

Transport and the Economy: London's Future Needs

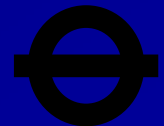
Shashi Verma, Director



Donostia, June 2008

Notas del Presentador

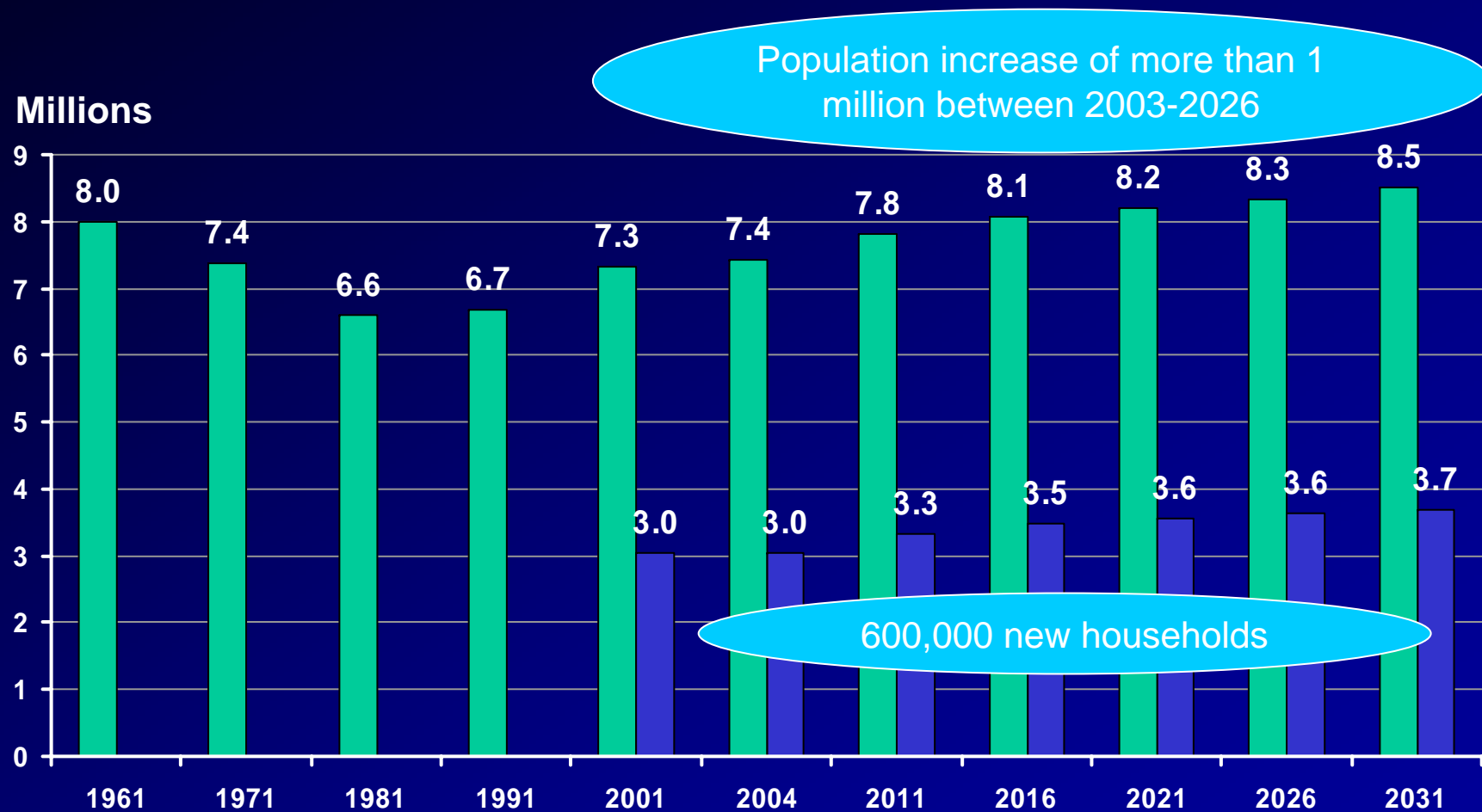
- 1. La Evaluación de la inversión de Cross Rail, 15.000 millones de libras, es única al ir mas alla de los ahorros de tiempo.**
- 2. Ademàs se implantan tasas especiales que representan el 20% de la inversión**
- 3. Aunque las escalas difieran, entendemos que es un ejemplo relevante para Gipuzkoa**



- **The growth context**
- **The value of growth**
- **Transport requirement to support growth**
- **Meeting the transport requirements**
 - Existing infrastructure
 - Demand management
 - New infrastructure
- **Funding options**

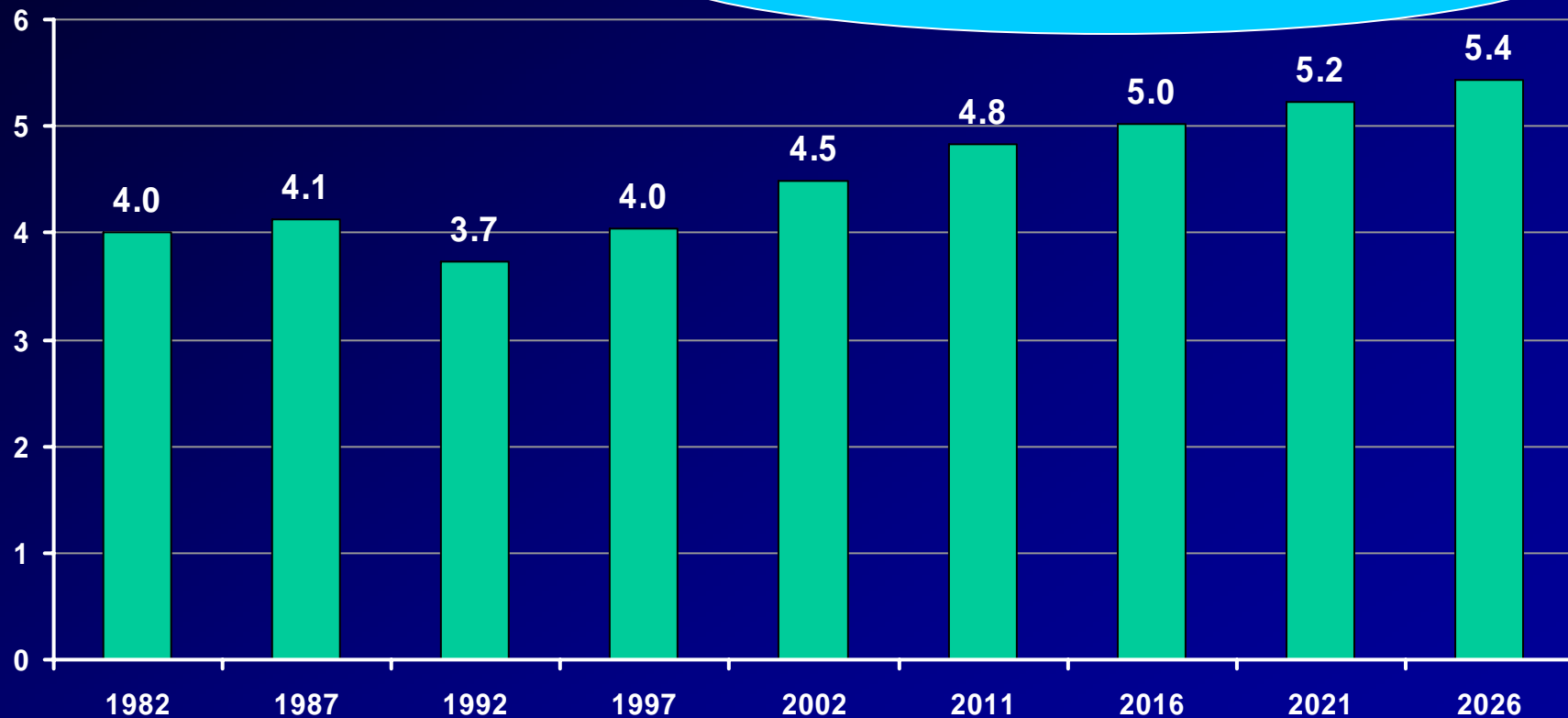


London's population is growing ...

