of disadvantage...” The EDS implies that existing policies and approaches to enhancing skills will suffice. The LSDC feels this is questionable and we need to find ways to break the cyclical nature of existing policies and approaches to enhancing skills, increasing childcare provision and other ‘safety net’ measures, in order to break the cycle of inequality in a sustained way.
- 4.4 There is a growing body of evidence, which suggests that recent economic growth in some developed countries (including the UK) has not resulted in the type of improvements in quality of life that we would expect. Irrespective of the reasons for this we know that not everyone has benefited from London’s economic growth since the mid 1990’s, with significant inequalities both in terms of income and health for example.
- 4.5 We note the findings of the Joseph Rowntree Foundation report that poverty in the UK was rising before the start of the economic downturn. In the *Monitoring poverty and social exclusion 2009*¹ report, the JRF pinpoints 2004-5 as the turning point when poverty levels, housing repossessions and unemployment started to rise.
- 4.6 Further, the LSDC’s own Quality of Life indicators report² identifies that London’s performance in key areas where the LDA has aims and programmes relevant to London’s economic development remains unsatisfactory for example:
- On reducing child poverty, 41 per cent of London’s children live under the poverty threshold after housing costs compared with 30 per cent of children in the UK;
 - On fuel poverty, in April 2008 there were 760,000 fuel poor households in London compared with 196,000 in 2005 and 176,000 in 2004;
 - On housing affordability, average mortgage costs have risen from 12.8 per cent in 1994 to 19 per cent in 2002 and 26.4 per cent in 2007 (we note that housing costs are mentioned in paragraphs 4.49 and 4.51 but little other than lobbying central Government is mentioned as an action);
 - On income inequalities, in 2005/6 16 per cent of Londoners living with disposable income were in the bottom tenth of the national income distribution and 18 per cent of Londoners in the top decile – the highest proportions at each extreme compared with other UK regions; and,
 - On employment rates by gender and ethnicity indicate falls in employment rates for men and women relative to national rates and lower BAME employment rates than for White Londoners.

The LSDC’s view is that now is the time to invest in development of a new form of economy better geared to supporting a better quality of life for all Londoners and giving a lead to other cities and governments in reconciling the role of the economy in relation to wider society needs.

¹ <http://www.jrf.org.uk/publications/monitoring-poverty-2009>

² http://www.londonsdc.org/documents/qol_reports/QoL_indicators.pdf

- 4.7 On climate change, we welcome the recognition of the economic opportunity for London presented by national and international action on climate change e.g. the growth of the carbon-trading sector. However, simply siting this activity within London will not in itself provide additional reductions in carbon emissions, without greater consideration of the strategic direction of London's economy as a whole. It would also be advisable for the EDS not to overstate and over rely on carbon trading as an efficacious form of carbon reduction.
- 4.8 Since the impacts of climate change facing UK companies are not limited to heat waves and flood risk and also include volatile commodity prices, disruption to supply chains and transport logistics, the EDS should therefore include a more fundamental consideration of the resilience of London's future economy.

5. Gaps

5.1 Key Recommendations:

- **Capital consumption** - the EDS should, as part of envisioning the path toward and role of all key economic sectors toward a sustainable economic future, address the role of consumption.
- **Barriers to social progress** - the EDS should set out the barriers to aims and objectives being reached in achieving more equitable involvement in London's success. For example, good policies on childcare and skills have been adopted and put into effect for several years. The lessons from this are becoming clear but the new EDS does not draw out how these will be used to adjust policies and practice in the future.
- **Links to other strategies** - the EDS should set out how its links to and operates with the other key strategies as this is currently hard to discern. For example the EDS's fit with London Plan growth projections; the future shape and look of outer London, the effect of the green economy across entire London; how presumptions about the role of retailing (and therefore consumption) will be reflected spatially in London / in outer London and; which private sector models for decarbonising and sustainable consumptions are to be advanced.
- **Retrofit economy** - the EDS should address the role of the retrofitting economy as a new economic driver and be explicit about the role of the LDA and others in this.
- **Open economy** – the role of London as operating an open economy and the implications this brings for pressures and demands on infrastructure, services and finance should be spelt out more fully.
- The **opportunities arising from a shift to low carbon economic activity** and the rising 'green economy' should be geared more to meeting social needs and overcoming social inequalities.

