

Regeneration Committee – 5 February 2015 Transcript of Item 5 – The Royal Docks

Gareth Bacon AM (Chairman): Item 5, the main item of today's agenda, is the Royal Docks discussion that we are about to undertake. Can I welcome our guests? Thank you very much for coming.

The first question, which I will kick off with, is an issue to you, Eric. We are very interested in the comparison between the Canary Wharf and Thames Gateway developments and the potential developments at the Royal Docks. What type of regeneration do you think the Royal Docks area needs?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Chairman, since you mentioned Canary Wharf, just to deal with that briefly, it was in my view a kind of *sui generis*, once-in-a-lifetime project that had particular drivers at a particular time: massive growth in the world economy, growth in the UK, lousy office stock in London unfit for the computer and digital age, the presence or the coming of a very powerful and very successful North American development company in Olympia & York, and a development corporation that was hungry to promote development even on that scale. They were particular circumstances which came together in the mid-1980s which are unlikely to be repeated. I do not think we are going to end up with a scatter of Canary Wharves around London, although of course the City itself grows, Canary Wharf itself grows and there are other important areas, such as Stratford, which are also developing well but not on that scale of concentration of commercial development. Therefore, Canary Wharf is not the pattern one should be looking for and the scale one should be looking for quite in the Royals.

That said, the Royal Docks are massive. It is the equivalent of Marble Arch to Whitechapel and it is an area that needs to be filled on a scale. You cannot, in my view, just put around it low-cost, low-rise housing, nor of a similar scale, say, B1 warehousing or commercial use. It needs to be something dramatic. The docks themselves are magnificent. They are also awesome. They also to some extent guide and inhibit the pattern of development around the dockside. That is not to say one should fill them in - on the contrary - but they are a feature that is not easy to relate to in development terms.

Therefore, as a matter of brief history without boring you, Chairman, about this, we promoted three big developments when we were in Docklands. One was the exhibition centre and the arena at the Royal Victoria Dock. A second was a very large retail shopping centre at the eastern end at the Royal Albert, where the university now is, broadly speaking. The third project was a big mixed housing developing in Pontoon Dock where the Silvertown Partners now are. As you will know, only one of those schemes got away, so to speak. The arena/exhibition centre is now there. The retail development did not happen and instead we have, as I said, the university and the related housing. On the southern side of Victoria Dock, we did get a development in what we call the 'urban village' at West Silvertown, which we hoped then would expand into the Pontoon Dock area where Silvertown Quays and Silvertown Partners are now promoting their brand development and so on.

That leads me to the conclusion that the two developments you are now seeing - Advanced Business Parks (ABP) on the Royal Albert and the Silvertown Partners with their brand pavilions and quite a lot of housing in Pontoon - seem to be of the right kind of scale and ambition and are bringing the right kinds of uses and activity - particularly jobs - to the area that we would want to see. There are very few developers who have deep enough pockets and the experience to fund the kind of onsite infrastructure on that scale that these areas need, which is one of the reasons it has taken some time to get these developments to come forward.

Gareth Bacon AM (Chairman): Thank you. As a follow-up question to you, Dan, can you briefly outline the regeneration plans for the Royal Docks?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Yes, I will do it very briefly and I am conscious that a number of you came out to the Royal Docks just before Christmas and we went through quite a lot of it. However, for the benefit of everybody else in the room, there are just a few things to say.

The Royal Docks is identified as one of the 33 opportunity areas within the London Plan. One of the reasons it is perhaps a very interesting regeneration area for the GLA and the Mayor is that, unlike any other of the areas in London, we are a significant landowner. We own 177 hectares of land, plus 96 hectares of the actual dock water and the dock infrastructure. That gives us a very interesting level of control over the development of that area. We are working with a number of development partners across the site. As Eric [Sorensen] mentioned, some of that land already is under long leasehold by the likes of ExCeL. A number of the sites are actually currently being developed. Then there are a number of other sites that we have development partners on that we are working with to get them to a point where we will develop those sites.

The other reason it is very interesting as a regeneration area is that it is London's only Enterprise Zone (EZ). I think it is still fair to say that it is just about still London's only EZ, although there are more on the way.

I am sure we will talk more about this in a moment, but that gives some short-term incentives to attract businesses to the EZ. Much more importantly than that, it provides a long-term income stream to the Mayor and to Newham via the London Enterprise Panel (LEP) to fund activities within the EZ and elsewhere. It also allows for the potential for us to think about prudential borrowing in the event that we believe that investment is required to help and assist with some of the developments and some of the issues that Eric [Sorensen] mentioned about infrastructure problems and costs and issues of viability on the schemes.

Interestingly, before the land was transferred to the Mayor in 2012, the Mayor worked with the London Development Agency (LDA) to establish a vision for the Royal Docks in 2010. This was done after the previous development partners on some of the sites fell away during the financial crash in 2008. Effectively, this was done to align the objectives of the Mayor of Newham and the Mayor of London to the development objectives and aims of the Royal Docks and to really shape the objectives of the procurement for the two key strategic sites - Royal Albert Dock and Silvertown Quays - to make sure that there was a fully joined-up approach. This is the document that we still work to. There is a very clear plan for what is required in the Docks and we are still working to that.

The other thing to mention is that, as many of you will know, the Royal Docks is home to London City Airport, which Newham consented on Wednesday the expansion of the terminal and there are lots of plans for investment for the airport. The development partners, particularly ABP on the Royal Albert Dock but similarly the Silvertown Partnership, do see the airport as a very valuable thing. Clearly, there are environmental issues and noise issues, but actually the commercial development partners see the airport as critical to what their objectives are on their sites.

The easiest thing to think about the activities of the Mayor in the Docks is around what I term the 'three key issues'. There is development and the management of the development. There is thinking about infrastructure and how we plan for infrastructure, particularly working with Transport for London (TfL) to make sure that infrastructure is put in in a timely manner and is fundable. Then the final bit is around management and I am talking about management in its broadest sense. Clearly, we are a landowner and there is lots of day-to-day management activity of developed sites and undeveloped sites, but there is also a lot of work that we are undertaking around what I suppose in some ways you could call a very long-term exit strategy. Really, for this project to be deemed successful, the Mayor should be transferring those sites and having them fully developed and owned by other people in some period of time. What we need to do is to make sure that there is an appropriate transition of those interests and that, with a lot of these sites being transferred on different

time periods to different types of organisations, we make sure there are no bits of land that are left that are not valuable or that we are not able to do anything with. They are the three key areas of work that we are focused upon.

Just to give you a very brief overview of where we are with the key strategic projects, starting first with the Royal Albert Dock, we have a development partner called ABP for the Royal Albert Dock. We signed an agreement with them on 29 May 2013 effectively to redevelop that site. Their objective for that site is to create a world-class business destination targeting in particular Southeast Asian businesses that are looking to move out of China and Southeast Asia and establish European headquarters in London and in Europe. They have successfully worked with Terry Farrell & Partners and Stanhope, the development manager, and got a resolution to grant planning consent for nearly 5 million square feet of development in the summer of last year. They are now just in the process of finalising section 106 agreements with Newham so that it can be referred back to the Mayor of London for a stage-two approval. I would expect them to start on the site towards the end of this year and there is lots of work going on now to procure a contractor and a redevelopment partner. We are expecting them to deliver a first phase of development in excess of 600,000 square feet. It is very significant in its own right as a development and is really exciting. That is the Royal Albert Dock.

The other key site, as Eric [Sorensen] mentioned, is what we call Silvertown Quays. Many of you will know that as the site that has the big Mills building in the middle of it. We have a development partner for that site called the Silvertown Partnership. It is a partnership made up of the Chelsfield Property Group, First Base and, importantly, Macquarie Bank, which is the funding partner and also has an actual stake in the Silvertown Partnership business. They have worked up and submitted a planning application for 7 million square feet of development. It is a little bit different from the Royal Albert Dock in that it is much more of a mixed-use development and Silvertown Quays includes 3,000 homes, but it is a commercial-led development and the focus for that site is based upon brand experiences and brand buildings. The developer for that site - and the basis upon which it won the competition - is incredibly confident that with changes in the market and the development of brands, there is a massive market demand for places where people can go to experience brands and products and get to know them. They are developing some very interesting building typologies, an example of which might be Cadbury's World. Some of you might have been to the Guinness factory in Dublin where you can go to see how stuff is made and really understand the products and the history of the products and the brand. It would be a truly mixed-use development and there will be a range of office space and potentially university space in that development.

We have had DTZ doing some work with us in relation to the EZ recently and one of the things that it identified is that the total commercial floor space of the Royal Albert Dock and of Silvertown Quays is equivalent to the central business district in Sheffield. Just to try to understand the sort of scale of development that we are talking about here, it is pretty big. They are the two key strategic development sites and I am sure we will talk about them a bit more in a moment.

There are other ones which are just worth mentioning. In the Royal Victoria Dock, we have appointed a development partner for a floating village development. This was something that the Mayor was very keen on doing. It will be the UK's first floating development. It is going to be a mixture of probably up to about 50 residential units, but more importantly particularly for Newham is that it needs to become a visitor destination. Many of you will know that the cable car went in in 2012 and one of the criticisms that we have had to date is that people come over from the Greenwich Peninsula where there are interesting things around the Dome to do and they get over to the Royal Docks and land at the Royal Victoria Dock and there is a very poor offer in terms of activities. The idea is that the floating village development will incorporate a number of mixed uses to become a real visitor destination in its own right. We have a development partner on board for that. We expect it to submit a planning application towards the end of this year and start on the site next year.

There is also development at Albert Basin, which is the site east of the University of East London. We have a development partner there, Notting Hill, which has just got planning consent to deliver 800 homes, 40% of which are affordable homes. They will be delivered in three phases. Also, there will be 30% family housing in that destination.

That is a bit of an overview. There are a number of smaller sites that we are also bringing forward that we might want to have a discussion about, but that is in broad terms the active levels of development.

We also own Albert Island, which is the island space under the flight paths, as some of you may know, at the very far eastern end of the Docks. It is a very heavily constrained site because it effectively is in the landing paths for the airport. However, we do believe that that site has a significant level of opportunity associated with it. We are currently - and we have been for the past year - exploring the potential to incorporate a new commercial boatyard on that site. We are dealing a lot with some of the Members of the Assembly who are very supportive of activity on the river and increasing passenger services and freight services. There is a really desperate need for a commercial boatyard and so we are just about to seek approval to undertake a procurement exercise to see if we can seek a development partner that will develop this on that site.