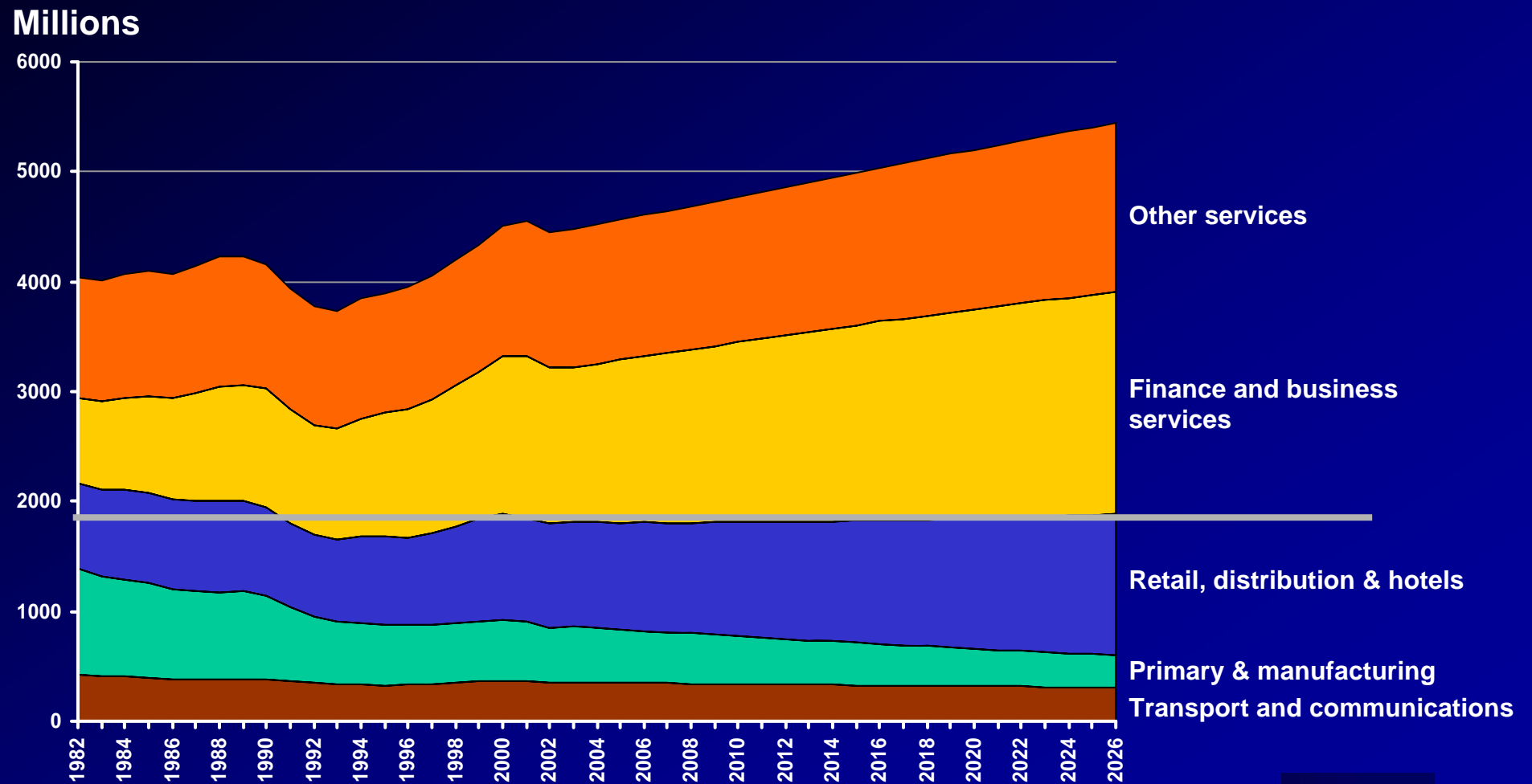


... and employment is growing as well ...

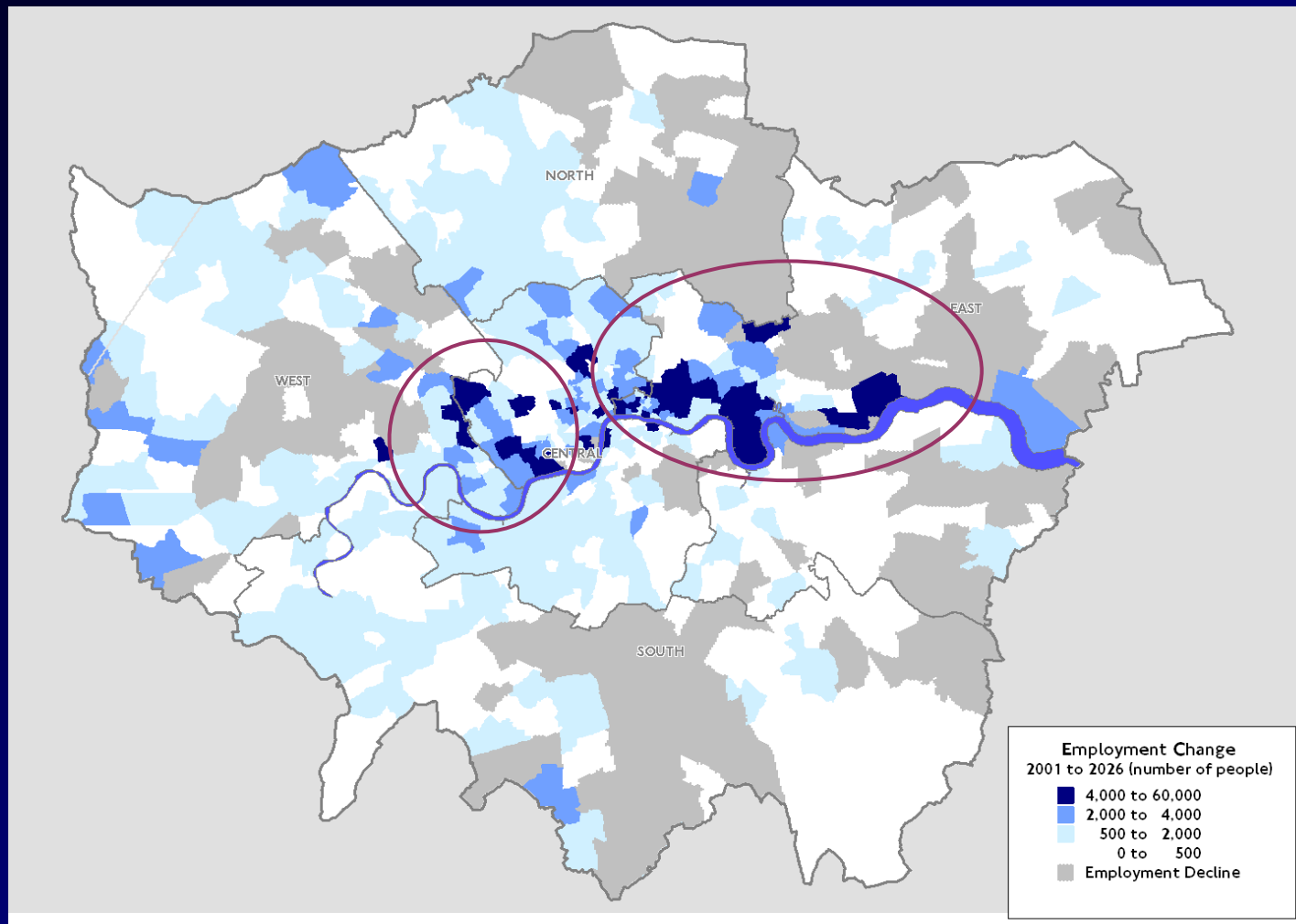
Millions



... with growth in the services industries ...



... concentrated in central London



- New jobs in finance and business services
- Employment growth concentrated in the City, West End and Canary Wharf
- New employment creation moving eastward

Dark blue colours show employment increase



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Why should we support growth

- **Growth in FBS in London has value because**
 - It is a globally distinctive industry
 - It has the highest productivity anywhere in the UK
 - It has the potential for further increasing productivity
 - There is no means of transferring this growth anywhere else in the UK

