

## **A British Property Federation Response to the London Infrastructure Plan 2050**



1. The BPF represents companies owning, managing and investing in property. This includes a broad range of businesses comprising commercial property owners, the financial institutions and pension funds, corporate landlords and residential landlords, as well as all those professions that support the industry.
2. We welcome the opportunity to respond to this consultation. As we work closely with the business group London First on many issues where the interests of our members align, we are pleased to support their response. In addition, we would add the following comments.

### **Introduction**

3. The BPF welcomes the London Infrastructure Plan 2050 and recognition of the need for a strategic, long-term approach to planning for the infrastructure of the city as its population is projected to reach new highs. Infrastructure, economic growth and development are all inextricably linked. The funding of new infrastructure needed to enable broader economic growth, for instance, may depend on the projected future rate income accruing from new development. Because of this, we strongly agree with the need for an infrastructure plan for the capital and appreciate the cross-sector support being given for its development.
4. However, it is important to ensure that infrastructure in the capital does not come at the expense of growth in other cities in the UK which currently lag behind London in terms of economic performance. Investing in areas where infrastructure is already dense and connectivity levels are already high can run the risk of achieving poor value for money and we therefore urge that any investment in London's infrastructure is properly costed, planned and reviewed in order to avoid this eventuality.

### **Funding mechanisms**

5. Upgrading infrastructure is a key priority for London, in order that economic growth is sustained and ensuring that the capital remains competitive in a global market. However, finding ways of funding this ambitious £1.3 trillion plan will be a huge challenge, and how schemes are prioritised should be stated as clearly as possible, so providing signals to the private sector about their future investment plans.
6. We have previously stated our support for local authorities to have more freedom to explore innovative approaches to funding new and upgraded

infrastructure. Those governing cities, working in partnership with business and other interest groups, are best-placed to understand and address local needs, and we therefore support this call for greater fiscal devolution to London.

7. There is also support for the suggestion that the Government should differentiate between debts that are incurred for the purpose of delivering economic growth that will enable them to be repaid over time and, on the other hand, borrowing to fund general Government debt. It would be particularly helpful to see authorities enjoying much more freedom to use Tax Increment Financing (TIF), which uses anticipated future increases in tax revenues to finance current improvement and fund new infrastructure projects.
8. By way of example, TIF has proved fundamental in obtaining backing and investor commitment for the viability of the extension of the Northern Line from Kennington to Battersea Power Station. This infrastructure investment will be integral to connecting the new development's housing and offices to London's tube and wider public transport network.

### **Accommodating population growth**

9. Given that the GLA's projections estimate London's population will be 11.27 million by 2050, it is vital that there is sufficient housing within and around the capital. We support the prioritisation in the draft Plan of reusing existing brownfield land and releasing surplus public land. It is also crucial that opportunities are recognised where it is possible to intensify development in existing areas which benefit from effective transport infrastructure.
10. The lack of transport infrastructure can present a barrier to purely focussing on building homes on brownfield land, as much of this land is poorly-connected. This, along with the fact that much of the land is complex to bring back into use, will make it extremely expensive to develop and therefore many such sites will not be viable.
11. Given the extent of the draft Plan's ambition, there is a clear need to balance the competing priorities of using brownfield sites, providing new development in suitable and accessible locations, Green Belt retention and the provision of public green space. As the draft Plan itself recognises, in the near future it will be necessary to exploit additional development capacity and it is vital that this discussion starts now in order to pre-empt the huge demand that will only increase in the coming years. A welcome part of current delivery is recognition that London must accommodate the diversity in its population, with the needs for affordable, market rent and for sale property. Ensuring that London is

meeting all of its housing needs, and that public land sales reflects this, is a vitally important aspect of a sustainable plan.

### **Energy supply**

12. We welcome the proposal to increase investment in electricity substations and wires in order to keep pace with demand. In particular, we welcome the move towards changing the current system in which a developer is often left with a large bill after making an unplanned-for connection request in an area of insufficient capacity and/or where new capacity is not in the provider's business plan. We agree that this unexpected cost can delay development and lead to new development areas being blocked due to a lack of spending on electricity infrastructure.

### **Healthcare**

13. We are encouraged to hear that further iterations of the Plan will incorporate recommendations from the London Health Commission's report *Better Health for London*, as there is a clear need for London to plan for its healthcare infrastructure, particularly in primary care premises where three-quarters of London's GP practices are in need of rebuilding or repair.

14. While we do support the need for investment, calling for the Department of Health and NHS England to fund this ambitious £1 billion project will pile further pressure on an overstretched system. There are substantial funds ready to invest in healthcare real estate from UK institutions, which could be used to build modern, accessible facilities which would provide huge patient benefits and long-term savings to the public sector, provided there is reform of the rent reimbursement system for GP premises.

### **Digital connectivity**

15. Fast, reliable internet access is crucial to the productivity and growth of businesses in London. We are increasingly concerned with the poor quality and availability of internet connectivity, particularly for SMEs, in certain parts of the capital where there is an acute shortage of underground space for wiring.

16. In London, the price of superfast Broadband represents a major barrier to take-up. While London is covered by wholesale fibre optic broadband, this is prohibitively expensive for SMEs. Whereas the basic copper wiring internet cable only costs around £10 a month, the fibre optic alternative is very expensive, trapping SMEs in place. While we welcome the funding for broadband installation the GLA has offered to SME occupiers, we are concerned that there has been low take up, and as of September 2014, only 812 vouchers of £3,000 had been claimed, from a total pot of £23.8 million.

Government should extend the scheme beyond the proposed Spring 2015 deadline. Other policy areas that need addressing are the significant costs associated with the physical installation of broadband. It ordinarily costs around £43 a metre to dig a trench for wiring, although it is often more expensive in London due to permits, heritage areas and parking charges. These factors also delay the process, with the rate of digging in London 25% of the rest of the country, adding an additional financial burden.

17. We would argue the responsibility for the ownership and maintenance of fibre-optic cables lies with the internet service provider rather than the property developer. We would be happy to continue to be involved with the Connectivity Advisory Group, given our role as the representative of businesses and commercial landlords.

### **Student accommodation and education**

18. We welcome that the Plan recognises the need to build hundreds of new schools and colleges to meet the education needs of coming generations, given the projected funding gap of £0.6 billion per year between 2016 and 2050. We agree that improving and unlocking transport and digital infrastructure will play a key role in delivering this investment.
19. As recognised in the London Plan, London's universities make a significant contribution to its economy and labour market and it is important their growth and competitiveness are not compromised by inadequate student accommodation provision. We would appreciate recognition in the London Infrastructure Plan that supply is likely to undershoot central projections of demand, and therefore there is a clear need for additional provision in the capital.

### **Conclusion**

20. We support the need for improved availability of funding through different measures to allow for the increase in infrastructure development that London needs. London is currently unique within in the UK in its ability to attract foreign investment, and projects which help it maintain its place as a leading city of business and development should remain a top priority. In addition, any projects identified as a priority must be delivered in a time and cost-effective manner in order to ensure value for money, particularly when that money is already restricted.

We would be pleased to discuss or amplify any of the points raised in our response.

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