Gareth Bacon AM (Chairman): When you say 'a commercial boatyard', do you mean a boat builder? Or do you mean repair services?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Repair facilities. The big issue is that there are so many vessels on the river now - passenger services - and they are growing and the Mayor wants to see that doubled, but all of the boat operators claim that either they have to use very poor facilities on the river or they have to go for miles out to the south coast or even up to Hull and sometimes across to the Netherlands to get their boats repaired, which causes real strains on their businesses and affects what they do. Yes, effectively, there is a strategic need within the city for a new boatyard. We are not sure yet whether it is commercially viable. There seem to be mixed messages on that. We have done a lot of soft market testing around that and we think that a genuine way to actually determine whether there is a commercially viable solution to that is to present an opportunity to the market and to allow them to respond within a set of parameters. That is something that we are just about to embark upon.

Then, very quickly just around infrastructure, which is the second point, we actually benefit a lot from the work that you and your team did, Eric [Sorensen], some time ago. We are very fortunate, actually, that a lot of the strategic infrastructure at the Royal Docks is in place. We have the Docklands Light Railway (DLR) and we will soon have Crossrail, which is absolutely fantastic. We have benefited from a cable car relatively recently. The roads are not bad. They were probably designed a bit like you would have designed them in the 1970s, perhaps not now, but they work and they are good and they have good capacity.

That said, there are a number of elements of infrastructure that are required to enable these developments to happen and they are broadly around station upgrades to the DLR and capacity upgrades to the DLR rolling stock, as well as a number of interventions across the local movement network because it was designed in a different time and probably for slightly different uses than we are anticipating today. Some of you who came out with us on that walk will appreciate that it is not the easiest place to get around on foot and by bike, which is how we know we want to try to encourage more people to use the place today.

Therefore, there are a number of measures, probably in the region of about £200 million worth, of strategic and more local transport interventions that are required. Some of them are profiled already within the TfL business plan. Some of them are going to be paid for by contributions from our development partners, but there are others that we still need to identify how we fund. It is not to say that they will prevent development

happening in their own right. It is just saying that, for this to be a really good place, we should be investing in some of that additional stuff.

You also need to consider infrastructure in its broadest sense, thinking about social infrastructure, and then - really pushing the definition of 'infrastructure' perhaps in many ways - thinking about some of the softer infrastructure around economic development, employment, skills and inward investment. As some of these developments come onsite, we will move into a different stage of the regeneration process and we are going to be very much targeting investors and occupiers and then thinking about who is actually going to be taking these jobs and being able to do these jobs on these sites when they start to come on board.

Gareth Bacon AM (Chairman): We will be returning to that point a bit later on with some of our other questions.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Yes, we can talk a bit about that and Debbie [Jackson] will probably want to manage that as well.

Finally on the management piece, we are managing the estate. It is an interesting relationship because the Royal Docks Management Authority (RoDMA) is responsible for the management of the water areas and dock walls. The GLA is a significant shareholder of RoDMA and I am a Non-Executive Director of RoDMA, as are a couple of other people in the building. Then there is a picture, I suppose, in some ways of a slightly disjointed onsite land management process because a number of the sites are in the control of other parties like ExCeL and there is not one body that is completely in control of all of the management. We are all very aware that as development comes on board, we need to think about how we manage that a bit better so that the quality of the environment is much better and that, as we increase the footfall significantly, it is managed in a better way.

Gareth Bacon AM (Chairman): The Mayor of Newham attended the Regeneration Committee last year and was less than complementary about the GLA's management of the site and how there was not mismanagement but a diverse range of management across the site. It is interesting that you have recognised that. What are your thoughts in terms of how that could be streamlined or made more efficient going forward?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): One of the things is that it is about appreciating who is in control of some of those sites. There is a perception of perhaps the GLA or the Mayor being responsible for all of it when in fact things like the whole ExCeL estate is in the control of ExCeL and we do not have any rights or responsibilities over that land.

However, we are about to commission a piece of work which looks at the whole estate management piece and about how we actually do this a lot more efficiently. That may involve transferring some of the remaining parts of the GLA land ownership to another party that has responsibility for that management.

It also includes, for example, things like Thames Barrier Park. The GLA has a contract with GVA Grimley at the moment, which provides management services for us across the estate. It is very difficult because the sites are very different.

Navin Shah AM (Deputy Chair): Dan, I would like to raise a question for you. It is about really the approach to regeneration and development for the Docks. How and why did the GLA and Newham come to a market-led approach as against the original planning policies that were developed for the Docks?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Sorry, do you mean what was the original policy?

Navin Shah AM (Deputy Chair): Is this to drive more economic and residential regeneration?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): I am trying to understand your question. I was not quite sure what you mean in terms of the previous policy. It has always been assumed that the private sector would have to come in to bring in some of the funding to develop the Docks. Is that what --

Navin Shah AM (Deputy Chair): The understanding I have is that as against both the local authority as well as the regional body like the GLA driving the policies, here the driver is more the private sector. That is what I am trying to understand. What led to that approach and why?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Yes, I know what you mean. The really important thing here, which Eric [Sorensen] mentioned, is that all of these strategic sites have a significantly huge amount of infrastructure cost burden on them to get the schemes to be developed. For example, if you look in isolation at Silvertown Quays, just the first phase of development for that site has probably in the region of about £200 million worth of infrastructure costs associated with it. What I would say - and this is probably the view of the organisation - is that it is absolutely essential that we have private sector development partners to work alongside us and to bring in money from external funders. That has been very important.

Debbie Jackson (Assistant Director - Regeneration, GLA): Just to add to that as well, I can understand that that is how it feels at the moment. However, stepping back a couple of years to the procurement of these partners, it is not the case that it was just, "We have some sites. Tell us what you fancy doing on them". This work - and in fact the one underneath it as well - provided the basis against which bidders would bid. There was a very strong vision that was brought into by the local authority and by the GLA and all the other partners, against which the bidders submitted their proposals. At the moment it is all about the private sector implementing its proposals, but it was against a very clear framework and very public sector-driven framework of what we wanted to see in that location. There needed to be a commercial reality to it because we wanted it to actually be delivered. That is why you need the private sector to engage and you need to allow them a certain amount of latitude to come up with proposals that can go the distance and secure funding as well.

Navin Shah AM (Deputy Chair): Can we get reassurance that both the investment requirements and the whole liability issue that goes with that would not have any impact on the overall aspirations, in terms of both the economic regeneration as well as housing, in terms of both quantum and quality?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Absolutely. All of these developments are controlled by development agreements and the developers have a certain amount of minimum requirements that they need to deliver. Those are things around affordable housing and all those sorts of things.

The other thing I would say is that, if you are concerned about developers taking all the upside and not giving anything back, as the landowner in this scenario we are protected. There are caps within those development agreements about the level of profit that those developers are able to make before an overage mechanism kicks in. Any of that effective super-profit would come back to the Mayor to be spent on other things, I guess.

Len Duvall AM: Yes, but there was an issue of transparency about when that kicks in. It was not my question but I will just very quickly ask in terms of the subsidy. We accept a subsidy going into the Docks. What is the rate of return? Let us talk the language of the private sector. What do I get back in terms of some of these infrastructure issues? What are you predicting at the moment and what should we go on --

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Where we stand today, there is no separate public sector subsidy going into any of those sites. I can understand if you are talking about Crossrail and those sorts of things and clearly, for Crossrail, the developers are making a contribution to the Mayoral Community Infrastructure Levy (CIL). However, where we are today, we are not providing any effective absolute subsidies to those development partners to deliver those sites. They are required to do it, effectively, off their own backs.

At Silvertown Quays, the Silvertown Partnership, as some of you may know, received a grant directly from central Government just before Christmas for £12 million towards the cost of Millennium Mills. That is a direct subsidy, if you like. They are not allowed to make any profit on that, obviously. That has allowed them to really bring forward Millennium Mills into the first phase of development, whereas within our development agreement, because of the cost of the infrastructure and the cost of bringing that building back into use, they were not going to be able to deliver it until the second phase of development.

Len Duvall AM: Do you accept that if there was a change in the overage payments, it would be a subsidy in a way?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): If there was a change?

Len Duvall AM: If you changed it. There is bound to be a downturn, is there not, over the next ten years. What is the build-out time that we are going about for this project?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Overall, I would say you are talking probably about at least a 20-year regeneration project. You are looking at at least one recession in that time.

Len Duvall AM: Somewhere, there will be at least one little difficult period of time when they will come back to you and try to restructure the overage. Is that not a subsidy?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): If they restructured the overage, it would only be in the account that no overage was being delivered. The overage only gets triggered if the developer is in super-profit. There are other ways that they could come back and try to restructure a deal, but we have been very clear with them that the deal is the deal. We are actually protected quite a lot because of the way the sites were procured and so you have to be very careful about how you change anything of significance within the development agreements. That is certainly not where we are in our plans.

Len Duvall AM: We need to keep that protection if we have any future management arrangements in terms of changing them from the way they are now.

My question was to Eric and it was something you said. On these large-scale sites, we always go for the holy grail of getting one big developer that has the wallet that is big enough to develop. Is that always the best way? Is there any time that you would envisage that somehow the owners of sites - and it is a bit of a risky game over 20 years - should say, "Actually, we will parcel this up in a different way", to allow the private sector to come in through partnership mechanisms? I presume that the Silvertown Partnership would have broken off bits of land. Are there different ways of doing it? Are there any benefits to that or is it always that you are looking for the big developer and the one that can pay for some of those issues?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): That is an extremely good question to which, as you will not be surprised to hear, there is no straightforward answer. To make the point which in a sense is in your favour, Len, we are now going back 20 years when we were looking

at the housing scheme that Silvertown Partners now sits on in that Pontoon Dock area. We were very nervous about it even though we were the landowner, as the GLA is now, because we felt that there was there a consortium of developers that we felt was acting a bit like a cartel. We could not demonstrate it but we did not feel comfortable with it. We felt they would control the rate of build-out that suited them rather than us, who had a regeneration motive and momentum, and nor were we very sure about the quality that they would produce.

There is no straightforward answer here. Certainly from our experience, taking Canary Wharf - and indeed what we will see on the Silvertown Quays scheme with that partnership - you and the GLA, as we were, will be able to do a deal where you get all sorts of outputs that you want to see in regeneration terms: development, jobs, businesses and the growth of the area. However, there is no straightforward answer here on procurement.

What you can do, as Dan [Bridge] has mentioned, is you can use your landowner control through development agreements to make sure that you do not actually finally pass over the freehold or the long leasehold until you, as the public authority, have what you thought you were going to get. Secondly, in some of the most extreme cases in the recession in the early 1990s, we actually took development sites back because the developer had not performed, which obviously was pretty painful for them, but nevertheless we felt, "Why on earth should the public sector just allow someone else to land-bank?"