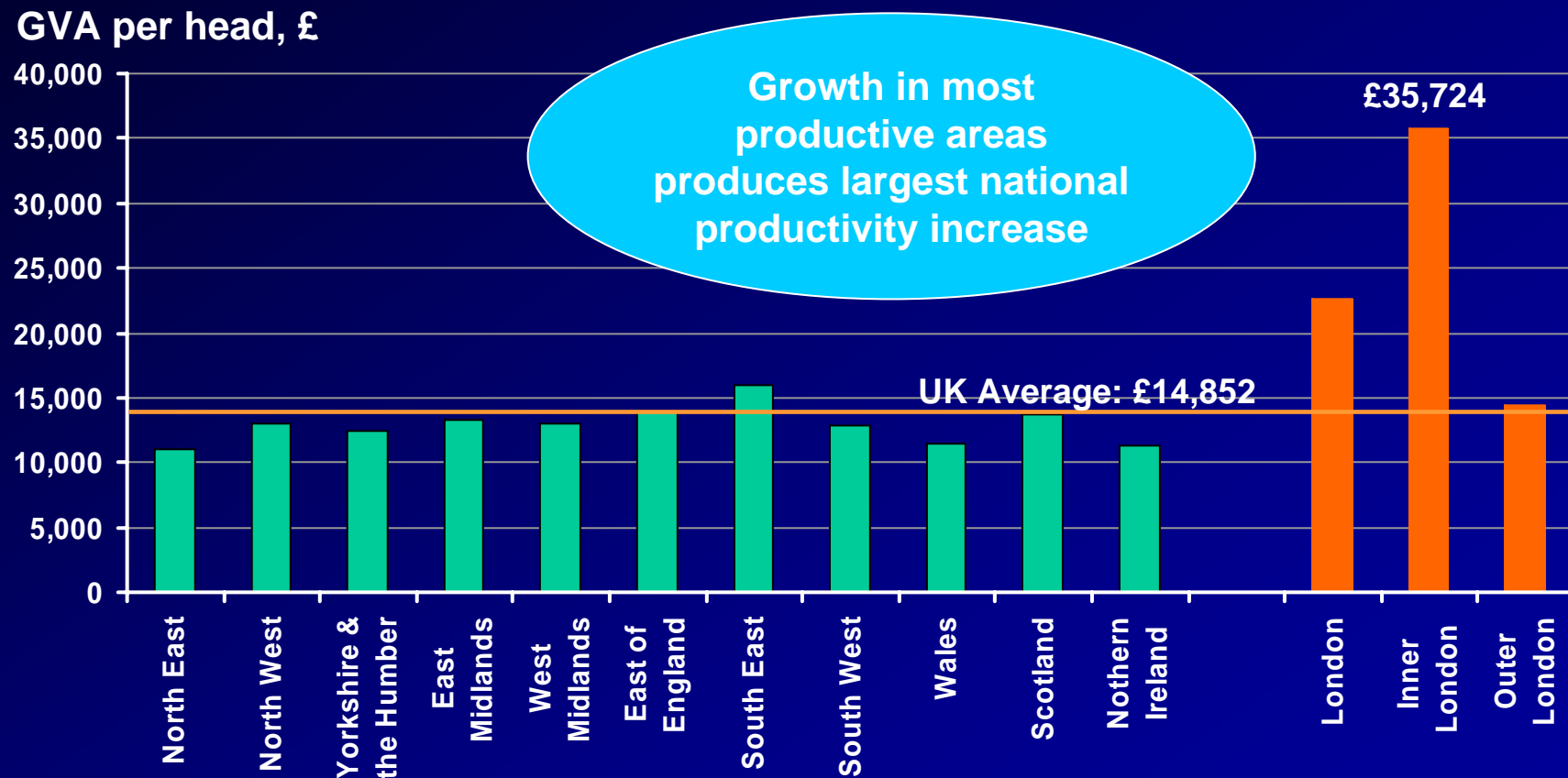


Global distinction

- **The Chancellor stated in his speech at the Mansion House that:**
 - Financial services are now 7% of the economy
 - Contribute £19 billion to net exports
 - London now home to
 - 20% of cross border lending
 - 30% of world foreign exchange turnover
 - 40% of over-the-counter derivatives trades
 - 70% of the global secondary bond market
 - “People talk of China as the future manufacturing workshop of the world, they call India the future office of the world - I believe that London, like New York, is already the capital marketplace of the world”

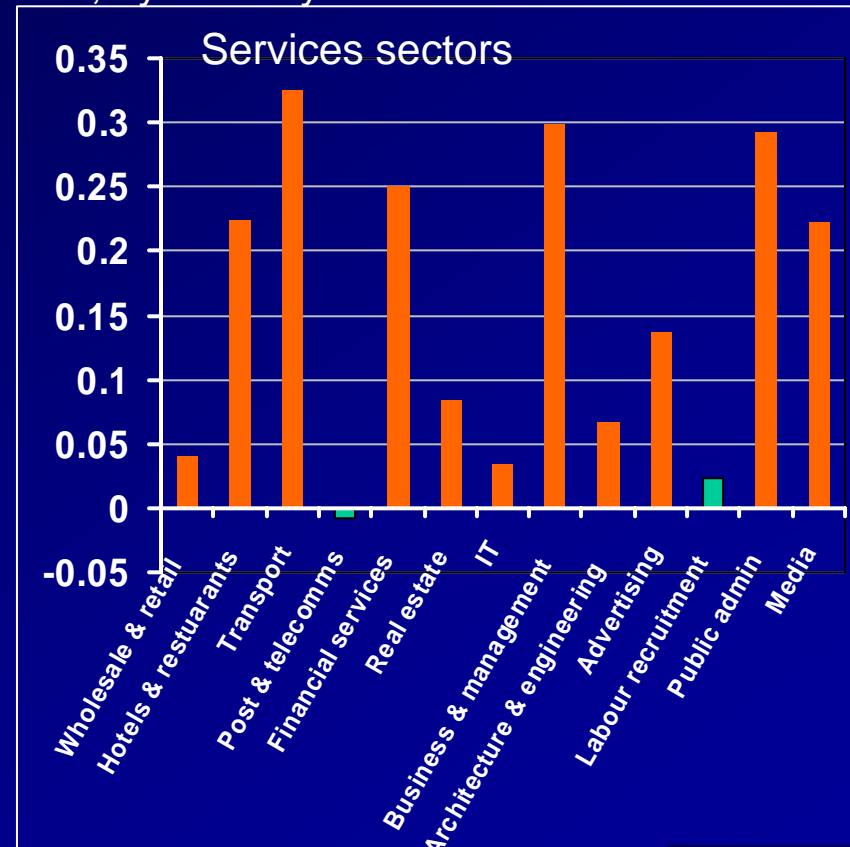
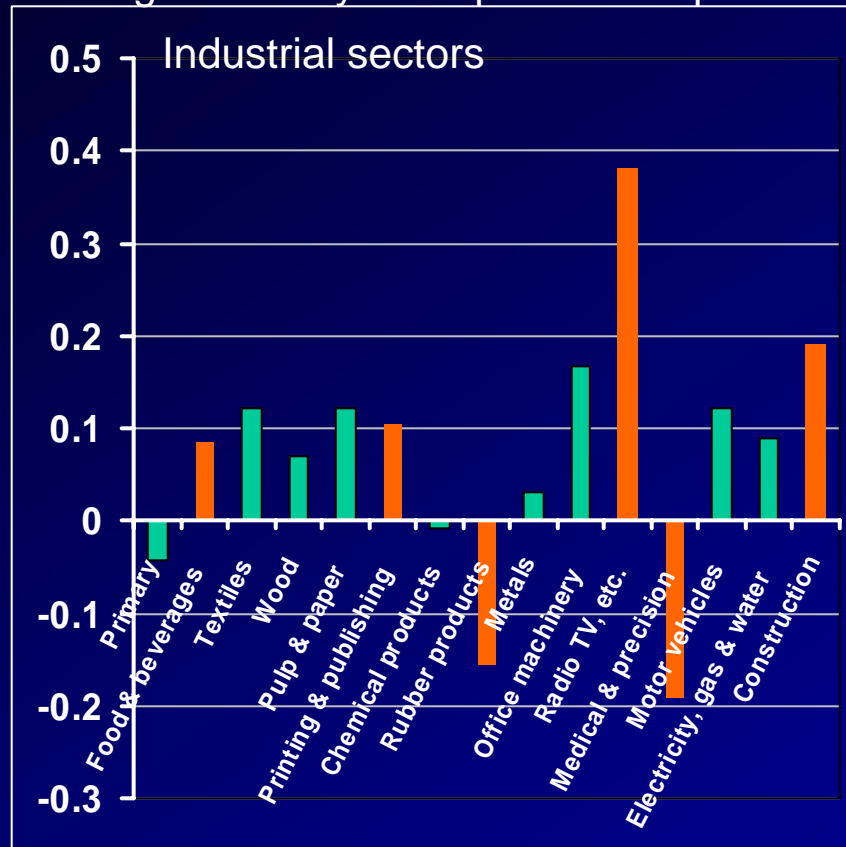


Central London has the most productive economy in the UK



The services industries show the biggest productivity rise from agglomeration

Average elasticity of output with respect to city size, by industry sector*



* Orange bars show elasticities that are statistically significant

Source: Dan J Graham, Wider economic benefits of transport improvements: link between agglomeration and productivity. Stage 2 DRAFT Report. Imperial College London

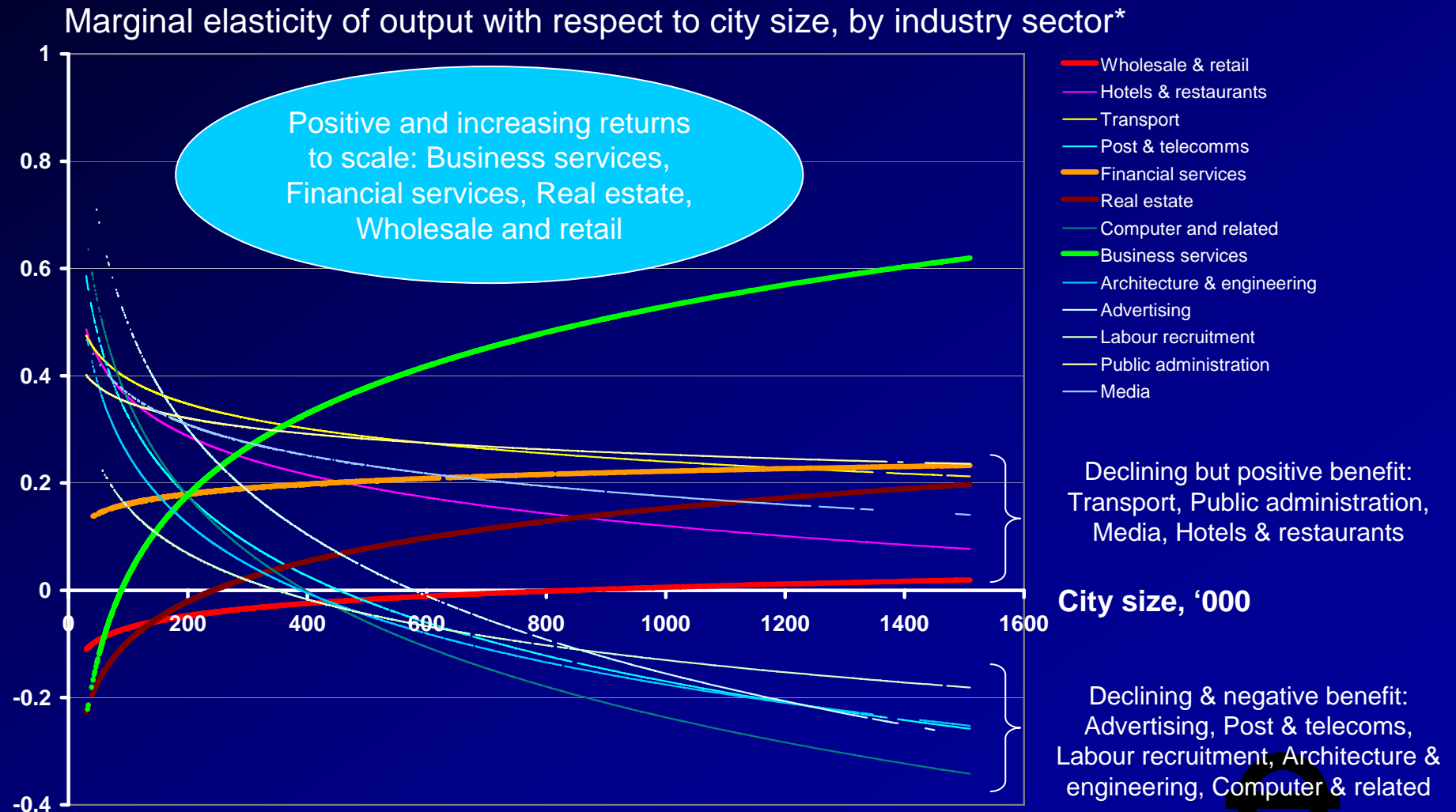


Prospects for further productivity growth

- **A key question**
 - If we know cities benefit from agglomeration is there an upper limit?
 - Are there particular industries where there is an upper limit – a diseconomy of scale?
- **Recent research answers this question**



