

Winter briefing

Message from Nigel Bourne Director, CBI London

Dear CBI London member,

As we approach the end of 2007, this winter briefing provides a summary of the latest policy developments in the capital and highlights where we need to focus our attention. In some ways the last three to four months have been momentous. Infrastructure and skills have consistently been raised as major concerns by business. Now we are beginning to see some real progress on both these fronts. Investment in London's infrastructure is set to increase with the go-ahead for Crossrail received this autumn, while the green light for the £5.5bn Thameslink project was given this summer. Now we need to address the important consultation on Heathrow expansion launched last month. The other good news is that the business-led London Skills and Employment Board launched its draft strategy to address the skills issues in the capital at the end of October. But the recently-published sixth CBI/KPMG London Business Survey shows business confidence has dipped since the financial market turmoil in September. We will be watching this carefully.

In other news the GLA Bill was passed in Parliament in October, formally giving the Mayor greater powers over planning, housing and climate change. We have also had a series of successful events and it has been great to see so many members attending the CBI Annual Dinner with Michael Portillo in November, the transport breakfast briefings sponsored by GVA Grimley and hosted by DLA Piper and the skills briefings hosted by Michael Page International and Birkbeck. We have an exciting Diary of Events for the first half of this year and look forward to welcoming you to those events.

No doubt 2008 will be yet another busy year with the prospect of Mayoral elections in May. The CBI will continue to push for delivery of key projects and policy reforms on behalf of business.

Below are some further details on:

- Increasing capacity at Heathrow – calling for member views
- A skills strategy for the capital
- The CBI/KPMG London Business Survey December 2007
- The go-ahead for Crossrail Other initiatives and events.

Increasing capacity at Heathrow – your views needed

Heathrow is the busiest international airport in the world and the UK's only international hub airport. It is currently operating at 98.5% capacity.

The government launched a consultation in November on expanding capacity at Heathrow. The proposals focus on increasing the number of flights that can use the airport by introducing greater flexibility in the use of its two runways (mixed mode), followed later by construction of an additional third runway. All of this expansion will be subject to strict environmental limits on air quality and noise around the airport, and greater use of public transport to access the airport.

Strong aviation links are crucial for UK competitiveness. The CBI will be responding to this important consultation and we urge you to send us your views (to owen.simon@cbi.org.uk) by 15 February. We also call on you to respond directly to the Department for Transport. The deadline for submissions to DfT is 27 February. There is also provision to respond to an online survey at: <http://surveys.globalepanel.com/wix/p48537354.aspx>

A large and robust response from business is essential.

On the day of the launch of the consultation Richard Lambert said "The government needs to move forward swiftly so that extra capacity at Heathrow can become a reality. Today's verdict that the local environmental tests can be met is an important step forward. We must also ensure that, as the threat from climate change grows, aviation plays its part in the move to a low carbon economy – even as demand for air travel increases."

Further information about the consultation can be downloaded here:

SUMMARY DOCUMENT: <http://www.dft.gov.uk/consultations/open/heathrowconsultation/consultation-document/summary>

<http://www.dft.gov.uk/consultations/open/heathrowconsultation/>

Skills strategy for the capital

The business-led London Skills and Employment Board (LSEB) launched its draft skills strategy for post 19-year olds in London at the end of October. It is a thoughtful report proposing a fundamental shift in approach. It identifies five key challenges and suggests a number of priorities and actions. The five challenges highlighted are:

- Changing the employment/skills support available – to improve access to help, to help existing employees and to progress/develop new skills
- A new Employer Programme helping those out of work back into work – details below
- More responsive provision – strengthening FE colleges, remodelling their approach to focus more on employability skills, develop closer links with employers, develop a personalised curriculum, introduce greater specialisation
- Integrated skills and employment infrastructure
- Aligning public funding to meet the challenges and priorities.

We are consulting members on this important piece of work. We have organised a briefing event for members with Harvey McGrath, Vice Chair of the LSEB on 13 December. We are also conducting a wider consultation by email.