Murad Qureshi AM: Sticking with Eric, I concur with what you said earlier about Canary Wharf being a one-off. It is highly unlikely anything like that can happen again. I was just struck on our site visit when we did meet representatives of ABP and I asked them how they saw themselves. I had a quite interesting response. They suggested that they saw themselves like a 'mature Canary Wharf'. It strikes me that there is a different vision in the lead private entity that wants to operate on the Royal Docks and I just want that clear. Do you see that as at all feasible in the context of how they may see it, let alone how you see it?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): For their own marketing purposes or whatever, they are entitled to, in a sense, use whatever benchmark and image they want. If they want to ride on the success of Canary Wharf and it all stands for, good luck to them. The fact is that the development, as far as I understand it, that ABP are promoting on the north side of the Albert looks very exciting and very worthwhile, but it is entirely different from the kind of development we are seeing in Canary Wharf as of course it continues to build out in Wood Wharf and on the Riverside area and so on. Therefore, in terms of who their target audience is, who their target occupiers are, what sort of buildings they are going to build and so on, I would not have said there is a great similarity between what you see in Canary Wharf and what you are likely to see on the north side of the Royal Albert.

Murad Qureshi AM: I do not disagree and, quite honestly, I doubt if they will ever be keen on the Qataris taking over their interests, but that is another question altogether.

Gareth Bacon AM (Chairman): Navin, you were going to come in?

Navin Shah AM (Deputy Chair): Yes, this is a question addressed to Debbie and Eric [Sorensen] might want to respond as well. What is the most effective role for the GLA, as the strategic partner, to play in the regeneration for the Royal Docks? Similarly, what should be the role for the local authority, for Newham?

Debbie Jackson (Assistant Director - Regeneration, GLA): Of course. It is a really interesting area at the Royal Docks because, as you know and as we have heard on a couple of occasions, it is really big, but unusually for one of these really big regeneration opportunities, it is actually in one borough. Most of these big places we work with straddle borough boundaries. Accepting Dan's [Bridge] point about RoDMA and

ExCeL and all of the different interests, it is one local authority, which is a great thing to work with as a start. Part of our role is about partnership and building those partnerships, but it is a really good place to start having just one local authority to work with.

Your question is about regeneration and regeneration is my job. It makes me think about what we mean by 'regeneration' in this case and what our role is in bringing forward regeneration. We have heard a lot about the redevelopment side of things, but in my view our role is about making sure there is a vision at the beginning and that that vision stays at the top of the pile and is the benchmark against which all work is tested throughout. I believe that that is the case for the Docks. It is about building governance and building consensus and partnership as well and going back to the vision and owning that vision.

It is about, for me, for a development like this, a pathway to development. We are talking about build timetables that, as Dan [Bridge] said, could take ten years. My interest from a regeneration perspective is what it feels like to work or live in that place over that pathway to development and how the opportunities can be maximised around that as well.

It is about integration into the wider area so that these are not just islands that are contrasts to the local area but places that blend with the local area as well. It is about opportunities for the local community as well.

Also, you put some interesting questions to Dan [Bridge] about our role and how we balance priorities. Given that we are the public sector promoters of the regeneration of a large area like this, part of our role is to balance priorities. We want to see the developments built out and so there is a commercial reality to it, but balancing that against other needs as well. You heard Dan [Bridge] talk about some of the softer infrastructure needs. We have a real opportunity to consider the bigger picture and the opportunities and challenges of the area and put arrangements in place to make sure that those opportunities are maximised and those challenges are foreseen and catered for.

The final thing I will say before I hand over to Dan is that there is clearly a role for the LEP here as well. I am sure we will come on to talk about business rates at some point, but clearly there is a formal relationship and role for the LEP insofar as the EZ is concerned. Their priorities are aligned with the GLA's and indeed with the vision as well in terms of jobs and growth, but there is also a role for the LEP and the LEP is obviously a body that we look after and the Mayor chairs. Therefore, there is an alignment with the LEP and its priorities as well.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): It is a really interesting question and it relates to what I was saying at the outset about how the Mayor has had this land for two years now, which has gone very quickly. If you think about it, the GLA plays a number of very important, significant roles in the regeneration of the Royal Docks and they are all quite distinct and different. On the development side, he is not only the landowner and effectively promoting development, but he is also the decision-maker in relation to planning consents; similarly with Newham. He is the strategic planning authority for transport and overseas transport for London and so he is responsible, effectively, for ensuring that the infrastructure goes in place and we work very closely with them.

Then there is the broader regeneration role that Debbie [Jackson] mentioned, which is all of those things around economic development and place-making and all of those other things that need to happen. We are working with Newham very closely now on all of those issues because the thing that is really important is that --

Navin Shah AM (Deputy Chair): How would you define and dovetail the responsibilities between the two authorities?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): We are doing very well now in working in partnership on all of them because, actually, you need both parties to be fairly aligned. Ultimately, Newham is the planning authority and needs to make decisions on some of those developments as they come forward. When we come on to talk about the EZ shortly, it is absolutely important that Newham and the Mayor and the LEP agree on what funds should be prioritised for and how they should be spent, not least because Newham collects all of that money before it transfers it across to the LEP.

There is a real importance about how the two authorities work together and, as Debbie [Jackson] was saying, having a shared understanding of what our objectives are and what we are trying to achieve is probably the key to that so that you do not end up in constant discussions about what you are doing and what you are trying to achieve.

Gareth Bacon AM (Chairman): Do you have that shared understanding?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): We have a fairly good shared understanding in relation to development and the broad objectives of development are there. As we move into delivery and some of the other things that we are talking about, we are only starting to discuss and agree now about what they should be. We are in the process of developing what we call an infrastructure investment and delivery plan in conjunction with Newham to work out what needs to happen and what needs to be spent and how that money will be provided.

Gareth Bacon AM (Chairman): In the case that Newham put to us - and it was the Mayor and the Chief Executive, who backed each other up - they used Barrier Park as the example and said that the GLA's management of it was a 'shambles'. I think that is the word that was used.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): I would completely agree with that, yes.

Gareth Bacon AM (Chairman): They offered to step in and run it. They are interested in looking at transfers of power after development has taken place. Does that accord with the GLA view of the world?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): The GLA would strongly say that it is important that the Mayor maintains control of the sites and manages the development because he procured the development partners, developed the development agreements and is co-ordinating the activity of that development.

I do think there is a lot more that we can do with Newham in terms of working together and really trying to work through and think about what roles both of the different authorities play in relation to that broader, wider regeneration piece.

Navin Shah AM (Deputy Chair): Are you getting around to doing that with the current concerns that clearly the local authority has and what we heard last time when the Mayor was here before the Committee? There is clearly a concern about it.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Yes, as many of you know, there is a high-level steering group, which is the governance body for the Royal Docks and which manages that relationship between the GLA and Newham. That is co-chaired by Richard Blakeway [Deputy Mayor for Housing and Land] and Lester Hudson, who is the Deputy Mayor of Newham. We meet on a regular basis to

discuss those concerns and, as you heard, you can imagine the number of reasons why concerns get raised on various issues.

We met this week and we have done a lot of work to prepare for this. We have agreed to jointly commission a piece of work to identify what the investment is that is required. We already know, but it is to actually profile that across and to make a business case for long-term funding to put that infrastructure in place.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): I should perhaps add that between, in our case, a 'quango' imposed on an area and in this case, the dual democratic mandate that we have in London between the Mayor on the one hand and the boroughs on the other, that relationship is inherently difficult to manage. With the kind of comments you picked up from the Mayor of Newham, it may be the case. I do not know enough about the details now about the management of Thames Barrier Park. However, as a general issue, who feels they are in charge and who is in control is a difficult relationship to manage. It needs a lot of proactivity, which I am sure Dan [Bridge], Debbie [Jackson] and others are providing. I am afraid there is nothing new in the tensions there.

Navin Shah AM (Deputy Chair): Can the GLA do better in terms of helping to accelerate the regeneration progress?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): The issue perhaps is that the majority of the work for the past 18 months or two years has been around very much procuring development partners. There has been a huge amount of work going on behind the scenes in terms of preparing planning applications and all of the work that goes into that at both the GLA and Newham and within the development partners. One of the problems with this stage of the regeneration process is that to everybody else it does not look like there is very much happening because actually onsite you cannot see very much. If you go down there, probably lots of people would wonder, "What is happening here?" They do not realise that there is a lot of incredibly significant, important work happening behind the scenes. It is just not very visible.

Both the GLA and Newham recognise that both organisations now need to decide what is needed to make sure that these developments reach their full regeneration potential. That is why both of us are committed to working through a comprehensive investment plan of what infrastructure is required, when it is required and how it is going to be resourced. A key part of that piece of work is how it is going to be resourced. Part of that is how that is done between the GLA and Newham and/or other parties that might be involved in delivering that on the ground.

All of that is very important and Eric [Sorensen] is right. Sometimes the fact that there is a landowner as a public sector authority is a more confusing relationship. If you were a private sector landowner you would have probably a different relationship with the local authority, but clearly we have a number of roles. We should be acting in a different way as a public sector landowner than a private sector landowner. It just means that the relationship is, understandably, more complicated, but it does not mean that it is not a good working relationship.

Gareth Bacon AM (Chairman): We are going to move on and discuss housing.

Murad Qureshi AM: Yes. We have actually covered quite a lot of ground. I will come to you, Eric, again. There is a significant volume of new housing that is expected across all the sites. The Mayor will need to develop mixed and balanced communities. I just wondered what you thought the lessons learned from your days at the London Docklands Development Corporation (LDDC) tell us. You did mention that as the third bit of your strategies. What do we need to take on board?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): One lesson which stands out for me, Murad, is the advantage of being the landowner when you are promoting housing. You have some ability to manage the quality, for example, and encourage volume house-builders to use architects when they are designing their housing. We were very keen on that and we could, in a sense, require that almost through our land ownership and the commercial deal we could strike accordingly.

We were able also through land ownership to provide in effect a land equity subsidy to housing associations. When we were promoting housing association development, we did so through softer deals on land disposal than we would have done to a commercial housing developer for the simple reason, of course, that we were as interested as they were in keeping the rents low for the purposes of the people who were going to occupy.

Thirdly, we also used our land ownership powers, as Dan [Bridge] has mentioned, to do an overage deal, particularly on West Silvertown and the urban village. We made at the end of the day quite a lot of money for the taxpayer on the overage. You could say of course we had the price wrong because then the overage would not have kicked in but, anyway, we had some of our money back through the overage deal.

Therefore, there are various mechanisms you can use, particularly as the landowner, to get what you want in terms of housing output.

Murad Qureshi AM: I remember actually doing developments for some of those associations and some of the deals done. You have given quite a lot of emphasis to keeping a stake. We have seen that in other parts of town. If you look at, for example, the West End and the Portman Estate, they all have very big stakes. The freehold is basically in their hands. The leaseholders may change and what-have-you, but they all come back to them eventually and every so often they come in and do things.

Is that something that is useful, that whilst you have the housing subsidised and what-have-you, it reverts back to public ownership, the freehold at least?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Yes, that was controlled, of course, by the ultimate owner - was it a housing association or was it a commercial developer - and therefore you would get the longer-term housing output depending on that longer-term ownership.