Key growth industries show continuing returns to scale even at London's size



Economic implications of growth

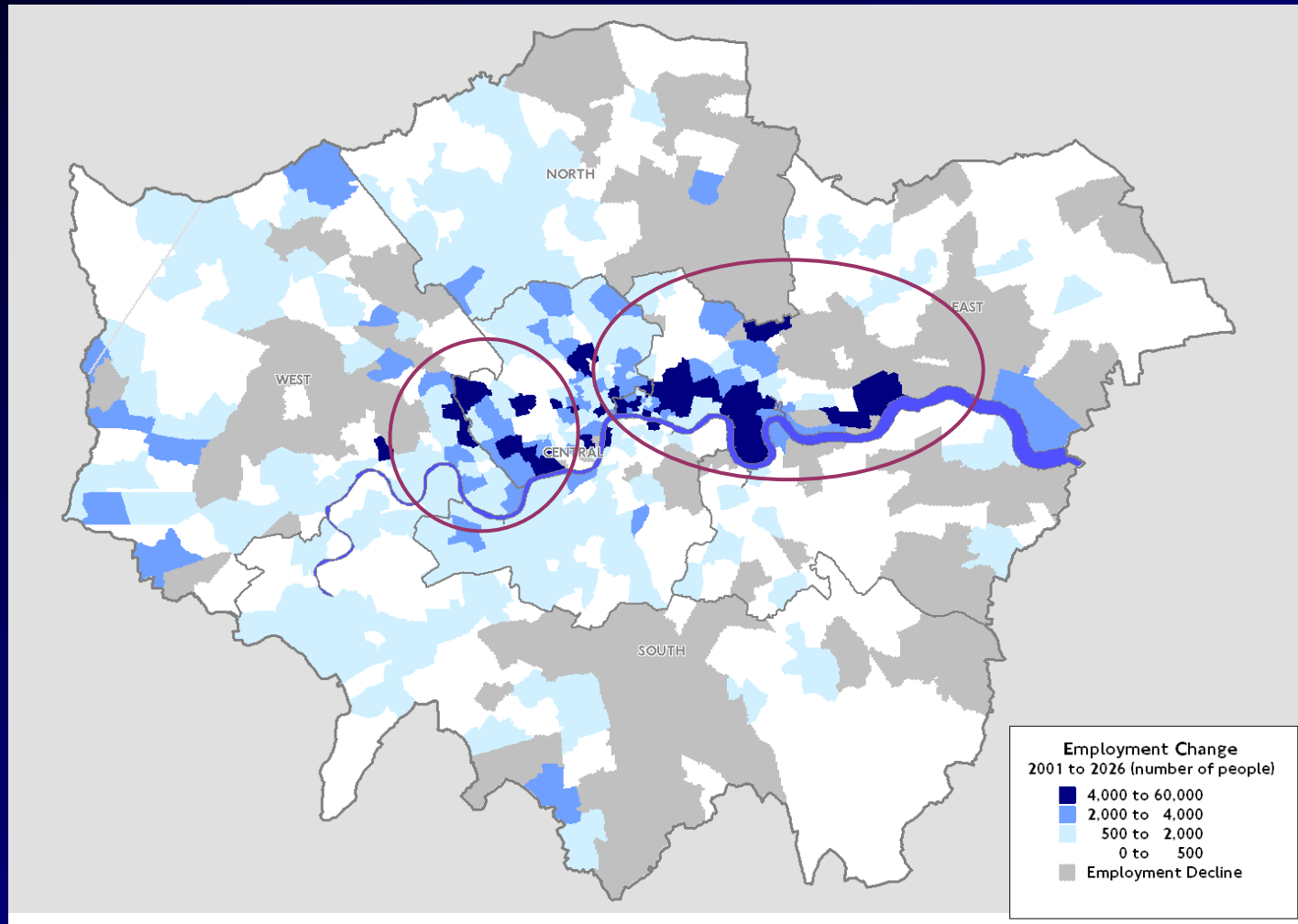
- **London is more productive for a variety of understandable reasons**
 - Distinctive, high value industries
 - Ability of London's employers to attract people with high levels of skills and education
- **But, there are other factors that are important in making London successful**
 - The services industries in London are also productive due to close clustering
 - Access to wide labour markets is an important determinant to employers' willingness to locate in central London
 - Access to housing is essential to widen and deepen labour markets



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While employment growth is concentrated in central London ...

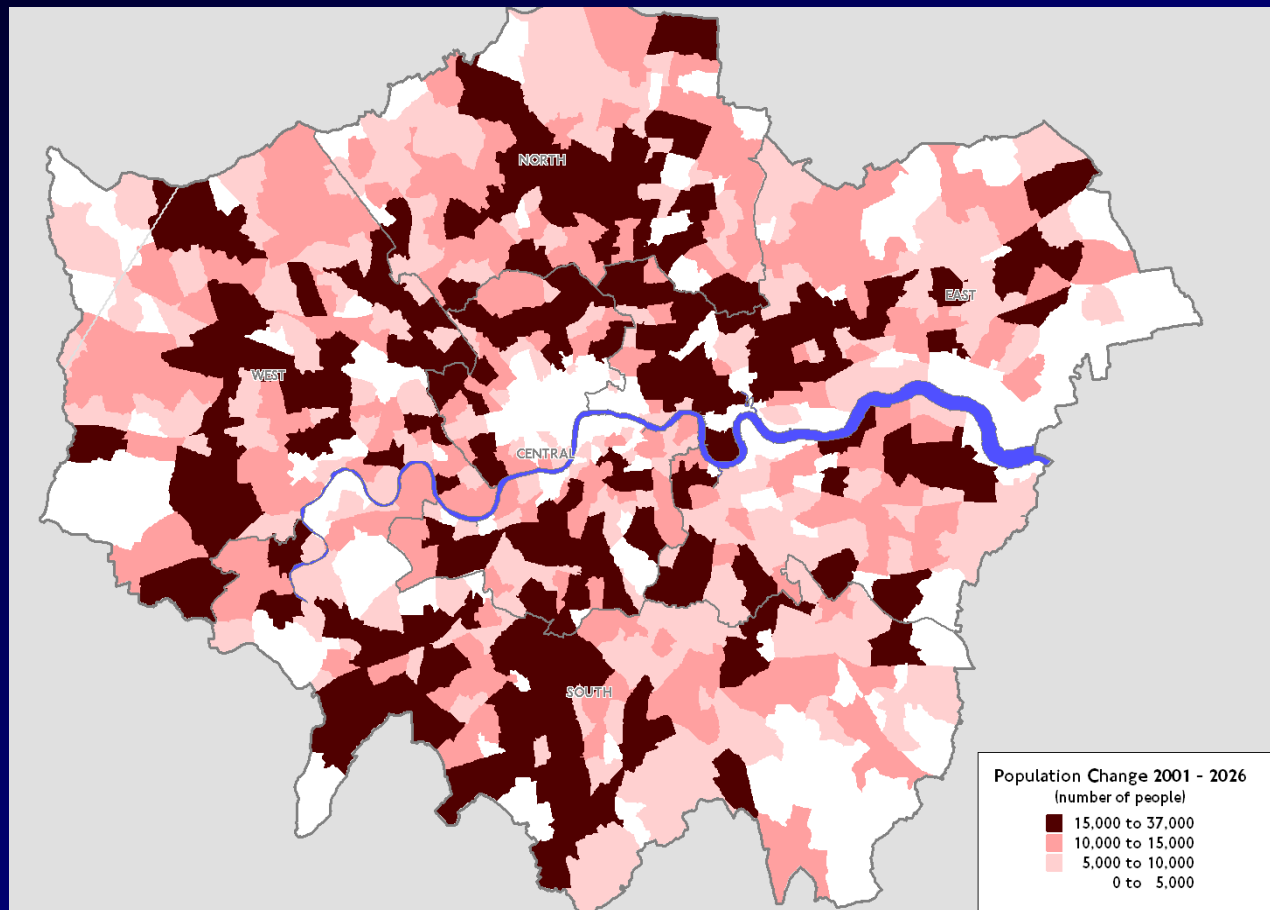


- New jobs in finance and business services
- Employment growth concentrated in the City, West End and Canary Wharf
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Dark blue colours show employment increase



... population growth is spread across London ...