5.2 London operates as an open economy and this is mentioned on page 102 but the LSDC would like the EDS to express more explicitly the implications of this such as the pressure and costs which this creates such as demands on infrastructure, services and finance and the benefits such as the flow of ideas, cultural exchange and diverse skills.

- 5.3 The LSDC feels that it is an oversight that, resource use and consumption are not addressed by the EDS other than in a traditional approach to waste reduction and efficient use of energy for cost reasons. Consequently considerations around the consumption of resources are not factored in as an equitable approach to resource use and carbon reduction.
- 5.4 The LSDC's own report *Capital Consumption*³ shows consumption of goods in London is contributing to a larger carbon impact than previously thought and allowed for in London's climate action planning. As part of ensuring that all sectors of the economy play their part in creating a sustainable economy and carbon reduction (see comments on Vision above) the LDA should revise the EDS to reflect the role which can be played by different sectors to ensure that economic success does not in fact add to and effectively undermine efforts in other Mayoral strategies to achieve genuine carbon reduction. As part of this endeavour the LDA's own role in working with all sectors of the economy should be set out as part of this.
- 5.5 We note references to the role of business in energy and resource use and the costs, inefficiencies and perpetuation of poor practice which high energy and resource use creates, "3.36 - London's private and public businesses consume large amounts of energy and other natural resources in the course of their operations; usually these are not consumed in the most efficient way. These resources all have a financial cost to the business: if they are not being used efficiently, then businesses will be wasting money. They need to better understand the full carbon impact of their business practices and their delivery of products and services; they also need to be more carbon efficient in relation to their use of their buildings" and "3.38 - The Mayor will help to raise awareness of mitigation and adaptation measures for business. He will encourage all businesses to fully incorporate the transition to low carbon in their investment decisions. For example, he will encourage them to consider whether a proposal reduces carbon and creates opportunities in the low carbon economy or can be linked to other low carbon initiatives."
- 5.6 In addition to bringing costs saving to businesses, these useful inclusions (3.36 and 3.38 above) reinforce our recommendations for the EDS to know more clearly what different sectors are contributing to London's resource efficiency.
- 5.7 Resource efficiency for business efficiency is good in itself but the LSDC would expect the EDS to be clear about to what end efficiencies are being made and how the LDA's role will keep these efficiency gains on an upward path. For example, the LSDC's Quality of Life Indicators report found a slightly positive change in London's 'carbon efficiency' (see page 71-72). Energy and resource efficiency, in keeping with our Capital Consumption report mentioned above, are key to London being able to move toward being a sustainable economy. In order for London to achieve its own carbon reduction targets, significant improvements in carbon efficiencies will be required.
- 5.8 As stated above the LSDC considers that the EDS should take a 'whole economy' approach. Currently the EDS does not articulate what is required from all sectors of the economy and so it does not set out the roles of, for example, the small business sector, arts and entertainment or financial, services. Given the role of business in either enabling change or entrenching unsustainable activity this is an oversight.

³ <http://www.londonsdc.org/documents/research/Capital%20Consumption.pdf>

5.9 We also note that Chapter 4 – Extending opportunity for all – provides no links into the environmental opportunities identified elsewhere in the EDS. This suggests a lack of joined up thinking and potentially missed opportunities.

5.10 Regarding climate adaptation and mitigation we note the Mayor’s commitment (paragraph A3) that, *“He will lead the transformation of London into a low carbon city”* and also note that the EDS is vague about what this means in practical terms. We also note and welcome Proposal 3B that *“The Mayor will work with partners and lobby government to develop the scale of investment and environmental infrastructure needed to support a low carbon London”*.

5.11 The LSDC understands that the LDA intends that the EDS sets out top-line policies and economic opportunities for shifting to a low carbon economy and that the LDA does not consider that the EDS is the place for detail on carbon reduction which will be covered by the Mayor’s energy and climate mitigation strategy due in early 2010. We await that particular strategy to see how the main Mayoral Strategies (London Plan, Transport Strategy and EDS) fit with the climate change issue.