It is an interesting thought. We were always going to be out of the area at the end of the day and so at the end of the day we were selling freeholds one way or the other. We retained a freehold only to ensure that development took place and people were not land-banking. That was a way in which we, as a sense, used our freeholder relationship. However, it was never our intention to create a kind of Grosvenor Estate or Howard De Walden Estate there. It is an interesting thought, but it has not been done for some time in the public sector.

Murad Qureshi AM: Some of the associations do see themselves in that light, possibly. Also, the LDDC did have power to subsidise things a lot more than anything else subsequently and some of the infrastructure Dan [Bridge] mentioned. That is not going to be available to the Mayor at all and that is going to limit his ability or any else's who comes in behind him.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): It is interesting. It also alludes to the point Len [Duvall AM] was making earlier about trying to pin down the subsidy, so to speak.

You can, as a public sector body, protect yourself by constantly checking that you are doing the best commercial deal at any particular time through going out to proper competition under proper procurement rules and so on to get a development partner. The difficulty of that is, particularly when you are dealing with

the business cycle and it is falling away from you rather than rising, nothing is going to happen. The Royal Docks is quite a difficult market area. A lot of it is untested. It feels a bit isolated if you are an investor in that area. There is, in some sense, an obligation on the public sector promotor of development, which is what the GLA is here - and as Dan [Bridge] alluded to, it has several hats and that is of them - to think about whether you in effect become an equity player through your land ownership.

Let us take, for example, Dan's [Bridge] reference to the boatyard, which is needed. Everybody agrees that it would be jolly useful to have a boatyard at the eastern end of the Royals for all the reasons that Dan headlined. It is not going to be easy to achieve that. There is not an obvious market for lots of people who want to go and build boats on the place. The question is whether the GLA uses a soft land deal and equity participation and in effect become a player in that business through longer-term land ownership in order to get something to happen. I do not know what the right answer is here, but we ought to allow for the possibility of doing that.

Murad Qureshi AM: Just to be clear, I was not advocating for a Grosvenor Estate in the Royal Docks. Land ownership in this country is still very feudal and something dramatic needs to be done on that front. However, there is scope for something innovative at that end of town. I do remember the LDDC doing a self-build shared ownership scheme, which it funded. I thought that would be the way things may progress and they are easier to be done at that end of town than in other parts of town. Is there scope for things like that that the Mayor needs to look at, given that we have a Chairman who is very keen on self-build himself?

Gareth Bacon AM (Chairman): It needs to be in the right place.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): Maybe I can just jump in. In relation to this whole freehold/leasehold thing, we actually are the freeholder for the vast majority. In some ways, you are right to describe it as 'feudal' arrangements and those sorts of things. Actually, the amount of power that we get as the freeholder over lots of the sites that are delivered out of residential is absolutely minimal and in some ways is an absolute headache. Every time someone wants to put a new window in or something, we have to process that and so it is a bit of a bureaucratic nightmare.

However, we are looking at the whole of our freehold in the round as part of our estate management strategy, which is what we should be doing in the long term. That includes Thames Barrier Park and those sorts of things. One of the things that we have been very deliberately conscious not to do is to make piecemeal decisions, "Let us just transfer the park to Newham", or, "Let us transfer the park to somebody else". We genuinely believe it needs to be considered in the round because a number of things like Thames Barrier Park are actually a financial liability to the GLA. What we do not want to be left with is a scenario in five or ten years' time where we are just left with a handful of liabilities with nowhere for them to go. It is really important at this stage, while there are still a number of sites that are not developed or there is not a developer partner on board for them, to determine how we balance some of those assets and liabilities so that we leave the place in a good way.

Murad Qureshi AM: Obviously, the other area that we touched on is targets and the makeup of future schemes. To what extent did the LDDC have a clear vision on that and has the Mayor learned some lessons from that?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): In terms of targets?

Murad Qureshi AM: Yes. Have they helped?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Our targets formally, in terms of what we had to meet in our corporate plan and account for in our annual report, tended to be physical output-related. One of the long-running critiques, as you know, from the LDDC is that targets did not include a social dynamic like supporting local people into jobs. Although we did do that, it was not overt. What was counted was the number of houses we built, the square footage of development, the amount of roads built and so on. It was all pretty crude stuff. The GLA has much more subtle list of target outputs than we had and is all the better for it.

Len Duvall AM: Just in terms of timescales, Eric, the Royal Docks looks a bit isolated and it is a bit out on a limb, but those people who stood in the other docks were thinking about Canary Wharf long before the Jubilee line was in. The Limehouse Link, which I have heard you speak of many times, was a crucial Margaret Thatcher [former Prime Minister] decision to make Canary Wharf, one of the crucial decisions. It seems to me that actually the Royal Docks looks a lot more of a business proposition than the great entrepreneurs who were on Canary Wharf and standing on that dockside and saying, "This is what we are going to do". Their vision, yes, took through and meant bankruptcy a number of times for people, but it got to where it has got to at the moment. I am sure the figure is about 50-odd visions. I am glad that we have now in terms of the Royal Docks. Eric [Sorensen] would probably add another 20. I am just thinking of the 1990s and just what Newham has produced alone about this issue. There is a lot going for this area, it seems to me.

In terms of whether it is housing or others, there are some of those benchmarks and checkpoints, if I call them that, about whether we are on course. Debbie [Jackson] says we have stayed true to the vision and this is it. Somehow, in about ten years' time, whoever is sitting here in this Committee will pull you back and say, "Hold on, where are we on this?" There will be another vision because that is what life is about and things move on. For me, it is about the role in trying to achieve some of the objectives that we have started out to do, whether it is jobs, new housing or developments. Is it really right for London and not just for Newham? It is going to be for both, it seems to me, around some of those issues.

I just wanted to quickly ask Eric. You alluded to it. What are the things that we should be looking out for in terms of key milestones? We are talking about a good 20- or 30-year project, I suspect, and different aspects of it with different milestones. Is it about milestones? How do we know that we are on course or should be on course? Of course, those in power may decide to change direction because that is what politics is about or control. How should we be, as a Committee or as scrutineers, judging the performance of this already? You are right. What we see on the ground is different. There is a lot of hard work gone on in the last two years and I do not dispute that, but from the outside people are saying, "What is going on here?" Do you know what I mean? Part of Newham's issue was not about Thames Barrier Park. It was that you are slow and you are not getting on with it. The Chair was being polite. We could have quoted a full version of Sir Robin Wales [Mayor, London Borough of Newham] in full flight, saying what he thought of you lot here at the GLA --

Gareth Bacon AM (Chairman): We do not really want to get into that here.

Len Duvall AM: What should we really be looking for, then?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): That is quite a difficult question to answer, but I have two important points. If the ABP scheme on the north side founders given all the momentum it seems to now have and, similarly, if Silvertown Quays - as you alluded to, it has been a long time trying to sort out the Pontoon Dock area - founders, then there are some quite interesting questions to be asked. What is going on here? Is it about the GLA's approach? Is it just the vagaries and the challenges of the business cycle or something else? Therefore, two obvious milestones are making sure those two massive developments do get underway. They are not going to be built out over five years. Probably each one is a good ten years, if not longer, but nevertheless to see steady progress.

I have two other things to say. The disadvantage of being a quango is that you get stopped by the Minister of the day. Looking back, we felt we were cut off in our prime in terms of the Royal Docks because we felt we had only just got going and were recovering from the business cycle downturn in 1990 to 1992. Be that as it may, the advantage we now have is that we think the Mayor of London is now a permanent fixture. Therefore, there is a very good chance that the GLA is going to be here for the duration. It has to have that sense of pace and urgency about what it does in order to maintain a convincing posture on regeneration, but on the other hand it is not going to disappear tomorrow. There is an opportunity there to plan accordingly.

The last point I would make is that a lot of the sites on the Royals, as Dan [Bridge] said, are not actually in the control of the Mayor, particularly around on the river's edge. There is a massive important site, which you will have seen, which is called a 'strategic employment area', on the southwest corner overlooking the Dome and going up to the river Lee, which is in a series of private-sector ownerships and also has four protected wharves as well, and also is going to have the Silvertown crossing landing on its somewhere in the next few years. That is a site which seems to be crying out for a completely different approach, consolidating the businesses there, consolidating the wharf use and making sure that the landing of the Silvertown crossing fits with aspirations. That would be a very interesting different sort of milestone to get one's hands into, but it would require quite a challenge from the GLA's perspective because, as I say, they do not own many of the sites, if any, in that area.

Len Duvall AM: Let us turn to some incentives and maybe some accelerators. I will bring in Jonathan as a representative of the private sector and a 'watcher' of things. What are the advantages of having an EZ to support regeneration efforts? This may well be an unfair question, but why do you think the LEP has failed - I am not sure if it has in my own mind, but I am referring to my brief here - to attract more businesses to register for the EZ since April 2012?

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): I will take your last part first. I do not think it is a surprise, given the comments we have heard about the long-term nature of the project, that there are not a raft of new businesses there already because, quite simply, what would they be housed in? We were at the start of a very long-term project. Therefore once we are, frustratingly, a lot further down the line you will be able to make a fair assessment of: has the LEP and its EZ worked in terms of stimulating businesses occupying that space? Unfortunately and frustratingly, it is simply too early to tell. If you step back and think, "Ultimately, would the EZ designation and the benefits that it brings help along the line?" It probably will but it is at that later stage. Fundamentally, those that are going in and acting as the developers at this stage are probably not counting on the EZ designation as being the winner for them in terms of why they have gone in there. We have heard that whilst this is a site with many strategic challenges it is also a site that contains an airport, will have a Crossrail station, hopefully potentially further river crossings at Silvertown and Gallions Reach maybe. It is strategically an important site that really you could make work. What we need is the vision and the leadership to get there.

Therefore the EZ actual benefits, in terms of the incentives, I do not think are actually attracting much attention at the moment, but I think once we are, say, five years down the line and we have started to see some development spring up those that are leading those developments I think will be in a very good position to say to the businesses coming in, "These are the benefits here". Any reduction on somebody's business rates must be seen as a positive thing I would have thought in one sense. They will kick in later down the line. At this stage, to some extent, the designation is not irrelevant but just not significant yet.

Len Duvall AM: Not at the moment. Debbie, if I can turn to you, then, can you explain what revenue the LEP has collected so far in that, which I presume is very low, or what it expects in terms of its milestone over a

five-year period I presume or even a ten-year period, and what negotiations has the LEP had with Newham on how to spend it?

Debbie Jackson (Assistant Director - Regeneration, GLA): Sure. I just begin by endorsing what Jonathan said. I actually worked for the LDA and was responsible for putting the pitch together for the EZ. We knew back then that this was going to be a five-year lead-in before the benefits really kicked in. In fact, we lobbied at that stage for the relief period to be extended because we knew it was not going to capture meaningfully any businesses that were moving into the zone. I do not think there has been slippage, so to speak, against our original intentions.

To come to your question, simply put: what has the LEP collected to date? The LEP has collected nothing. It is all sitting with Newham at the moment because the LEP cannot draw the funding down until such time as we have reached agreement with Newham on the allocation of the revenue.