- Population growth in central London constrained by planning
- Opportunities to make use of brownfield land for housing

Dark red colours show population increase

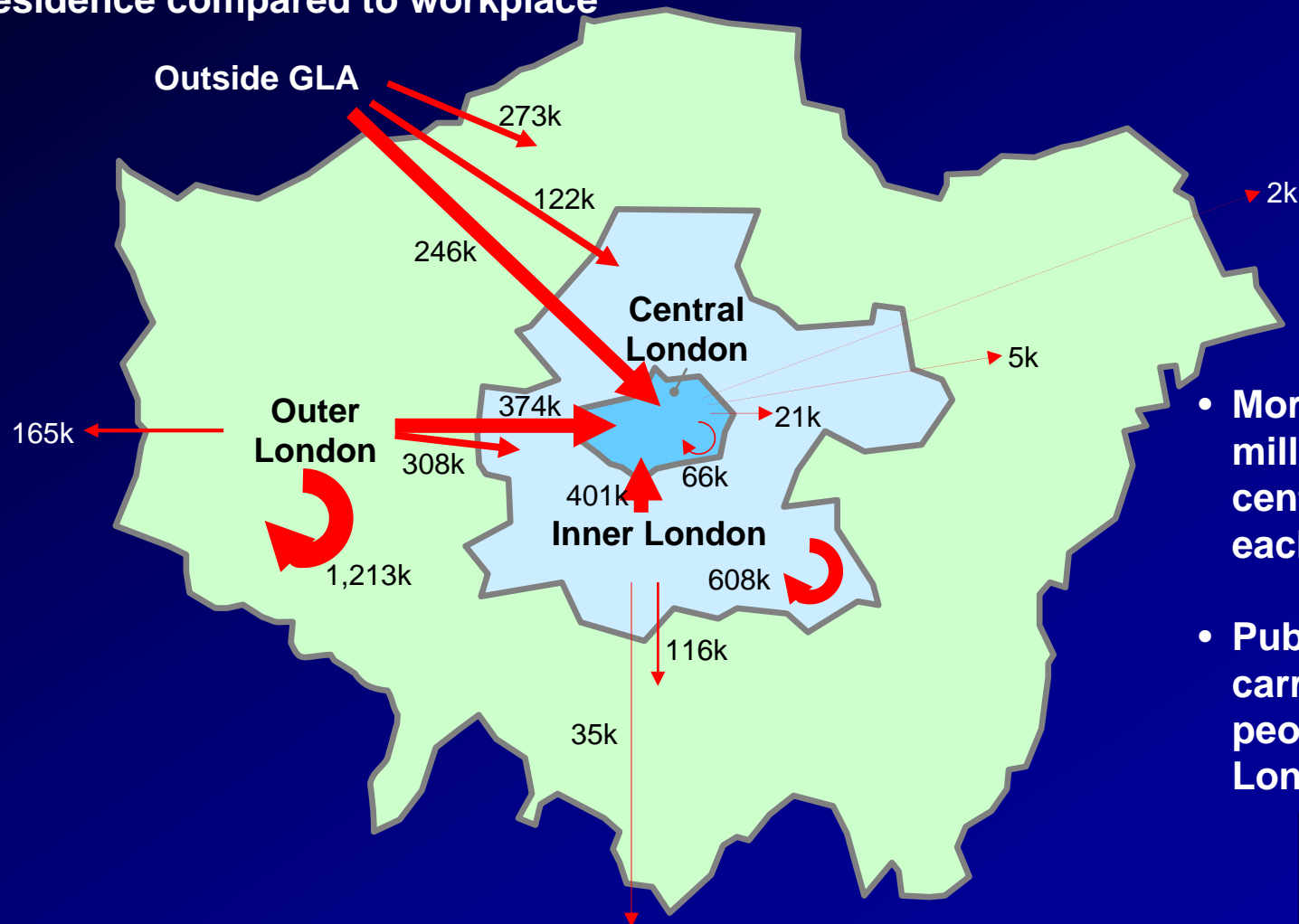
... means further demand for commuting to central London



Growth patterns intensify existing radial transport demand

Area of residence compared to workplace

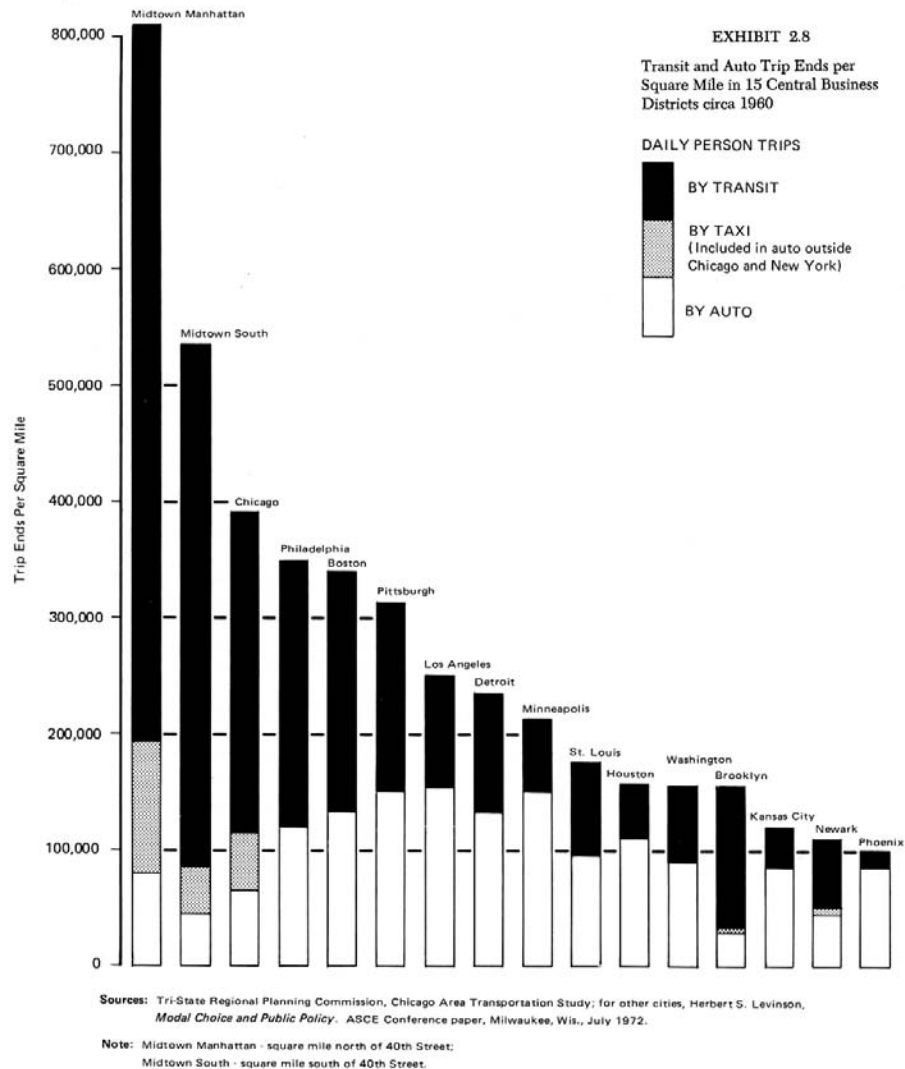
Total = 4m



- More than 1 million trips to central London each morning
- Public transport carries 87% of people to central London



NOTAS DEL PRESENTADOR



- El Transporte Publico permite una gran densidad de empleo que es imposible de servir mediante el automovil.
- Este grafico muestra los viajes atraidos por milla cuadrada (1.6×1.6 kms²) en distintas ciuddes americanas.
- En negro viajes en Transporte Publico, en gris en taxi, y en blanco en coche.
- Se aprecia con claridad los limites de ciudades que dependen del automovil, a pesar del recurso de ultima hora al coche como Los Angeles, Detroit, etc

Fuente: Mr. Jeffrey M. Zupan, antiguo Director RPA, NY - Presentacion en el M.I.T. – Speaker Series