Please send us your views by 11 January 2008 to: minakshi.roy@cbi.org.uk

The deadline for submissions is 21 January. The full report is available at: <http://www.london.gov.uk/lseb/>. We are also producing a briefing note on the strategy which will be on our website shortly – www.cbi.org.uk

Crossrail go-ahead and next steps

On 5 October 2007 the Prime Minister gave the go-ahead to Crossrail, the £16bn project to create a new east-west rail link for London. Crossrail has long been regarded as essential for supporting the continuing development of London as a world city. It will improve rail access into and within London, tackling congestion and the lack of capacity on the existing network and providing faster journey times and higher levels of comfort.

The funding mechanism

The 2007 Pre-Budget Report and Comprehensive Spending Review, announced on 9 October, provided further detail on the funding mechanism for Crossrail. The total £16bn cost of the project will be sourced as follows:

- The government will contribute around a third of the construction cost paying approximately £5bn during Crossrail's construction. Crossrail farepayers will contribute a further third, with revenue servicing debt raised by Transport for London and Network Rail during the construction period
- London businesses will contribute the final third through a mixture of direct contributions (paid by those regarded as key beneficiaries along the route) a supplementary business rate (see below) and contributions from property developers.

Supplementary Business Rates (SBR)

The government published a white paper alongside the Pre-Budget Report and Comprehensive Spending Review setting out its proposals to legislate to allow local authorities to raise a supplementary business rate.

For Crossrail, a supplementary business rate would be levied across the whole of the Greater London Authority by the Mayor of London. At this stage, the Mayor has indicated that the supplement would be 2p per pound of rateable value, with businesses with a rateable value of £50,000 or less exempt from paying. It is believed that the SBR will apply per property and not per business. The predicted start date for the supplement is, subject to consultation, April 2010, with payment ceasing on full repayment of the debt.

With regard to a business vote, the government has proposed that where the business contribution is more than a third of the total project cost there will be a requirement for the authority to ballot. The government believes that where the contribution is less than a third the risk that authorities will themselves be taking on will act as sufficient safeguard for businesses. As it stands, the SBR would not contribute more than a third of the total project cost for Crossrail and there will therefore be no business vote.

Next steps

The Crossrail project will be taken forward by Cross London Rail Links (CLRL) which will become a wholly-owned subsidiary of Transport for London, with certain rights retained by the Department for Transport.

At this stage, the outline timetable for Crossrail is:

- 2008 – Crossrail Bill receives Royal Assent
- 2009 – Enabling works
- 2010 – Construction begins
- 2017 – First services run.

The CBI will be keeping a close watch on key issues during the ongoing development of the project including identifying the key risks and ascertaining the length of time over which the SBR will be levied.

GLA Bill

The GLA Bill received Royal Assent in October. It provides new powers and responsibilities for the Mayor in the areas of planning, housing, health and the environment. The main provisions are:

Devolved decision-making on the planning of and investment in new affordable housing in London from Whitehall to London government

The Mayor – rather than Whitehall – will be responsible for London's housing strategy, and for the £1bn a year regional housing budget, which will support 50,000 new affordable homes over the next three years.

Enhanced planning powers for the Mayor which will take effect in April 2008

The Mayor will have new powers to 'call in' and determine major planning applications where a borough is failing to follow London Plan policies or where there is unreasonable delay in making decisions. All planning applications for 150 homes and over will be included, which could help the supply of badly needed new affordable housing

Boroughs will remain in charge of planning decisions and the Mayor will only intervene if problems arise. The Mayor also has new powers to insist that boroughs' local development plans are consistent with his London Plan.

Devolve responsibility from Whitehall to the Mayor to tackle climate change and health inequalities in London, give the Mayor some new powers of appointment, strengthen the Assembly's scrutiny powers and improve other aspects of GLA governance.

It will also create a new London Waste and Recycling Board.