Coming to your last question now: where are we at in terms of those negotiations with the borough? What we are working on is, if you like, a business plan for the EZ that models the expenditure and models the revenues in order that we can take a paper to the LEP, jointly with Newham, that sets out a proposal for the revenue from the business rates to be spent in Newham. Only with the benefit of that detailed work can we take that decision to the LEP. In fact we talked about this at the high-level steering group this week and we are aiming to take a paper to the LEP in June that will set out some high-level principles for the use of the revenue from the EZ. Then I envisage we will take a further paper, perhaps after the summer or later in the year, that will really get into the numbers once the detailed work that Dan [Bridge] has been describing has been done. That is the sort of pathway.

Len Duvall AM: Just to interrupt, at this stage of the development can you just paint me some pictures, not giving away your negotiations with that, what the money would be spent on at this stage in the development and what may it be spent on in ten years or at the end of a five-year period?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): In the absolute short-term what is required are two individual projects; an upgrade to the Crossrail station at Custom House because, many of you will know, that was designed to a fairly basic level, I think it is fair to say, and there is a requirement for a new interchange between the Crossrail and the DLR to get passengers to Royal Albert Dock. The design work needs to be done now and the expenditure needs to be committed by, we think, the second half of next year. That is the first key thing. Similarly, at Silvertown Quays there are upgrade works to Pontoon Dock Station, so the DLR station there needs to have escalators put in because it is going to be a very busy station. Those are the two critical things that need to be happening in the short term.

In the longer term, this all plays into a lot around what can the sites deliver. As we know, the viability on all of the key sites is challenging because of the upfront infrastructure costs. That ultimately has an impact on the amount of affordable homes we can deliver and anything else, because clearly that is what gets squeezed. The conversations that we are having with Newham is dependent on what that study identifies. If the LEP is willing and able to make a contribution to things like the new bridge that we know needs to go across Royal Victoria Dock, for example, which has a significant cost associated with it, and potentially some of the contributions to things like Newham's workplace programme, then all of those things dramatically improve the viability of all of the schemes and will allow the developers to provide much more affordable housing and things like that. That is it.

We talked about this this week, and you can put it into three broad themes. You can say first it is transport, and that is everything from strategic transport to Crossrail upgrade to DLR carriages through to the local movement stuff, so there is a whole transport movement piece. The second one is economic development.

That is all the employment and skills piece, so Newham's workplace programme, and more hopefully, plus more of looking at additional incentives to maybe bring people in because we know that the incentives that are available at the moment in their own right are not particularly amazing and actually we may need to think a bit more creatively about how we attract some serious players to the docks. There is a whole economic development piece. Then the third one is what we call place making and culture. That is the stuff that Debbie [Jackson] alluded to.

We have been conscious of this. We have been doing a lot of work. Through the course of the past six months we have been working with DTZ to model the income, so we have a very good idea of what the income is and a very good idea of what the transport requirements are. That is why this year is all about trying to determine, now that the development partners are coming on board, what else we need to actually really significantly change what is happening there.

Debbie Jackson (Assistant Director - Regeneration, GLA): If I can just follow-up with a couple of points. Just to reassure the Committee though there is actually some revenue being generated at the moment. In 2013/14 it was about £100,000-odd. That is held at Newham. We will claim that retrospectively at such time that we do cut a deal for that, so we will claim retrospectively.

I also just want to say a word about the benefits of an EZ. I do not want to sound too downhearted about it, because while the benefits of the EZ -- on the face of it EZs are designed to appeal to individual businesses with the business rate relief and things like that. While those may be less relevant to this, and indeed other circumstances in London, that mechanism to fund large-scale and large cost infrastructure is fundamentally important or these large-scale regeneration projects and developments simply will not happen. While Vauxhall is not technically an EZ it is the same mechanism as being used there. I do not want to steal my own thunder because you are going to ask me, but Croydon -- this is how these major infrastructure projects get financed now. That is the incentive to developers and for the regeneration of these places. It is hugely important, just maybe in a slightly different way to how it was originally envisaged.

Len Duvall AM: In the pressure of establishing an EZ are Newham having to give something, but also getting something back in return, on swings and roundabouts if we call it that? The jobs on this site are not just going to be for Newham people, are they? This is a new business district and mixed communities. I saw the people travelling and working from Canary Wharf. That must create some tensions because Newham obviously wants to maximise its residents' access to those jobs, which is good, I have no problem with that. There are going to be more jobs than just for those Newham residents, is that --

Gareth Bacon AM (Chairman): If we can pause on that thought because we will come to that.

James, can we talk about EZs in a little more detail?

James Cleverly AM: Paul, your think-tank has been quite critical of EZs, not necessarily conceptually but in terms of the deployment of EZs. Are we getting it right with this one?

Paul Swinney (Senior Economist, Centre for Cities): Obviously, with any policy that is implemented you have to think what market failure are we trying to solve here? We are thinking about trying to improve the economic performance of a place. EZs are trying to give incentives to get businesses to cluster in the one place. Effectively that is what is going on. Then you think about why is that a benefit? Why do you want to see businesses clustering in certain places, or why would businesses want to cluster together? If you are talking about manufacturing firms, for example, they do not really get a benefit from clustering next to other manufacturing firms. They want lots of land and they probably want lots of a certain type of worker they can get access to. A majority of that tends to be out of town as a result, and that is why we are seeing that movement out.

If we go to the other end and we talk about knowledge-type businesses - and that is referenced in the master plan - those sort of businesses do want to cluster together. That is not just businesses in exactly the same sector, but it is cross-sector as well because they benefit from having face-to-face interaction with clients, competitors and collaborators too. Indeed, if you look out the window that is why we see so many offices packed within central London now.

If you are going to do an enterprise policy, and the international evidence suggests that you get a lot of displacement with jobs rather than the creation of new jobs, then the policy has to be about trying to capture the benefits of getting that clustering together. When you get that clustering together it is greater than the sum of its parts, what comes out is greater productivity and that is, again, why central London is so productive. If we are going to go ahead with EZ policies, again the numbers that we have talked are 20 in the current round and only three, I would say, are in city centres, Bristol, Liverpool and Northampton. You would put them within a city centre because that is where the benefits are. That is where these businesses want to be.

Therefore putting an EZ out where we are proposing, or where has been put here, actually leads to distortion within London's economy rather than an addition to it. I would even go as far as to say that Canary Wharf actually proved a distortion to London's economy if you look at the geography of jobs. Particularly, we need to look at this site in London as a whole, which is the point that you were making earlier Len [Duvall AM] about how it plays into the wider London economy. What we have seen with the geography of jobs across London in the last 15 years is that increasingly they have been concentrating within central London. We should be trying to support that because the private sector has very clearly shown that is where it wants to be. Indeed, you even hear anecdotes about businesses saying going off to Canary Wharf is too far and they want to be within central London. Indeed, it is quite interesting to see the response that we have seen from the City of London over the last 15 or 20 years to Canary Wharf, and that actually a lot of high-rise buildings have now gone up in the centre of London because that is the sort of further development that businesses want to see and that is where they want to be located.

James Cleverly AM: Paul, I am going to put you on the spot a little bit here. You have highlighted a perceived problem.

Paul Swinney (Senior Economist, Centre for Cities): Yes.

James Cleverly AM: Is there a silver-bullet solution, and if there is do you have it? If there is not --

Paul Swinney (Senior Economist, Centre for Cities): For?

James Cleverly AM: To get EZs right, in terms of the mix of incentives. You have highlighted some of the challenges. I suggest there is probably not going to be complete unanimity amongst everyone on this regard. You have identified the problem of potential distortions, displacement rather than additionality. Is there something that can be done or should be done here to either solve that or at least mitigate that?

Paul Swinney (Senior Economist, Centre for Cities): In our view the centre of cities and this part of London should be key to solving the housing crisis. The second least affordable city in the whole country and the most expensive housing. Those are the things that these sorts of sites should be looking to solve: how can we try to get more houses into London to try and moderate the house increases that we have seen? I do not really see why the public sector should be offering incentives to businesses to go and invest in this site.

James Cleverly AM: You are suggesting that actually this should just be residential, right across the board?

Paul Swinney (Senior Economist, Centre for Cities): Yes, and if businesses want to go there then great, that is their decision. We should not be there incentivising them to go and do that as well. We see how they take their choice on that, but we do not see the case for subsidising those.

James Cleverly AM: All right, that is a gauntlet thrown down.

Gareth Bacon AM (Chairman): I would be interested in your response.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): What we are saying is in the context of the Royal Docks that it was established in the London Plan as an area for commercial development way before the EZ came in. It was not as though it was zoned or planned for anything else. There has always been a long-standing policy ambition, actually a lot from Newham, about having job creation there. That will my first point. My job would be a lot easier if it was just residential.

The other thing to say is that, as you know, the level of incentives that is offered to businesses is relatively slim and it is the other things that Debbie [Jackson] mentioned, which is about the control and power it gives us to potentially significantly invest in infrastructure to make the whole place a much better place to live, work and play.

Paul Swinney (Senior Economist, Centre for Cities): The two things to that one is, firstly, why do that zone? I can understand that policy has been in place for a long time. There is a question why you would do that in the first place given the patterns of development that are occurring within London. In terms of investment, it is a great point that that is a great tool to use. As you say, that has been used in Battersea to hopefully good effect. The question then within that is if the incentive is not very big then why offer it at all? It seems that the benefit for London to what you are saying there then is the ability to keep the business rates. That is what needs to be focused on and so why should we then be giving an incentive to businesses as well on top of that? If there is a demand to go in there they do not need that incentive, actually. You just need the ability and the power to keep the business rates, which is a separate policy. It is a separate discussion that we had with central Government.

James Cleverly AM: This is quite interesting because we had bit of a steer as to where the question should be going and you have completely spiked that because I was going to ask about whether we have the right mix of incentives and that sort of stuff. Your view is that any incentive is the wrong mix of incentives completely.

Paul Swinney (Senior Economist, Centre for Cities): Yes.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): It is quite interesting what you say, and that adds to your view that the market has very much been pushing commercial development towards the city centre. Debbie [Jackson] is going to jump in and say a lot of the work that she has been doing suggests that there are other patterns emerging. I just wanted to say that we know through the recent public inquiry into the London Plan and the Further Alterations to the London Plan that that identified that there was a significant undersupply of commercial space across the whole of the city. That was a significant issue, so there is a --

James Cleverly AM: Debbie, you have been chomping at the bit to come in.