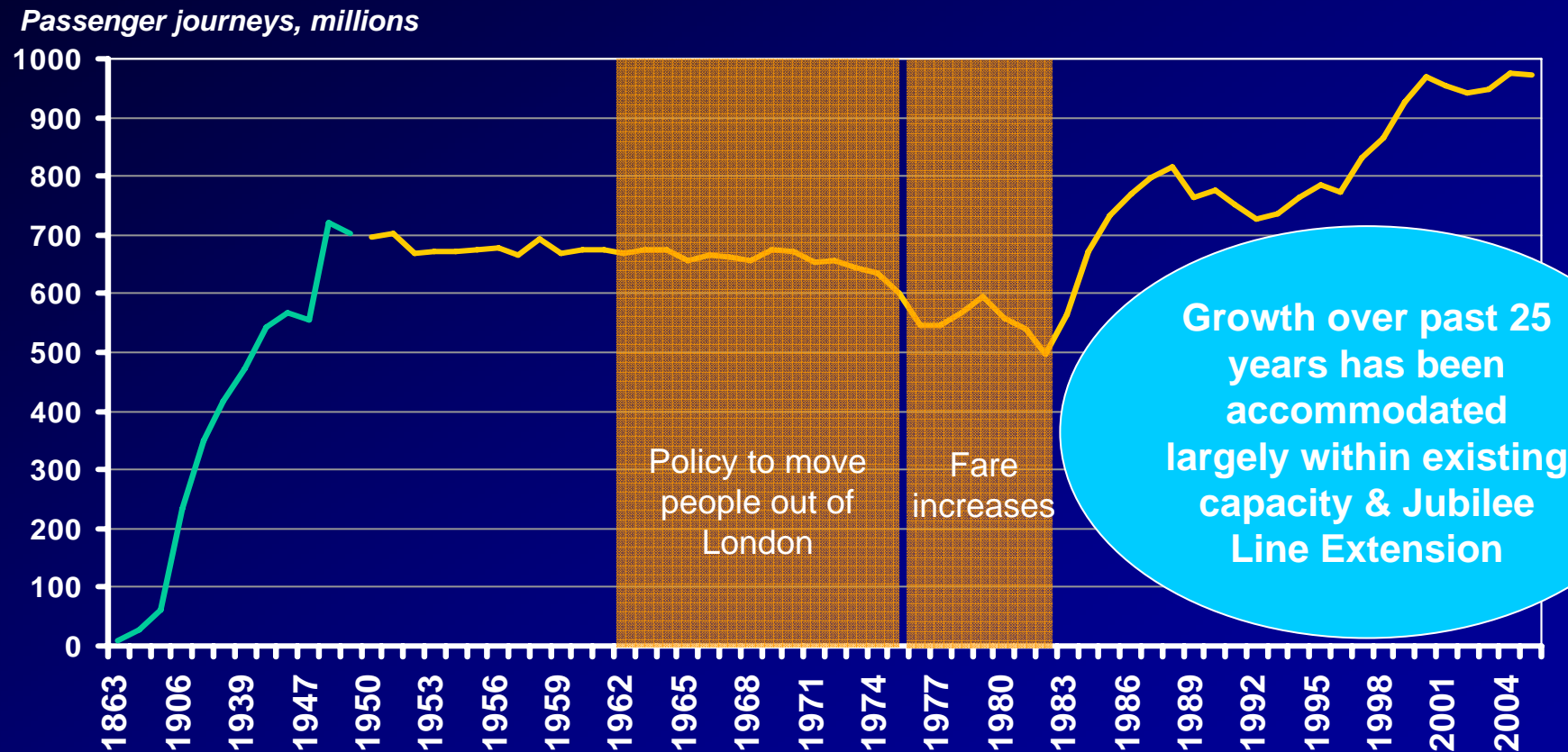


Demand on transport network

- **Population and employment growth creates further demand on public transport network**
- **Road space essentially constrained**
- **Environmental costs of use of motor car means continued and probably intensified restraints**
- **All this comes on the back of very high growth in public transport usage**

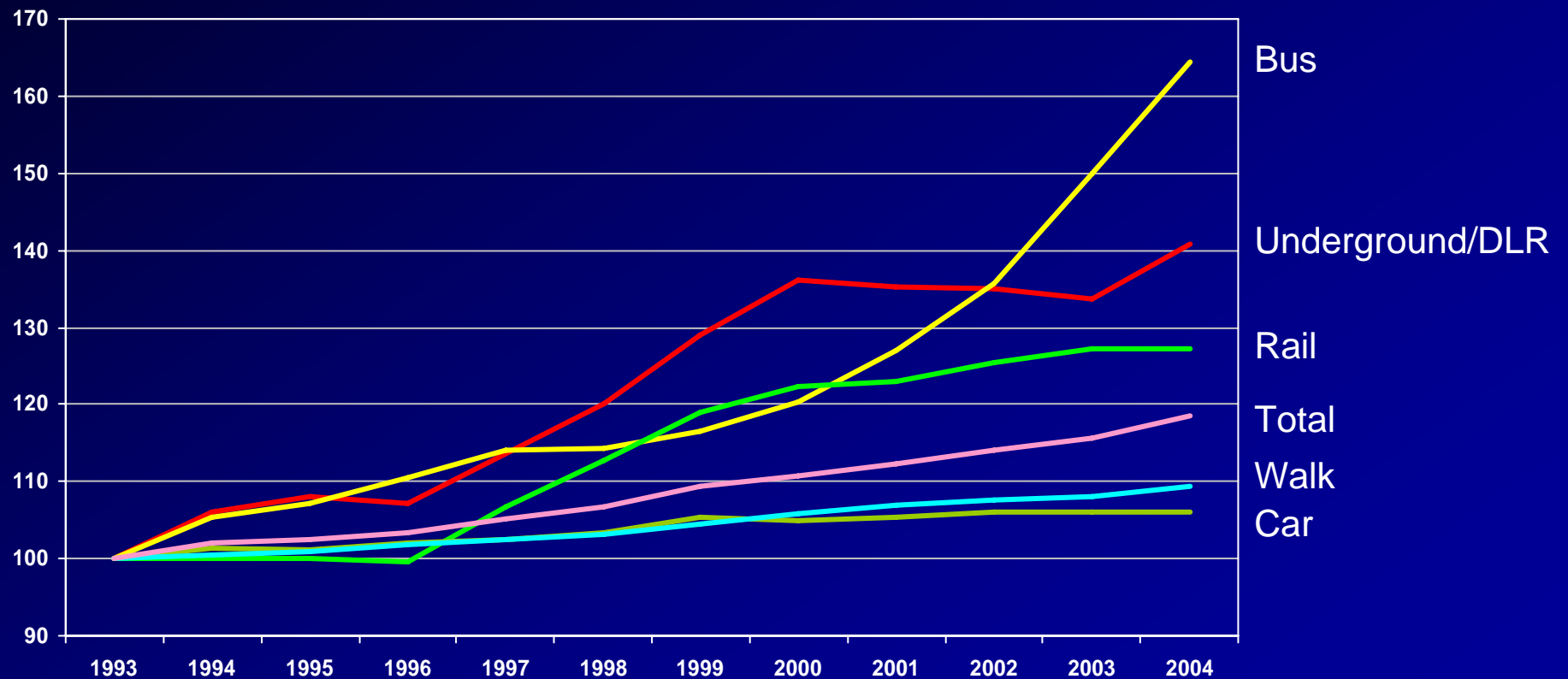


Underground usage at historical highs ...



... as is usage on other public transport modes

Index 1993=100



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Central London capacity constraints

Comparison of morning peak hour on rail services to Zone 1 cordon without Crossrail

	2001			2016		
	Capacity*	Demand	Ratio	Capacity*	Demand	Ratio
LU	217,000	231,400	1.07	265,300	318,100	1.20
NRN	224,500	232,500	1.04	260,300	264,400	1.02
DLR	4,900	5,300	1.09	8,400	9,500	1.13
Total	446,500	469,400	1.05	534,100	592,000	1.11

- **Data shows increasing intensity of usage overall despite assumptions of capacity increases. Does not assume Crossrail**
- **Some of the capacity growth is not likely to materialise**

* Capacity defined as passenger guidance capacity (PGC), roughly 1 standing for each seated person on Tube; PGC seen as upper limits for reliable operation

Source: TfL Analysis of Crossrail transport modelling results

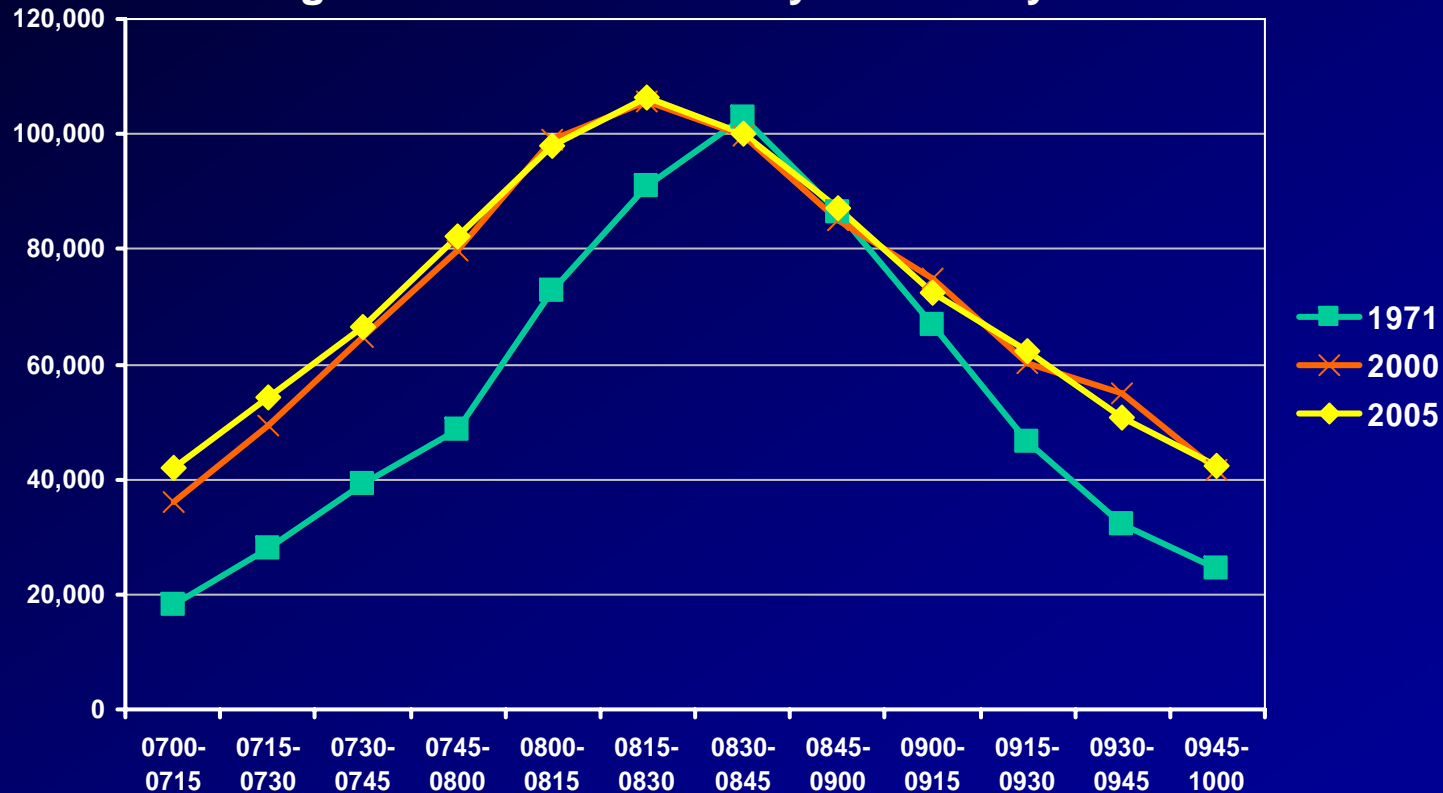


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Demand responses are already evident

