

Response to 2009 Consultation Draft of Replacement London Plan

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1. Introduction

Presentationally, the consultation draft of the new Mayoral Plan is more compact, clearer and better balanced than its predecessor. The strategic dimension is less conspicuous, and the 'vision' element less prominent, relative to issues directly impacting on the quality of life of most Londoners. But this also represents a net gain, given the rather one-eyed focus of the previous Plan on the needs of global city functions underpinning 'inevitable' large scale employment growth in London.

In substantive terms the differences seem rather less clear, however. There is a relatively modest reduction in forecast employment growth, no consideration of uncertainties, costs, or relations with the extended London region – with a continuing assumption that projected population growth can and must be accommodated within Greater London. Issues of deprivation are invoked as concerns, but again in relation to policies which cannot be expected to substantially affect these.

In the wake of the financial crisis of 2007-8, these appear even more substantial shortcomings than they might have been in the heady days of the early 2000s. There is also a disappointing lack of reflection on what might have been learned from experience – or is still to be.

The remainder of this response elaborates a bit on each of these lines of argument, and refers to some supporting material in existing publications. Further explanation can be made available on request.

2. Growth Forecasts

The previous Plan's assumptions about 'inevitable' growth in the London economy were buttressed by exaggerated employment forecasts (of growth averaging 46k jobs p.a.) based on an idiosyncratic method of projection¹. The consultative draft uses less deterministic language, and presents more modest job growth forecasts (with a net increase averaging 32k p.a.). The slower growth forecast is not a reflection of experience in the present downturn, since evidence on this had not yet entered official employment data for London, and because these would not substantially alter the long term (30 year plus) employment trends from which the Plan team sensibly work in looking forward to 2031. Rather the reason is that GLA Economics have adopted a new method of projection, based rather more straightforwardly on analysis of actual employment trends over this period.

The new forecasts still appear to be substantially overstated, however. Conventional time series regressions based on aggregate London employment over the same period suggest long run trend increases of only about 21 thousand p.a.² The GLA Economics projections adopted in the consultative draft of the Plan differ from these because:

- they have built their analysis up from separate projections for a number of sectors, with a pattern of growth in each involving constant rates of change (in proportionate rather than absolute terms); and because
- growth rates in two of these sectors have been inflated by evident inconsistencies in the sectoral data series³.

The effect can be seen in a forecast pattern of sectoral growth in the consultative draft which now attributes the greater part of future job growth in London to a combination of hotels/catering and an 'other services' category dominated by entertainment/cultural activities (together projected to grow,

¹ Starting from an *assumption* (independent of evidence) about the future rate of output growth in the London economy.

² This figure comes from LSE London's (2009) trend projections, which introduced controls for cyclical fluctuations), but the trend projections commissioned by the GLA from Oxford Economics appear to have produced rather similar figures, as would simple peak-peak change estimates.

³ These inconsistencies only affect (and inflate) the aggregate forecast because of the assumption that sectors each follow a constant proportionate rate of change.

quite *incredibly* by 84% over the Plan period, providing an extra 595k jobs) – rather than office-based business services as in previous versions of the Plan.

In practice, of course, all such forecasts are liable to be wrong. And, such has been the volatility of employment trends in London since the early 1980s, that at a 90% confidence level all one could say statistically about past trends in London, is that they imply an average annual growth in jobs of somewhere between zero and about 40 thousand p.a.. Despite such margins of uncertainty (even about existing trends) forecasts of this kind have a necessary (if largely invisible) role to play in any intelligent Plan, as a basis for credibility checks on various elements – and to feed into the investment appraisals for transport infrastructure projects (in particular). There is an apparent view that prudence (and maybe marketing) justifies the use of estimates which are on the high side of what is objectively most likely. That would not be a defensible position to adopt for a strategic Plan, however, and it is important to reconsider both the numeric estimates which have been adopted for this consultative draft, and those reality judgements across the Plan which lean on these.

Population growth forecasts in the consultation draft (averaging 54k p.a.) are at the top end of the range presented in the 2008 revision of the Plan, and represent a pure trend-based projection, whereas the low end projection reflected likely housing capacity constraints if construction continued at its recent rates. Adoption of a high end figure on its own in the present consultation draft presumably reflects the document's optimism that house construction rates can be raised (to an average of 33k p.a.) well above what has been achieved over recent years. Whether this is realistic given the (welcome) shift toward emphasis on space standards, dwelling quality and protection of back-gardens is questionable. Even on the draft's assumptions about this, the fact that projected household growth rates remain in the middle of the range presented in 2008 suggests that even on this basis significant constraints are expected on rates of household formation – if not on migration. It should be underlined, however, that the balance of net migration in and out of London is not mechanically determined, but reflects the choices which households of different kinds will make as between different kinds of housing option in different places. Influences on these will include the shifting expectations of recent waves of immigrants (many initially living in overcrowded conditions) about acceptable housing standards. It is not at all clear, however, that such potential shifts, or the responses of Londoners to what will continue to be a very tight housing market, have actually been taken explicitly into account in considering how many people will actually choose to live inside Greater London in 2031, rather than elsewhere within the greater South East.