Debbie Jackson (Assistant Director - Regeneration, GLA): Yes. That begins my point. The key word for me is 'growth'. You mentioned displacement. I am not an economist and so I suspect you can out argue me, but I am very interested to hear Eric's [Sorensen] view as well. The key word for me is 'growth'. The concept of displacement assumes a constant number of jobs to me. If you look at the statistics around vacancy rates in

central London, there is very little vacancy. If you talk to Westminster Council it is very concerned about the fact there is very little vacancy. Permitted development rights are causing real problems. We appreciate there is an exemption in central London, but there is a real pressure on work space. There are also pressures like affordable work space which is a real problem for small and medium enterprises (SMEs) in London. Part of that, in the same way as a solution to affordable housing, is about supply. A solution to having a range of work space across a range of sectors is also about supply. London's growth has just gone higher than 1939 for the first. Therefore, it follows that more jobs are required and work space for jobs.

Paul Swinney (Senior Economist, Centre for Cities): I completely agree with the supply point, but that has then taken, within London, a completely spatially blind approach to that. My point is that what we are seeing is an increasing concentration of jobs within central London because that is where businesses want to be. The supply response to the restrictions in supply in central London should be to increase the supply in central London. If you would extend that argument - I know we are going to come onto Lee Valley and Croydon in a bit - but again, you could say actually we have got an under-supply of office supply in the wider south east, or we have got an under-supply of office space in London so why do we not go and build out in Coventry? That is not how businesses work. Businesses are not going to go, "There is not enough supply space and so then I am going to go to Coventry". Actually it is going to push up the price in central London. The same analogy works, although to a much lesser extent, that you can build as much business space as you want in Silvertown or out in Croydon, but if businesses want to go into central London, that is where they want to go. There is inherent value in being based in that very tight area because of the face-to-face interaction that you get for certain type of business, and we will say knowledge focus-type business, a high-paying, high-skilled type job.

James Cleverly AM: I am going to throw in an idea and then I want to bring Jonathan in on this because you have managed to dodge most of the bullets thus far which is a little bit unfair. I do not want to drift into transport policy, but the nature of London's commuting patterns, where you have this big concentration of human bodies in the centre of London coming in every day and going out every evening, drives a massive requirement for rolling stock and a lot of our expenditure is to match that peak demand. Jonathan, could or should at least a partial decentralising of London's economic activity to perhaps alleviate that and some of the other issues with regard to quality of life, commuting times and that kind of stuff, might that be a balancing argument against the point that Paul has made? Do you have a view on this?

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): Decentralisation in what sense?

James Cleverly AM: You have a number of big companies as members of your organisation. Do you have any views on what their corporate or collective position is on a partial decentralisation of work? Paul [Swinney] has made the point that really where they want to be is central London. Is that borne out by fact? Could they be persuaded? What would persuade them? To go back to the incentives, what would counterbalance that natural desire to be where your mates are?

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): The basis of what Paul is saying is very sound. You cannot skew the market as much as one may like to do so. Ultimately businesses will end up where they want to be. As Paul has suggested, the benefits of agglomeration far outweigh any maybe short-term subsidy that somebody would give a business to go and locate in an isolated area with no infrastructure. We certainly do not foresee central London suddenly depopulating and businesses going out to the suburbs, for example.

There is, however, a balance to be struck here. Whilst I accept the thrust of Paul's argument, the reality is that you have some sites - and actually this is pretty close to central London; we are not talking as if this is in the

outer London area - that have lain derelict for a very long time. The market has not gone there to date. We have to ask ourselves how we can stimulate some activity there. It just so happens that central Government have handed down the EZ status and the benefits or incentives that have gone with that. That is not to say that you cannot come up with other instruments that the GLA has and some boroughs have to help stimulate that development as well. I do not think you can artificially push the market somewhere it does not want to go.

Gareth Bacon AM (Chairman): I am going to intervene here, using Chair's prerogative, and I will ask Eric to come in. I will be fascinated as to your views of the exchange that we have just had. At Canary Wharf, I can remember there being one tower sat there amidst nothing. Then all of a sudden all sorts of things were going on over there, and are still going on over there now. Why would that not happen in the Royal Docks? If we take Paul's argument that businesses want to be in central London, they do not want to be pushed out and they do seem to have gone to Canary Wharf, I am wondering why that would not happen in the Royal Docks. That question, but also your views as to the exchange we have just had.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): I am sorry I sound a bit harsh, I do not mean to, but I do not accept the simplistic way in which the economic geography of London is being discussed. Of course, there are agglomeration drivers which are expressed in strong preferences of businesses to go to the centre, and then they get the agglomeration benefits of being so. As James Cleverly said, we have this, in some sense, rather bizarre nature where we spend enormous sums of money on transport infrastructure to ship people in and ship people out twice a day in order to deal with this. Again, that is also about an expression of preferences and relative cost. It is about where people want to live, and it is about the cost of living in the centre of London which is the most expensive city in the world almost, apart from bits of Tokyo or whatever. It is a much more complicated picture.

You are right in your allusion to Canary Wharf, Chairman. At the beginning of Canary Wharf it was not rational in the sense we are talking about. It was a bold move which has gone through quite a few vicissitudes over time which, as I said earlier, was generated by a series of forces which operated in the mid-1980s, but where, in fact, the outcomes could have been very different in location terms to produce the same result, in other words, a lot of new business space. There is nothing inexorable about a lot of offices appearing suddenly in Canary Wharf where there had previously been dockside. It was, in part, a political choice generated by the government of the day, and they are entitled to make that kind of adjustment just as other people are entitled to criticise it. There is nothing natural if you like, or inexorable, about that kind of decision.

There are a number of reasons why housing around the Royal Docks just does not seem right. There is, quite rightly, a strong demand from Newham for jobs and businesses rather than just more housing, and that seems to me a perfectly sensible thing to accede to. There is the issue about the impact of the airport and what therefore is good neighbourliness in terms of different patterns of development.

As I say, I do not agree with the proposition which is that there is business and there is housing and they have simple location preferences. The whole equation is much more complicated than that.

Gareth Bacon AM (Chairman): Thank you. Do you want to come back, Paul?

Paul Swinney (Senior Economist, Centre for Cities): Yes, my point is that if businesses do want to move there than that is fine, but I do not think we should be then subsidising that choice and distorting how they make their choice. Certainly the research that we have done would suggest that there would not be huge take up on that site without an incentive. Therefore we should be focusing on how we increase the supply of office space in central London because that is where the greatest constraints are. Then we use that site in terms of thinking about housing. It is all well and good Newham saying they have got designs on having jobs on that

site. That is an arbitrary boundary drawn within a city. We are one city, so why should we then say that because within this arbitrary boundary we decide we are going to have jobs we are going to subsidise that, as opposed to looking at how economic geography has changed. The economy now is very different to how it was 30, 40 or 50 years ago. We need to be responding to it in that way.

On the specific point about Canary Wharf, as I said earlier, overall it probably did act as a distortion on London's economy. The reason why it was successful was because of the different type of office space it could then offer in terms of the much larger floor plates, especially the way that finance had shifted at that time and the way that planning policy most likely within the City of London and on the fringe of the City of London did not allow the creation of those floor plates. As we have seen over the last 15 years Canary Wharf is definitely giving some sort of competitive response, I would say, in terms of what we are now seeing being built there.

Gareth Bacon AM (Chairman): Is that not a good thing though, the competitive response from the City of London? You are right, the amount of building that has been going on in central London in recent years has been in marked contrast to what went for many years before it.

Paul Swinney (Senior Economist, Centre for Cities): Yes, in this second-best world, yes. The only reason we have got in that position was because there was an explicit policy decision made that we were not going to build that sort of office space within central London before. That was a clear choice that was made. It is very difficult to measure now but I would expect that it would be the case. Did building Canary Wharf actually have a negative impact on London's economy vis-à-vis the counterfactual of saying, if we had allowed that space to be built in central London in the 1970s or the early 1980s around financial deregulation, would the sum of the parts have been even greater than what it is now? That is an impossible question to answer and we are where we are.

My lesson would be that we would not then be trying to replicate what we did in the Canary Wharf. Actually the better thing to do is to have a different approach to the planning policy and building policy within central London that we now clearly do have, which is a great thing for London. If we did not have that that would probably mean that it would not be a case of saying, "I am not going to be next to my friends anymore. I am going to go down to the Royal Docks". Actually, "If I am not going to be next to my friends in central London, I am going to be next to my friends in central Berlin or Munich", or wherever else it is that those businesses would actually want to go for. It is that density and that proximity that they are looking for.

Gareth Bacon AM (Chairman): With the transport links that are shortly going to be established in the Royal Docks, does that not make that problem slightly less of an issue? The link into the Royal Docks with Crossrail, etc, is going to be significantly improved. Are they mutually exclusive offers?

Paul Swinney (Senior Economist, Centre for Cities): Perhaps, but when you look at the research on these sorts of things, there has been research done on the advertising industry in Manhattan. They found that the sphere that they operated in was 750 metres. That was how tight this was in terms of trying to be close to other types of business. We are talking about a couple of miles to go further out. I am sure the transport links would help, but again why then do we not see a move of people from central London out to Canary Wharf? There is a little bit of that, but then again you hear a lot of anecdotes of businesses saying, "It is just too far to go out there". The Jubilee line definitely helps with that sort of thing. Again, you said once upon a time there was one tower and now there are lots. Those transport connections have helped. Again, it comes back to this point of what is a counterfactual. We are actually worse off now than what we would have been if we had not allowed that building to occur.

To go to James's [Cleverly's AM] point about people coming in and out in terms of transport, the response to that to me is to improve transport links as we are doing with Crossrail and as we propose to do with Crossrail 2,

as opposed to let us redistribute industry. That is exactly the same line of thinking that we have had for eight years on the north-south divide. Clearly that does not happen. Businesses still want to come and pay the premium in central London because you have a greater benefit to be within central London than the cost that they pay for that.

Len Duvall AM: A fascinating debate. Eric [Sorensen] has lived here all his working life!

The issues then, to take logically what you are saying, Paul, because the drivers of what we see today in the city is about competition with Canary Wharf. Eric [Sorensen] said it in the beginning, unattractive for business accommodation and really, an unwillingness by the City of London Corporation at the time to actually address the fact. Combine that with changes in attitude seeing Canary Wharf being built, and offering that larger modern business accommodation, plus the new London Plan in terms of tall buildings, then you see what we have. If I take logically from what you are saying in terms of trends, and we may need to address this, the pressure around Westminster and certain parts of Camden from the business sector that will not want to move out, and there will be some that will not want to be brave pioneers and go out to Canary Wharf or the Docks which I find it laughable but I can understand the resistance in that sense, then we are going to start seeing some growth points on those fringes in terms of once the competition or the Corporation redevelops and rebuilds in that sense. Is that logically where you see some of that business accommodation going?

Paul Swinney (Senior Economist, Centre for Cities): We are based behind the Oxo Tower on the South Bank. Have a walk around there and look how that has changed over the last five years in terms of the buildings going up and buildings being refurbished. The core of London is starting to spread a bit just south of the river. That is where we are starting to see some of that overflow going. Again, that is crossing Blackfriars Bridge. We are already now seeing those tentative movements there as opposed to a couple of miles out to the east. That is where there has been a response.