London Underground station entries by time of day



- Crowded conditions on the Tube during peak
- Flexible working and relaxed starting times
- Structural change in nature of employment – more services and less manufacturing

*Limited scope for further demand adjustment
Existing response already takes into account flexible working patterns*

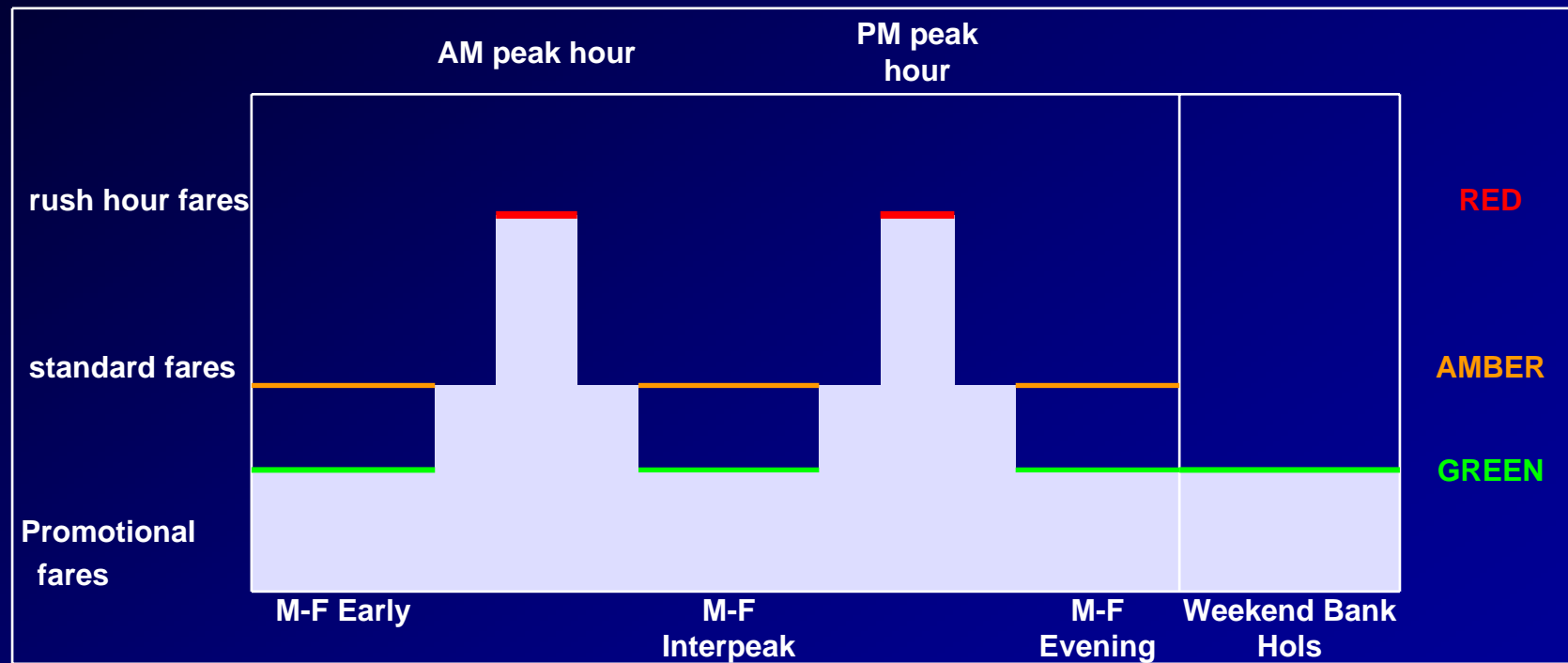


Demand management

- **There is a belief that demand management will offset the need to add capacity on the public transport network**
- **Demand management on the public transport network would have to take the form of peak pricing**



A potential model for demand management



Potential value of demand management

- **Difficult to assess with limited evidence but assessment done on the basis of**
 - Oyster Pay As You Go
 - c2c peak fares until January 2006
 - Academic literature on transport behaviour
 - Willingness to pay survey data
- **Potential impact of a 30% fare increase is of the order of**
 - 2.5% on national rail (less in central London)
 - 5% on London Underground for journeys starting in or beyond Zone 3 (less in central London)



Demand management

- Nevertheless, demand management has virtues and should be pursued
- ... but demand management also has costs
 - Cost to the economy of forcing people to travel at times other than their desired time
- Most importantly, we need to realise the relatively small scale of the opportunity for demand management



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New infrastructure will be needed

Policy priorities

- Need to now discuss options for growth since maintenance issues are settled
- Oyster provides enabling technology

Upgrading existing infrastructure

- Commitment to PPP provides stable long term investment into the Tube
- Bus network well supported
- Investment beginning to go into London Rail

New infrastructure

Demand management

Time

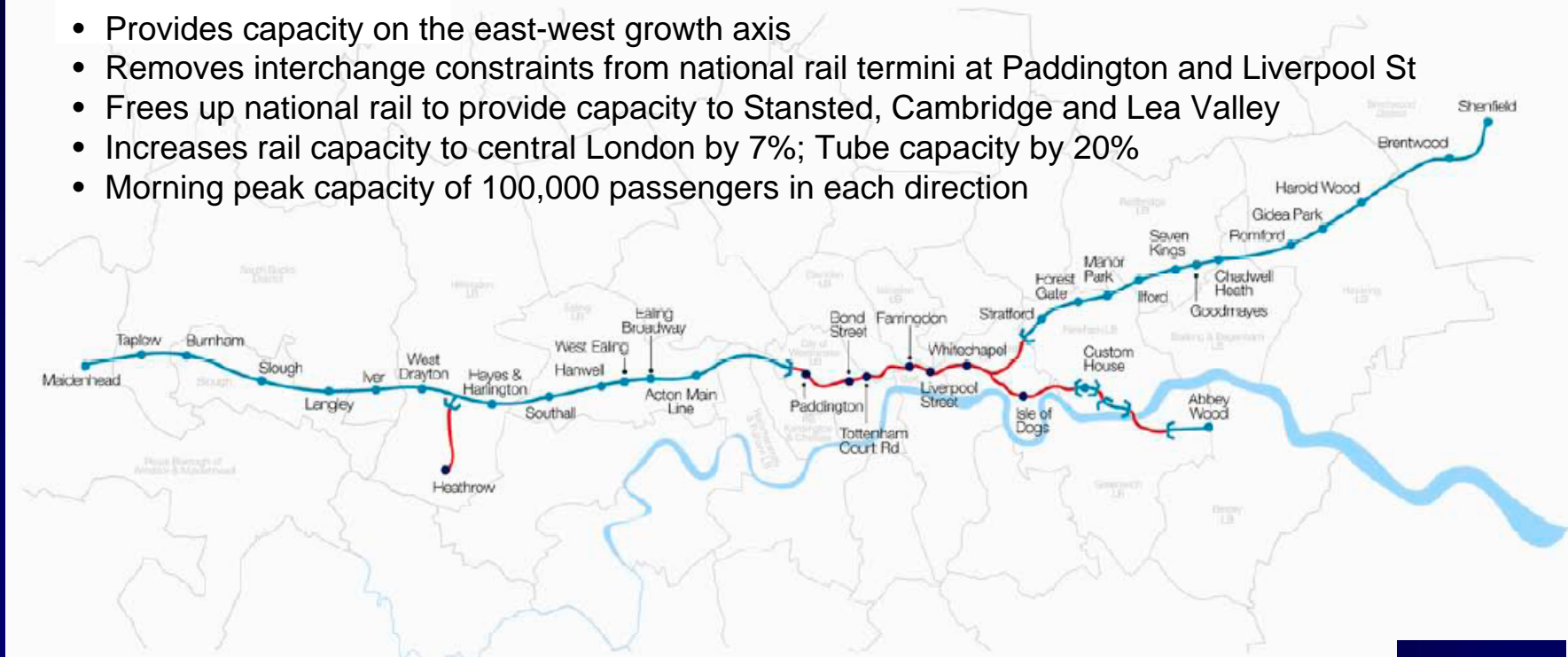


The shape of new infrastructure



Crossrail

- Provides capacity on the east-west growth axis
- Removes interchange constraints from national rail termini at Paddington and Liverpool St
- Frees up national rail to provide capacity to Stansted, Cambridge and Lea Valley
- Increases rail capacity to central London by 7%; Tube capacity by 20%
- Morning peak capacity of 100,000 passengers in each direction