5.12 Notwithstanding the welcome statements of intent it remains hard to discern from the current draft how the EDS links to and operates with the other key strategies, for example:

- How do the London Plan's growth trajectories fit with the LDA's plans?
- What will outer London look as a result of the EDS approach?
- How will the green economy look and impact across London as a whole?
- How do presumptions about the role of retailing and therefore consumption marry with the low carbon agenda? (We note that on page 106, the London Plan mentions the extent of floor space required for retail, which is likely to have direct and indirect implications for resource use and embedded carbon).
- Which private sector models for decarbonising and sustainable consumption are to be adopted?

5.13 In particular, as a way to flesh out Proposal 3B, the EDS is weak in relation to the potential of the retrofitting economy. A step change is underway yet it is not clear from the EDS what effect a convincing and coherent programme of retrofitting will have as an economic driver. The EDS should set out the economic opportunity of the retrofit agenda and how this will be addressed as an economic response which results in, for example, clarity over the standards of retrofit sought, the effect on supply chains and skills, and the enabling role the LDA will play. Indeed, the LDA does not seem to spell out what its role could or should be beyond involvement in a handful of pilot projects – also see **Role** below.

6. Role

6.1 Key Recommendations:

- **Clear low carbon role** - the EDS should set out how the LDA will contribute to decarbonising the economy as a complete, whole economy

approach including the opportunities for retrofitting, rather than as a collection of disparate pilot projects.

- **Socio-economic advance** – the EDS should set out how existing ‘safety net’ programmes (such as on skills, training, employment) will be taken to the next level to prevent worsening socio-economic divides as a result of the economic downturn and recession.
- The EDS should set out the key assistance the LDA will play for example in **knowledge transfer** and in the take up and market reach for example via Design for London.

6.2 The LDA frequently refers to the limit of its role. The importance of London shifting rapidly and effectively to being a low carbon economy requires this approach to change and the EDS, which currently refers to various Mayoral projects such as the Green Enterprise District, Low Carbon Zones, Home Energy Efficiency, needs to show how the LDA will strengthen its role.

6.3 Currently the emphasis is on promoting and encouraging, without any certainty about how effective this will be, by relying on showcasing projects rather than mainstreaming across the economy. Currently the impression given is of disparate initiatives and pilot projects brought together. What is required is for the LDA’s enabling role to be stepped up to create the necessary transition in the wider whole economy and within key sectors.

6.4 This is necessary if the EDS is to come across as a more convincing response to the challenge and opportunity of a transition to a low carbon London than it does at present and, in particular, to meet the challenge set out on page 10 of the Executive Summary that, *“The transition to a low carbon economy is an urgent environmental necessity.”*

7. Conclusion

7.1 Despite recent economic growth bringing benefits for many, social inequalities and environmental damage has grown. It is not news that not everyone has benefited from London’s economic growth and that inequalities both in terms of income and health have deepened.

7.2 Only if London functions very differently will it be possible to:

- Meet the need to reduce carbon emissions within the timescales required by the UK, EU and in particular those set by London’s Climate Change Action Plan;
- Reduce the adverse impacts of the current patterns of consumption and production not only on the environment but also on society and the economy;
- Adapt to climate change so as to minimise the significant impacts of the changes that cannot now be avoided;
- Reduce the inequalities in income, health and quality of life that adversely affect social cohesion within London;
- Deliver an economic recovery which is sustainable over the mid to long term

7.3 Current economic conditions must be a catalyst for real change including sustainable economic progress that is consistent with living within our environmental limits, as defined by PSA7 in which 'sustainable growth' is defined as, *"...economic growth that can be sustained and is within environmental limits, but also enhances the environment and social welfare, and avoids greater extremes in future economic cycles."*

7.4 The LSDC looks forward to working with and assisting the LDA to improve the EDS and assist London's shift to being a sustainable economy that delivers benefits for all in London and the environment.