Again, if you look at how the skyline of London has changed over the last ten years you can see where there has been a response there, and that is right in the heart of the city. The last time I looked at these statistics there were nine new skyscrapers being planned or currently being built. It was last year or the year before when I last looked that up. I would imagine that is still somewhere along the lines of that. There is a lot of money going into it because there is a profit to be made from the construction sector.

Len Duvall AM: In essence, Chairman, these are the challenges about attracting mixed developments and business. That is the competition. Some of the businesses that we are attracting from China and the Far East are we relying on because they know of the city because they are pioneers of being in the city but they are going to come to an attractive business location in a smart new London district versus a central core business district, whether it is Canary Wharf or the fringes of that development. That is the competition. Who is going to win?

Murad Qureshi AM: Just the other aspect, in terms of office rents, the West End is still a lot more expensive than the City or Canary Wharf yet people still want to stay there. They are willing to pay for poky little offices off Oxford Street and what have you. Actually Westminster Council is busily extending the West End into Paddington. Someone like me, who grew up there, never thought of Paddington as the West End but that is the intriguing move and response to what is happening.

Gareth Bacon AM (Chairman): Before Dan [Bridge] comes in on that, when we went down to visit the Royal Docks in December, one of the things that we heard there was that the whole point about attracting foreign businesses and foreign investment in there is that they make no distinction between central London, east London, north London, west London and south London. It is all the same; it is London. That is the attraction

and that is the selling point. Is that a fair comment and does that negate some of what we have heard already?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): You have both just made the point I was going to raise. The first one was from ABP Development, and probably similarly for Silvertown Quays, that you are probably looking at rents at probably 50% of London prime. That is a significant issue for businesses locating, and that is not a subsidised incentive, that is just a market incentive to make them go there.

The second point is that the uses of both the Royal Albert Dock and Silvertown Quays are very different for the point that Gareth [Bacon AM] raised, that we are expecting these to be South East Asian businesses. Anyone who has been to Beijing will know that travelling 20 miles out to a business park on the edge of Beijing without public transport is a normal done thing to do. When those potential investors are looking at the Royal Docks and see that it is 15 minutes to the West End on Crossrail they do think that is central London, and even closer to Canary Wharf.

With Silvertown Quays, I talked earlier about how this is a new use. It is very much focused on a brand proposition. The market there and the demand for those units is coming from brands and businesses that are not able to access that sort of building typology at the costs they are able to deliver it at in the West End. You cannot get that space on Oxford Street. We are talking about space where there is going to be interaction, auditorium and the ability for people to go through experiences and those sort of things. They are very different market indicators. I do not think we are talking about absolute grade A office space, or even office space that is particularly focused at, for example, creative industries. It is a very different offer and a very different market.

Paul Swinney (Senior Economist, Centre for Cities): My question then would be why they would then come to London if they are cost sensitive? Clearly the businesses that we are seeing a lot of growth rate for in London, as you quite rightly point out, are not cost-sensitive because they want access to knowledge and that is what they get within central London. If they are cost-sensitive, then there are other places they can go. They can go on the edge of the M25 or they go out to Crawley which is even cheaper.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): You are only 15 minutes from central London, but more importantly for ABP it is the point that it is adjacent to an airport. The actual location of the airport is very important to them. Everyone knows about the agglomeration of businesses around Heathrow and the M4 corridor directly related to the airport. That was one of the significant reasons that ABP took the decision to locate at ABP because it was literally five minutes from an airport that can get you to anywhere in Europe. There are some very different things at play.

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): That is a fair point to make. London does need significantly more housing. That is absolutely given and we should be doing all we can to deliver that. For this site there is hope that something like 11,000 homes will come forward as part of this so it is making a contribution. Equally you have a fantastic airport there, with access across the world. It is clearly a desirable location for foreign investors to come in and start delivering a different type of product. That is not to say that it is a different question of whether you think there is an element of how subsidised that should be. In terms of thinking how that place can work within London's economy, it is a broadly sensible proposition.

Dan Bridge (Principal Development Manager, Housing and Land, GLA): The thing that was genuinely exciting actually is, when we have been through Newham's design and review panel and the Commission for Architecture and the Built Environment Design Council (CABE) review panels, particularly for Silvertown Quays,

about how excited they were to see a truly mixed-use development. This is a development with 5 million square feet of commercial development and 3,000 homes on a waterside site in, we would argue, the centre of London in (Inaudible). There was a genuine excitement that actually we were not creating a dormitory residential settlement, which probably is what some of the Docklands developments in between Canary Wharf and the centre of town have suffered from because they are not particularly lively places. The sort of people who particularly the Silvertown partnership are targeting are people who might have slightly different working patterns or operate in a different way. It is very interesting.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): If I could just add, Chairman, there is a debate which we are not having now, as you appreciate, about London's position in the national economy and all that. If we are just looking at London per se, the important point I would emphasise, which I must say has already been made, is the virtue of competition and choice. That is what these developments offer in the Royals. They are an additional good compromise, as far as inward investors are concerned, about price, location, other benefits nearby, the airport as Dan has mentioned. It is not just about whether we could have a completely different redrawn strategy. The issue we are talking about is what sort of preferences, and what sort of market responses, can we make for people who want to be in London at different price levels, different sorts of location, with different packages of benefit in that location. That is what we were able to offer in breaking up from the city to Canary Wharf. West End and Westminster are performing a quite different function, at enormous cost I might say but people want certain types of businesses premises there, hedge funds and so on, and they are willing to pay for it. You have a different sort of market in the Royal Docks which is attractive to inward investors and we want those jobs and businesses to come in.

Murad Qureshi AM: Just an observation that I certainly note, I thought one of the biggest impacts Canary Wharf made was not the physical thing and the transport infrastructure like the Limehouse Link and what-have-you - It was actually including the Docklands into Zone 2 of the London Underground. That will have been quite a significant change, and changed people's perception, or certainly my perception as a Londoner that it was actually part of central London. No doubt there was a lot of lobbying done for that to happen.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): There certainly was.

Murad Qureshi AM: Yes, certainly. That is true. That did not, presumably, cost a lot of money to do.

Can I just move on to Eric, you feel the development of Canary Wharf could have done more for local people, let us say in Tower Hamlets? You touched on it earlier that the LDDC could possibly have done more to increase employment opportunities. Is that something you regret?

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): I see where we could have done more. The first point, the employment mechanism has changed enormously over time. We have now probably got a much better set of arrangements than we had in the time we were doing Canary Wharf. What worries me about some of this is that I remember Baroness Margaret Ford when she was chairing the Legacy Company in the Olympics, and one of the points she kept making was that she was going to learn the lessons of Canary Wharf. I think she was alluding to employment possibilities.

The problem is first of all Canary Wharf provides a whole range of employment possibilities. You do not have to be some kind of highly paid investment banker to be in Canary Wharf. There is a whole range of employments there, much of which goes to local people. How you measure this, of course, is extremely difficult. As I was at, as it happens, a discussion last night where somebody was quoting that 80% of the jobs

on building the Olympics went to local people. When you look into that kind of statistic what it means is that people working on the construction of the Olympics at any one time happened to have an E15 or whatever it was postcode in their address. They may have arrived at that address a year ago from Poland and so what exactly are we measuring here? It is quite difficult.

I think the other way of looking at this is that Canary Wharf sits in Tower Hamlets which has, on some measures, an economic activity rate of about 52%. Everybody says, "How can this be? How can you have such a low economic activity rate and then claim the benefits of Canary Wharf for local employment on the other?" That is a fair point to make. Then, again, you need to go underneath that question. For example, we have got a very large Bangladeshi community, as you know, in Tower Hamlets. Many of the women in that community choose, for one reason or another, cultural and other reasons, not to be economically active. You have got, if you like, cultural drivers and ethnic related drivers which squeeze down on economic activity rates. It is quite difficult to measure what actually is the issue we are addressing here.

All I would say is that as far as we can judge - and so it is a pretty crude judgement, I confess that straight away - Canary Wharf does provide a wide range of employment possibilities and actual employment for local people but we do not measure it very well, that is for sure.

Murad Qureshi AM: That is interesting because at the time when I was working there I think the predominant community concern was housing, there is absolutely no doubt it is actually one of the things LDDC intended to deal with. That was my impression at the time.

If I go now to awards for educational achievements, I am actually staggered at the results some of these children are achieving in schools in Tower Hamlets. It is all credit to the children, the parents and schools. I am not sure how it has happened but it has happened. You go to Mulberry School for Girls, some amazing results. I certainly did not get those kinds of results on my side of town but I probably had better contacts, I suspect, to get to where I got to. That is the problem. They say the citadel of capitalism is Canary Wharf there, and all the estates are on the edge. It does not seem to be as easily available as for others, yet they have actually done one basic requirement, which is get the pieces of paper. That, at least, has been done in the interim between your time at the LDDC and Canary Wharf now actively functioning.

It does not seem as though there has been any trickledown immediately if you look at Tower Hamlets. I am just concerned that we need to learn the lessons there before we can go into the Royal Docks and offer maybe a different model, but another way for locals to kind of dive in and hopefully get the opportunities that will be on the doorstep.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): I agree. There is an issue but, as I say, what does concern me is measuring and demographics and trying to ascribe cause and effect to the overt measure. That is a very complicated issue at local level.

You are right. Educational performance and educational aspirations have improved out of all recognition in Tower Hamlets, no doubt about it.

Paul Swinney (Senior Economist, Centre for Cities): I am just going to say that one of the key things is that it is fantastic that schools improved so vastly and fantastic that all these jobs are on the doorstep for those people going to access them after A levels, university and whatever. We have to be careful what policy tool we use to tackle policy problems. If the problem is that there are people who cannot get jobs because of a number of different barriers then policy should be focusing on reducing those barriers as opposed to creating jobs. If you create jobs and employers do not want to employ them then, of course, the jobs will go elsewhere. That is where the policy should be aimed.

Gareth Bacon AM (Chairman): That is a very good point and that leads directly to what I was about to ask Dan because one of the criticisms that was laid at the door of the Canary Wharf development is that whilst it delivered thousands of new jobs in the local area the local people could not do them, so you imported a load of people to do the jobs and the local people benefitted not one jot because they simply did not have the skills. Has the GLA undertaken any sort of skills mapping or anything like that in the Royal Docks area, in terms of tailoring the kind of employment opportunities that we are looking to create or import into that area so that the local people will at least have a chance of accessing them?