Crossrail: business case and benefits

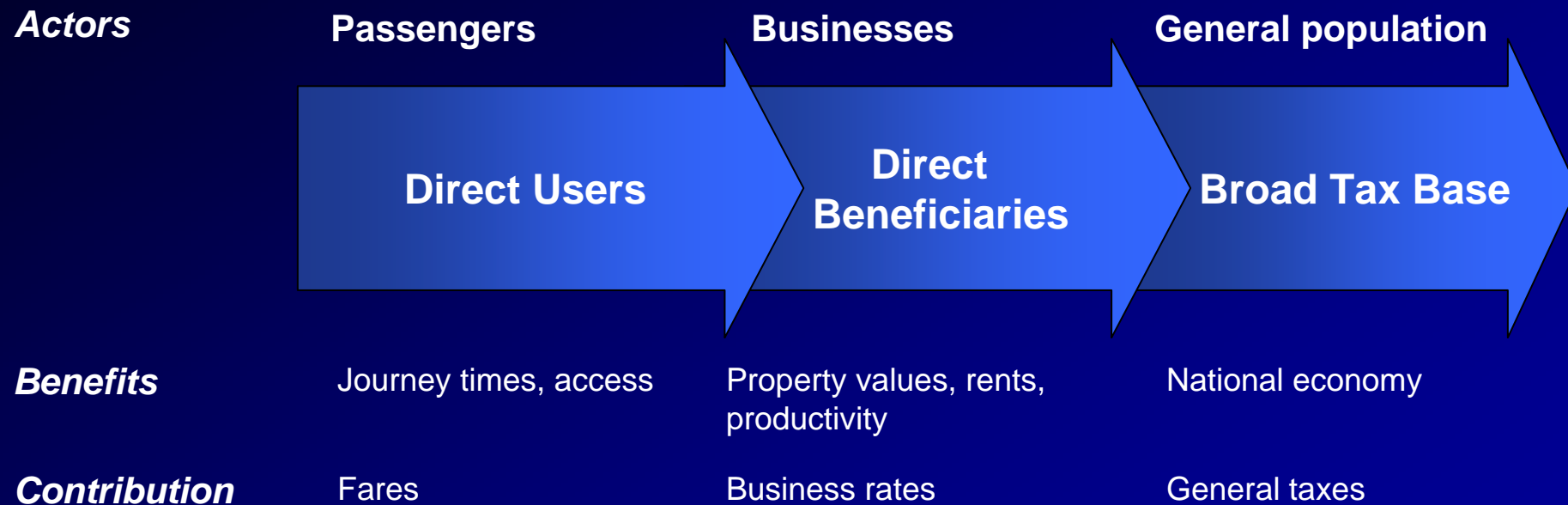
- **Crossrail is unique among large infrastructure projects with a**
 - **Very attractive benefit cost ratio of 2.6:1**
 - **GDP benefits of £30 billion**
 - **Incremental tax to exchequer of £12 billion**
- **But while Crossrail's benefits are huge the costs are staggering**
- **Need to move away from traditional models of funding**



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So how do we fund infrastructure



Tapping the middle area to support investment will be a significant advance in transport funding



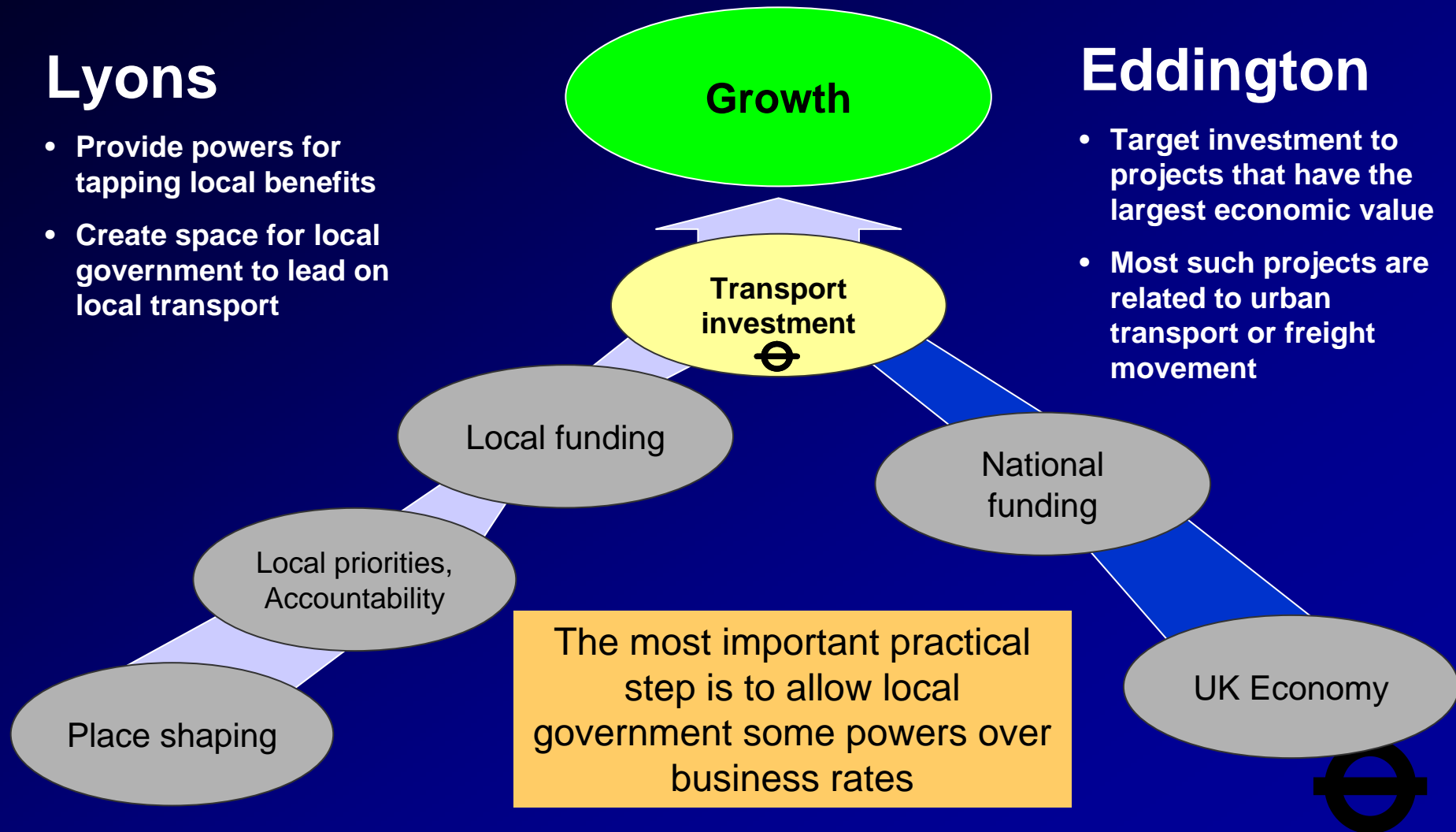
Addressing productivity through local government

Lyons

- Provide powers for tapping local benefits
- Create space for local government to lead on local transport

Eddington

- Target investment to projects that have the largest economic value
- Most such projects are related to urban transport or freight movement



Just 25 years ago ...

- Canary Wharf in 1980
- Disused docks
- Job losses



Transport driven growth in London

- Canary Wharf in 1992
- DLR open to Bank
- DLR extension to Beckton under construction
- Jubilee Line Bill in Parliament



£3.5bn investment : £22 billion value

- Canary Wharf today
- Jubilee Line Extension open – and full!
- 80,000 jobs in Canary Wharf
- Office development gathers pace



What the future offers ...

- Canary Wharf in the future
- 220,000 jobs possible in the area, but
- Needs Crossrail
- Huge potential value waiting to be unlocked throughout central London



Conclusions

- **Growth in London has huge economic value**
- **... but the growth poses significant transport challenges in**
 - Opening up new areas for housing
 - Providing capacity for travel to central London
 - Opening up areas for high-quality office development
 - Easing the movement of people within central London
- **The investment required is onerous but can partly be funded by local taxes**
 - The most promising avenue is through looking at relatively simple modifications to business rates

Need to take decisions now to enable local government to drive investment in public transport

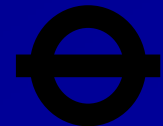


Mikel:

Insísteles por favor que también en Donostialdea se pueden beneficiar de la “aglomeración” de actividad económica. Especialmente al lograr, gracias a su Tren de Alta Velocidad, una importante masa crítica de residencia y empleo en sus tres capitales.

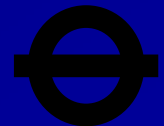
Transmíteles también que el reto mas importante para ellos es encontrar ese nicho de actividad económica que sea coherente con su trayectoria, su potencial y sus activos, a fin de consolidar su capacidad competitiva a escala local, europea e internacional.

Shashi



Notas del Presentador

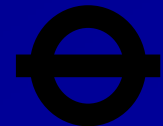
- **Al examinar el contexto de Londres, podemos concluir que nuestro mayor reto no es precisamente la financiación, sino ...**
 - **La movilización del tejido empresarial, y otros sectores sociales y económicos, es necesaria para aportar la diversidad de puntos de vista y enfoques**
 - **La autorregulación y colaboración con la Administración en un camino común que nos permite seguir reinventando nuestra Economía**



De Fred Salvucci...

GOVERNMENT /PRIVATE RELATIONSHIP

<div> GOVERNMENT PRIVATE </div>	Honest & competent	Honest & incompetent	Dishonest
Honest & competent			
Honest & incompetent			
Dishonest			



De Fred Salvucci...

NATIONAL/LOCAL GOVERNMENT RELATIONSHIP

GOVERNMENT				
LOCAL	NATIONAL	Honourable & competent	Honourable & incompetent	Dishonourable
Honourable & competent				
Honourable & incompetent				
Dishonourable				