3. Uncertainties

Despite the shocks emerging from the financial and housing sectors over the past couple of years, the Plan takes the view that the most likely direction of change in London over the next quarter century involves a continuation of the pattern of change from the past quarter century. This is entirely reasonable, *both* because many of the key factors shaping London's competitive position (across a wide range of service activities, not simply finance) do seem likely to be of continuing relevance *and* because there is no alternative, single, coherent view as to the likely pattern of change.

There are, however, a number of other credible scenarios which ought to be explicitly taken into consideration in any long-term strategy, both for contingency planning, and to lay the ground for a monitoring process capable of reviewing the underlying assumptions of the Plan in the light of accumulating evidence. The London Plan team at one stage showed an interest in pursuing a scenarios approach within the Plan, but (unfortunately) there is no sign of this within the consultative draft.

Some examples of plausible general scenarios were presented by LSE London (2009) in the latest *London's Place in the UK Economy* report for the City. The main variants considered there included the potential suspension or reversal of a number of underlying structural factors which have been working in London's favour over recent decades (via a possible slowing of globalisation, tighter financial regulation, a more conservative/sustainable macro-economic strategy, or weaker political support for London's role – all presenting some downside risks for London), together with the possible

positive response of a diversification strategy. Clearly there are others, possibly more positive, also deserving of consideration – as well more specific scenarios about the role and scale of public sector activities which deserve to be considered explicitly and openly in relation to the strategic choices that the Plan involves.

4. Costs

Although I recognise *both* that the Plan is formally a *spatial* development strategy, *and* that the Mayor has no overall capability for planning public investment in London, it is still remarkable that a Plan which hinges so much on infrastructural investment should have nothing to say about costs - or the likelihood of schemes being financed / realised at appropriate times to support those planned developments in particular areas required to meet expected housing and employment needs.

From the perspective of an outsider, it appears (as with growth forecasts) that the issue is at least partly to do with the Plan's role as part of the process of seeking to mobilise and assure otherwise uncertain funding for necessary investment in London. In so far as this is a reason for not talking explicitly about overall cost implications within the Plan (as the document in which all of the Mayor's strategies are supposed to be implemented), it is in conflict with good planning practice, as well as with open, democratic governance of this city. And, it must surely reduce the credibility of the Plan (in all its roles) for it not to demonstrate the cost and financing factors which have been taken into consideration.

5. Deprivation and Inequality

One key criterion for any London Plan must be what it can deliver for the living standards both of the great mass of Londoners and of particularly vulnerable and deprived groups within the community.

From this perspective, the more explicit emphasis within this consultative draft on quality of life issues is very welcome – while another positive feature continues to be that of recognising the presence and needs of substantially disadvantaged groups among the London population (including many whose standards of living are likely to have been declining, even during the boom years).

It is important to recognise, however, the limits on what specifically spatial development strategies can be expected to deliver directly by way of significantly improving the position of such people. In broad terms, what the consultative draft seems to offer (in common with its predecessors) is:

- more affordable housing;
- some prioritisation of economic development in areas closer to residential concentrations of disadvantaged groups (notably on the eastern side of the city, and around the Olympic opportunity areas); and
- promotion of more mixed residential developments.

Affordable housing is clearly a crucial issue, though what is key is the quantity in which it actually gets delivered, and the extent to which different groups share in its benefits.

For the other two strategic elements supposed to help disadvantaged groups, the prospect of real benefits are very much more uncertain than the consultative draft implies, and the evidence base underpinning the Plan's assumptions about this is quite unclear.

But, in the first case (job location), existing research of which I am aware (and/or have contributed to) suggests that proximity to/distance from existing or growing jobs has not been a major influence on Londoners' chances of being out of work or economically deprived. These depend very much more on how their personal / family characteristics affect the type, quality and rewards of work to which they have access within the London economy (as discussed e.g. in LSE London, 2009), with their residential location being much more a consequence than a cause of barriers to economic success.

And, in the second case (mixed communities), while there is a good deal of plausible argument, and some statistical evidence suggesting possible 'neighbourhood effects' on quality of life, careful reviews of the literature suggest no reason to believe that promoting more socially mixed communities yields any significant net benefits in terms of the life chances of initially more deprived individuals and their families (SERC, 2008).