Dan Bridge (Principal Development Manager, Housing and Land, GLA): The GLA has not because it is very much Newham that take the lead on the employment focus stuff in the Royal Docks. We are very lucky to have Newham as a partner in this because they, actually through their experience on the Olympics, have developed some incredible programmes that enable lots of their residents to get access into jobs. Some of you may be aware of the retail academy that was developed at Westfield that meant that 50% of any of the jobs that were given to people in Westfield were for long-term unemployed people. They were trained through an academy to get jobs in Westfield. They are adopting a lot of those approaches to the Royal Docks. We are very conscious of crude policy tools. One of the things that Newham are allowed to do within the section 106 agreements for the key developments is to actually specify a minimum percentage of workers that need to be from Newham. They might be trying to put a minimum of 30% of jobs must be occupied by local people. They use their workplace programme effectively as a recruitment agency for occupiers in the Docks to recruit their staff. That is very great and very laudable, but you clearly need a very strong skills programme to make sure that people are adequately skilled to take those jobs.

We are talking about, in the main, probably professional jobs requiring higher levels of education. We are conscious of that. It is going to be a key part of this next part of work to see how we do that.

City Airport very interestingly has this minimum requirement within their section 106 agreement to employ local people. They employ thousands of local people. They really, really struggle to employ local people and to find local people that are appropriate for jobs. Some of those jobs are not necessarily highly skilled jobs. They have even talked themselves about building their own academy to teach people aviation skills, just so that they can satisfy this quota of local jobs that they need to provide.

I do think we need to be a little bit careful about - I think it is your point - what we mean by 'local'. Do you talk about the Royal Docks, do you talk about Newham or do you talk about east London? Actually, it is important definitely the people in Newham get to access jobs, but it is important that new occupiers and businesses are able to draw across east London and the rest of London.

Debbie Jackson (Assistant Director - Regeneration, GLA): Yes, just a couple of points. Just to say what Dan has just said about Newham and the workplace programme is right, it is a very strong offer and it has experienced a lot of success as a result of the Games and Westfield. Actually, through the LEP's New Homes Bonus (NHB) programme, as part of the growth deal, they have chosen to put their NHB allocation over £3 million into the workplace programme. I am reading it out here,

"... by delivering employment led recruitment training and pathways into work programmes, and including targeted apprenticeship and work experience placements, as well as a dedicated job brokerage service."

There is that in terms of raising the game on that side of things.

Again, from the LEP perspective as well, skills and planning is very much devolved now. It used to be a much more centralised activity through the Skills Funding Agency. Now it has very much devolved to local providers. Nevertheless the LEP is carrying out a skills inquiry which will enable them to get a better understanding across London, but to a certain amount of detail, and a better insight of current skills, planning, priorities and levers to help them direct some of the funding that they have available through the Further Education Capital Programme as well. There is work going on in skills mapping, but the current landscape is very devolved and it is very much up to local providers to assess demand. The LEP is acknowledging bit of a gap there and are trying to do some work to understand mapping at the London level as well.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Could I just add, Chairman, and pick up your point about how the businesses evolve over time. You are absolutely right. When Canary Wharf started the developers literally went around the City and West End to try to persuade companies to relocate. What you got was people working in the City and West End arriving at Canary Wharf. Of itself that move had no local impact in terms of employment at all. That kind of picture of Canary Wharf has persisted. Of course, over time, when businesses develop and grow, it becomes a very different dynamic in terms of recruitment. It is worth emphasising that the companies who make up the Canary Wharf complex, as many other companies - and Debbie [Jackson] and Dan [Bridge] have been talking about it in Newham - do see as their responsibility to have corporate social responsibility and other programmes which are specifically geared towards local recruitment. I would not want the impression about what happened in the early days in Canary Wharf, by force, because they had to get their project going somehow, is what happens now in terms of the local labour market. It is very different with a very different kind of corporate attitude.

Gareth Bacon AM (Chairman): Correct me if I am wrong, but intuitively it would seem that there would also be a secondary market too. You import large banks or whatever into Canary Wharf, they need supply chains, they need coffee shops, pubs and wine bars, which can, of course, be local people.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Of course. Yes, absolutely.

Gareth Bacon AM (Chairman): They attract other industry as well.

Eric Sorensen (former Chief Executive, London Docklands Development Corporation): Yes.

James Cleverly AM: There is a huge amount of all that there now.

Navin Shah AM (Deputy Chair): Let us see. It is an interesting one because there have been initial thoughts like the Old Oak Common project where the Mayor did consider an EZ but finally that proposal did come through for a lot of reasons. The question is whether the Mayor should seek to bid for more EZs as well in London. Croydon has, of course, already been mentioned as an example. What are your thoughts?

Paul Swinney (Senior Economist, Centre for Cities): I think you will probably guess what I would say --

Navin Shah AM (Deputy Chair): This is why you want to start off.

Paul Swinney (Senior Economist, Centre for Cities): Obviously I do not think there is a requirement for it. What I have to stress is that Croydon and the Lee Valley have a crucial, crucial role to play within London's economy. That is in housing, the key input into the businesses of London and that is the workers. They have to have somewhere to live and workers in London are the key driver of what goes on within London. There is a huge role for outer London to be supporting that. That is the role that they need to play. We need to recognise that this is one city. Different parts will play different functions within it.

Gareth Bacon AM (Chairman): I am quite struck by that because you are right. London is one city. However, it is divided into 32 boroughs and the Corporation of London. The boroughs, I suspect, I know, would contest your view of that. There is resistance amongst the boroughs for themselves to be cast as dormitories. They do not want that. They see that as being very self-defeating.

Paul Swinney (Senior Economist, Centre for Cities): I appreciate that position, but if we went up to Leeds and said, "There is one ward in the suburbs of Leeds that does not want to become a dormitory", we would think that was really bizarre. Do we not mean it is one city? London, even though it is on a much larger scale, functions as a city in the same way that Leeds functions as a city, and the same way that Birmingham functions as a city. That is how we have to view it. Again, I do not think that the arbitrary boundaries that are laid across one city are particularly helpful in terms of having that strategic approach. That is why it is fantastic that London has a mayor. That is why other cities should have a mayor. At least it does allow us to have some degree of a strategic viewpoint over all of London. Of course, we do see the political fights about that.

Gareth Bacon AM (Chairman): Yes, that could go around and around on that particular conversation.

Murad Qureshi AM: Is it not better to think of London as a region? The centre may be a city and there are particular functions. My experience as an Assembly Member is that it is actually incredibly diverse. You go to a place like Orpington and you wonder if you are in London but you are. There is a different perception. One of the things I have found is that it is better to think of greater London as a region rather than a homogeneous city right from one end to the other.

Paul Swinney (Senior Economist, Centre for Cities): I am the exact opposite, and that is a problem with a lot of policy in the United Kingdom. It is having classed London as a region and comparing it with other regions when it is not; it is a city. Greater London should be compared with Greater Manchester, with Greater Leeds, etc. That is where we should be driving our policy forward.

Debbie Jackson (Assistant Director - Regeneration, GLA): I am from Leeds - I am very struck by the northern dominance on this table, actually! Clearly, we are not going to agree. For me, you take my point exactly. Leeds and London are incomparable on almost every level. The way people use the outskirts of Leeds is so fundamentally different to the way people use anywhere outside central London in terms of the way they circulate, in the terms of the way town centres work - a lot of my work is around town centres - and in terms of the kinds of jobs. Town centres are not just places that people get milk. They are places where jobs exist and industrial estates exist. Beyond the economics of it, there is a real social value of places outside central London being so much more than dormitories. We are never going to agree.

Paul Swinney (Senior Economist, Centre for Cities): No.

Debbie Jackson (Assistant Director - Regeneration, GLA): I am OK with that, actually. It has been a really healthy debate. It is interesting.

The other point I would make is the term 'Enterprise Zone' is distracting. Can other places in London benefit from the public sector using innovative ways to fund infrastructure to support growth, including housing growth? Yes, absolutely. Should it be an EZ and the little cocktail of incentives in an EZ? That is distracting. It is about using the powers we have in order to fund infrastructure. The days of big grants for big infrastructure are gone. It is beholden upon the public sector now to use the powers we have to try to generate the funding. That is a good thing and we should be doing that.

Paul Swinney (Senior Economist, Centre for Cities): I agree with that bit.

Debbie Jackson (Assistant Director - Regeneration, GLA): Good. We agree, finally.

Gareth Bacon AM (Chairman): In that regard, are there plans on the Mayor's floor for development of new EZs? I accept what you say about it being a distracting term. It is.

Debbie Jackson (Assistant Director - Regeneration, GLA): For example, Vauxhall is not technically an EZ because there is no business rate relief. Croydon is public knowledge. We are talking about Croydon. An EZ equals that cocktail of incentives.

Navin Shah AM (Deputy Chair): What about the Upper Lee Valley?

Debbie Jackson (Assistant Director - Regeneration, GLA): I do not think it is on the cards at the moment, but there are other mechanisms that we are looking at for investment in infrastructure there. The idea of call it tax increment financing (TIF) funding, call it whatever --

Gareth Bacon AM (Chairman): Call it a TIF, yes.

Debbie Jackson (Assistant Director - Regeneration, GLA): -- but that sort of funding mechanism to fund infrastructure is how things are done now. Currently the one we are talking about at the moment is Croydon but clearly we are working on lots of fronts as well.

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): Yes, the crucial part of Navin's [Shah AM] original question was should London bid for more of this. When you stand back, actually London should not be bidding for anything. London needs its powers to be getting on and delivering its own infrastructure projects in a way that London can prioritise.

Paul Swinney (Senior Economist, Centre for Cities): Absolutely.

Jonathan Seager (Housing and Olympics Legacy Policy Lead, London First): That is the issue for London probably. You have to go, to some extent, where the money comes from. We have heard about EZs being sort of cocktail and mishmash. It is because you are playing into some element of grant being handed down. What London needs is to be able to plan on a strategic basis with an element of fiscal autonomy. There would probably be widespread agreement in this room about that.

In the short-term if you can turn EZs in some way to do proper TIF that would be fantastic. That really is what businesses are looking for. They are looking for support on infrastructure. You have seen at Battersea Nine Elms, if you can get a piece of new infrastructure in and a way which you can leverage in developer contributions, do something clever with the business rates, forward-fund some new infrastructure and pay it back through an uplift in the increment of business rates, you start to see things happen. If TIFs could be hammered in through a new wave of EZs, then that would be great.

Gareth Bacon AM (Chairman): You have managed to achieve something very difficult, which is you are going to get all 25 Assembly Members and Mayor agreeing with what you just said, which is probably unique in the history of this building. Debbie, you wanted to come in?

Debbie Jackson (Assistant Director - Regeneration, GLA): There is something we have not talked about today at all, which is important to lodge, which is the convening power of the EZ status itself. It brings the Government to the table and it puts that local authority on the map as a priority and a destination for growth. I do not think that should be underestimated because it is hugely powerful in the case of the Docks, and with

Croydon it brings about real momentum. That is an end in itself, actually. It has not been mentioned and so I just wanted to put that on the table.

Gareth Bacon AM (Chairman): Thank you. I am going to draw the discussion to a close at this point. I thank all of our guests for what has easily been one of the most energised discussions we have had for some time. All five of you have contributed mightily to today and it has been very, very useful.