

# BUSINESSLDN

## A FIVE-POINT PLAN TO ESCAPE THE LOW GROWTH TRAP



Since the last general election in 2019, London and the UK have been through a lot. We have endured a global pandemic, are in a cost-of-living squeeze and been through three Prime Ministers. We have high debt, high taxes, low growth, poor productivity and stretched public services. The outlook ahead is challenging.

Politicians should, therefore, seize opportunities to boost growth now and in the long-run.

One piece of low-hanging fruit that could improve the economy almost immediately is restoring VAT-free shopping for international visitors, which would see more international visitors and more spending here rather than abroad. It would boost the leisure sector in particular, as well as delivering a net increase in tax revenues for the Exchequer.



Improving our long-term economic performance requires investing for the future – and doing so without constant chopping and changing. That means recommitting to HS2 and giving Transport for London a multi-year capital settlement so we can fund, and fund efficiently, the transport upgrades our vibrant, growing city needs.

Building more homes at scale is also vital to ensure people can afford to live in London and other cities. The public and private sectors must work together to tackle the housing crisis effectively. Such collaboration will also be needed to reform the childcare system, which could make the UK more competitive and increase labour market inclusion.

Most of these challenges do not have a silver bullet but we must work together to build a capital that works for Londoners and the whole UK.

*John Dickie, CEO*

### 1 AGREE A SUSTAINABLE FUNDING DEAL FOR TRANSPORT FOR LONDON

Londoners rely on public transport to access jobs, education, and services roughly twice as much as those in any other region.

Following brinkmanship on operational funding during the pandemic, uncertainty around capital funding is undermining the ability to plan and deliver projects needed to ensure London's transport

network remains fit for purpose. It is also unhelpful for the network's wider supply chain across the country.

A multi-year funding deal – similar to those Government already has with Network Rail, National Highways and eight city regions across the UK – should be urgently agreed so that connectivity across the capital befits a world leading city. Shovel-ready projects – like extending the DLR to Thamesmead – could also help to deliver tens of thousands of new homes if funding is secured.

## 2 STAY THE COURSE ON HS2

Uncertainty also continues to plague the delivery of HS2. Mixed signals on the project's future are damaging the UK's reputation as a place to do business and the country's wider supply chain, as spending commitments cannot be made with confidence.

Chopping and changing of HS2's scope increases the cost of capital as well as deterring investors and contractors. Large-scale projects will always be challenging to deliver but the long-term economic interests of the UK demand that we deliver HS2 and Northern Powerhouse Rail as planned so that people can enjoy the huge benefits on offer. It would make no sense to scale the project back so that it becomes a shuttle between Curzon Street in Birmingham and Old Oak Common on the outskirts of London.

## 3 BOOST THE ECONOMY THROUGH BUILDING HOMES AT SCALE

Average asking rents in the capital hit record highs this summer and are expected to reach £2,700 a month next year. Tenants in the capital are now paying a third more than they were pre-pandemic. We urgently need to build more homes – at scale and at pace – to make London affordable and keep our city competitive.

That is why – as our **Place Commission** set out earlier this year – an ambitious plan is urgently needed to accelerate housebuilding. This should include greater policy support for the delivery of a diversity of tenures, alongside more long-term and flexible funding from the Government.

Proper resourcing of local planning authorities and a review of the green belt should also be prioritised, so land which currently has no civic or environmental value can be used for much needed homes.

## 4 INCREASE ACCESS TO HIGH QUALITY, AFFORDABLE CHILDCARE

A **survey published** by BusinessLDN and the Central District Alliance (CDA) business improvement district last month found that on average parent and carers in London are spending more than a third (36%) of their monthly personal income on childcare, with 53% rating it as unaffordable, and nearly half (49%) saying the cost had pushed them into debt.

With businesses experiencing chronic skills shortages and families facing a cost-of-living crisis, we are calling on the Government to take further steps to boost the affordability and availability of childcare to shift the dial on labour market inclusion. Later this autumn, BusinessLDN, KPMG and CDA will publish detailed recommendations to improve the current childcare system which in turn could boost productivity and growth.

## 5 RESTORE VAT-FREE SHOPPING FOR INTERNATIONAL VISITORS

The decision to end VAT-free shopping is weighing on our economic performance. Recent figures from Global Blue show that 10% of UK spending by international visitors in 2019 has now relocated to European Union countries, which all offer this incentive. The number of international shoppers in the UK has almost recovered to pre-pandemic levels but this lags far behind France, Spain and Italy, which have doubled their American visitor numbers.

Reintroducing the scheme would significantly boost London and the wider UK economy by increasing spending in hotels, restaurants, museums and theatres – as well as retail. This additional spending would more than compensate for the short-term loss of VAT receipts – delivering a significant net increase in tax revenues annually. Restoring tax-free shopping would ultimately be a win-win for business, the economy and the country.

### About BusinessLDN

At BusinessLDN, our mission is to make London the best city in the world in which to do business, working with and for the whole UK.

We work to deliver the bigger picture, campaigning to tackle today's challenges and to secure the future promise of London. We harness the power of our members, from sectors that span the economy, to shape the future of the capital so Londoners thrive and businesses prosper. We support business to succeed – locally, nationally, globally.

We campaigned for the creation of the office of London Mayor and Transport for London, for the Elizabeth Line, for congestion charging, we incubated Teach First and run the UK's largest annual jobs and careers fair, Skills London.