The point I am making is not that either economic development in east London or promotion of mixed communities are bad things. Rather it is that they should not be undertaken – or justified – on the basis that they will contribute significantly (or maybe at all) to the relief of the growing problems of London's poorest communities.

5. Sub-regions

The sub-regional level is critical to an effective strategic planning in London that both engages with the ground level realities and preferences of Londoners, and responds to the very strong interdependences across groups of boroughs. Steps to further develop this level, as part of a stronger focus on Plan implementation within the consultative draft, are much to be welcomed. They should be assisted by its redefinition of these borough groupings on a basis more closely related to functional interdependences. It is worth emphasising, however, how much further the growth of sub-regional collaboration and understanding of shared interests still has to go.

An indication of this, which is reflected in the consultative draft, is the 'failure' of the Outer London Commission to come up with a viable set of proposals for a set of commercial 'superhubs' in outer London, as a means of: raising this area's competitive offer; justifying stronger orbital elements in the transport network; and boosting the rather stagnant employment growth performance of this particular 'ring' of boroughs. One reason why the OLC did not ultimately recommend a focus on superhubs was clearly evidence from the development industry about the economic reality / profitability of any major schemes of this kind in outer London. But another, which seems to have been of comparable significance, was simply that boroughs within particular sub-regions were reluctant to agree on any such scheme proceeding outside their own borders (even if this could produce at least comparable benefits to their residents).

Building a sub-regional capacity to contribute positively and effectively to strategic planning and plan implementation is a cumulative process, however, and further reinforcement in the collective role expected at sub-regional scale, beyond what is provided for in the consultative draft, would help (over the period of the Plan) to build their capacity and contribute to more open and balanced planning across London.

6. London's Wider Region

It is almost universally acknowledged elsewhere that Greater London is not an economic island, but lies at the heart of a very much broader functional economic region (including other dynamic, innovative centres), with integrated sets of housing and labour markets stretching across most of the Greater South East (i.e. London plus its two neighbouring 'government office regions'). In common with its predecessors, however, the consultative draft of the Plan makes scarcely any acknowledgement of these real and powerful relations, or of how they may evolve.

There are welcome undertakings to work together with the neighbouring regions in implementation / follow-up to the Plan (more than has actually been the case in the past) – together with some more productive suggestions for pursuing this on a sub-regional cross-border basis in the context of development of opportunity corridors running through outer London. There is little or no evidence, however, that the bodies with whom co-operation is envisaged at the implementation stage have been actively involved at the Plan-making stage.

Much more importantly, however, there is scarcely any evidence that underlying analyses of economic competitiveness, or of housing and labour markets have been taken direct account of in framing assumptions about growth patterns within London – or in making realistic judgements about how policies / strategies can be expected to influence these. There are some partial exceptions, notably in relation to Outer London, where a key issue facing the Commission has been to consider how and why employment growth performance has been so much weaker than in adjoining areas outside London, and whether policies could / should be adjusted to alter this balance. But these are modest exceptions.

More typical (and significant) is the fact that population projections for London are never presented as (implicitly) reflecting assumptions about the residential choice behaviour of Londoners, or potential Londoners. This is neither a matter of simple fact (independent of the kinds/quality of opportunity that become available) nor something directly controllable by Plans or planners, and surely needs to be understood in relation to the changing sets of opportunities inside and outside the Greater London border. .

There may (again) be presentational reasons for not making some of these interdependences explicit. But I would argue that in general that obscuring these is a bad, dangerous and undemocratic basis on which to plan - and a worse one *if* the issues have not actually been investigated directly during the Plan preparation work (only finally to emerge at the Examination in Public). .

6. Plan, Monitor, Manage – and Learn

The consultative draft's emphasis on a plan-monitor-manage approach as a means of increasing the practical effectiveness of strategic planning through the implementation stage is very welcome. What seems to be missing from this formulation, however, and also less than evident from the draft and supporting documents, is recognition of the importance of *learning*. - not simply about changes in trends etc., but also about how causal processes operate, what actually shapes behaviour of people/firms in the city, which kinds of policy have what kind of side effect.

Better understanding of all these links is clearly crucial to better planning in London, particularly in the sense of planning with positive impacts on the life quality/life chances for the mass of Londoners. In part it can be supplied by consideration of independent research and examination of experience elsewhere. But I would urge that recognition of the need to learn during the process of plan implementation, and provision to promote it be incorporated explicitly within the structure of the Mayor's Plan itself.

References

LSE London (2009) *London's Place in the UK Economy 2009/10*, London: City of London Corporation (authored by Ian Gordon, Tony Travers and Christine Whitehead).

Spatial Economics Research Centre (2008) *Policies for 'Mixed Communities': A Critical Evaluation*, SERC Policy Paper 2, LSE (authored by Paul Cheshire, Steve Gibbons and Ian Gordon).