2012 Games

An update on London's Business Opportunity Prospectus has recently been published by the London Business Board (CBI London, London First, London Chamber of Commerce and Industry). This deals with the six business-led legacy initiatives. A copy of this report is on the CBI London website: www.cbi.org.uk

One of the major legacy initiatives, the London Business Network has been established with the aim of helping the capital's business community take advantage of opportunities arising from the London 2012 Olympic and Paralympic Games. It is a joint initiative set up by CBI London, the London Development Agency, London First, the London Chamber of Commerce and supported by London 2012.

CompeteFor is an online resource that will give access to London 2012 business opportunities and is being formally launched in January. It will act as a brokerage service between buyers and potential suppliers throughout the London 2012 supply chain. CompeteFor will also facilitate access to business support services; building skills and capacity to ensure businesses are in the best position to bid for London 2012 and wider contract opportunities. The Games will be discussed at the Global Capital event on 21 February at the Royal Opera House.

For further information on the Games please visit: <http://www.london2012.com>

CBI/KPMG London Business Survey December 2007

The sixth CBI/KPMG survey just published, finds that while London continues to rate very favourably as a business destination business confidence has dipped due to the recent financial market turmoil. The two greatest advantages of having a base in London are considered to be unrivalled market access and a rich and varied talent pool. The two biggest threats are underinvestment in infrastructure followed by the threat of increased regulation

Skills: key employability skills are the biggest constraint faced by employers, followed closely by the lack of technical and managerial skills.

Overseas recruitment: the majority – 58% of respondents – recruit from abroad. Of these, the vast majority (83%) are employing people with higher level skills Business resilience: Most have business continuity plans (BCP) in place (86%).

But less than half (46%) have tested their plans in the last year. Infrastructure: While there is evidence of some improvements in the public transport network, as many as 78% said London's transport network has a negative impact on its reputation as a global city. Around 70% rated the overall transport network as good or satisfactory. The tube and road network were the biggest constraints. Aviation: There was overwhelming support among business for a third runway at Heathrow with eighty-five percent saying this is important. 2012 Games: Business expects the 2012 Games to have a significantly positive impact on a number of areas including:

- Lifting London's international profile
- Boosting regeneration and helping to build a physical legacy
- Almost three quarters of businesses say the Games will give them indirect benefits
- Fifty-eight percent of respondents expect the Games to provide direct opportunities for their business.

Tackling climate change: most firms have taken some steps to address the climate change challenge. More than half the respondents have set up a plan to cut carbon emissions and have measured their carbon footprint.

Other policy issues

Other important areas where we continue to lobby policymakers for adequate investment and an effective approach are:

- Overall effective governance and maintaining London as a place to do business
- The Tube PPP
- Housing

- Planning and development
- Business resilience.

Other initiatives

Work Wise London: as London continues to grow apace new ways of working are needed to help address congestion and commuting pressures. Smarter working can help to address these challenges with technology as a powerful enabler, but this needs political commitment and cultural acceptance. Flexible or 'smarter working' can include a number of different approaches and results in economic, environmental, social and health benefits.

The Work Wise London programme founded by Work Wise UK, BT and Transport for London was launched on 12 November. This initiative is supported by the CBI and aims to address the challenges in London and gain commitment across sectors. For further details please visit: www.workwiseuk.org/london

Community payback scheme – furthering partnership with the private sector: London Probation Unpaid Work is an important initiative which currently works with over 13,100 offenders each year, of whom over 25% are unemployed. Undertaking unpaid work helps to make offenders employment ready and is a huge potential pool of possible employees. London Probation has successfully forged links with a variety of private sector employers to provide suitable candidates for permanent paid employment which has worked well. London Probation is looking to work more closely with the private sector to extend the provision of employment for ex-offenders.

For further details please contact: Andrew Hillas, Assistant Chief Officer Unpaid Work, North Directorate, London Probation HQ, 71-73 Great Peter Street London SW1P 2BN, tel 0207 960 1169.

CBI London

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