London's current and future competitiveness: a review of city competitor data

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Executive Summary

London is a leading international business centre and, according to many indices, the leading international financial centre. This pre-eminence has been built on a combination of factors: some fixed, such as London's time zone and language; some policy choices, such as openness to global talent and investment, and a competitive regulatory and fiscal regime. The interaction between these over time has enabled London to build a range of industry clusters, which in turn, attract new activity.

However, in recent years the gap between London and some of its competitor cities, particularly from emerging markets in the East, has closed. While the growth of countries such as China or Singapore is not within the control of UK policy makers, the stability and competitiveness of our regulatory and fiscal regime is. Recent policies such as the 50% top rate of income tax, poorly managed changes to the taxation of non-doms, restrictive immigration policies and the imposition or threat of unilateral new regulatory costs (particularly on the financial services sector) have undermined London's competitiveness and reputation for predictability and consistency.

London's established, diversified and deep market provides a degree of resilience against adverse shifts in global markets or policy; but this cannot be relied on. As more jurisdictions find ways to replicate London's beneficial fixed factors (for example working in English and working English hours) and adverse policies lead to globally mobile individuals and businesses choosing other locations, London's critical mass comes under threat.

The data do not suggest that London's current business environment is driving business away en masse; however they do suggest that the decline in competitiveness is resulting in London missing opportunities for new growth. Over time, a drift away from London could diminish the value of London's established market.

Introduction

Through an analysis of the various competitiveness indices, surveys and reports, this paper identifies the key factors that make London a (and by some metrics the) leading international business centre and assesses the vulnerability of this position. The paper highlights areas where London's international competitiveness is slipping and suggests corrective action that needs to be taken.

A variety of indices exist which benchmark London's international competitiveness in relation to other world cities across a range of criteria. Alongside these are a number of reports and surveys which identify specific issues or aspects of city competitiveness. Similar data exist at a national level ranking the UK's performance against other countries.

Caution needs to be taken in using competitiveness indices, as highlighted by the recent report by the GLA Economics *City ranking indices - handle with care*, due to the innately simplistic approach that needs to be taken in order to convert complex issues into simple numerical data. Further caution needs to be taken when attempting to compare data from different indices and reports. However whilst the methodology applied and data samples differ across these indices and reports (see appendix 1 for a summary of the key data used here), themes can be drawn out which provide an insight into London's relative strengths and future threats to these.

The drivers of the metrics used to determine a city's relative positioning can broadly be split into three categories:

- <u>fixed factors</u>, which are not susceptible to change, at least in the short term, such as time zone and language

- <u>policy factors,</u> which are determined by government and can change rapidly. The fiscal, regulatory and political environments are key drivers of competitiveness

- <u>market factors</u>, which are a function of history and the interaction of the fixed and policy factors, such as proximity to markets, depth of skills pool and levels of agglomeration benefits.

This report examines these in turn focusing on those areas where London's overall competitiveness is threatened by its current performance.

London today

The various competitiveness indices affirm that London is a leading global business centre. Indices comparing global financial centres (GFCI 2007 to date), European cities (Cushman & Wakefield 1990 to date), and global centres of commerce (Mastercard 2007 & 2008) which assess a range of economic and business environment factors, have all ranked London as number one (see Table 1) The most recent London business survey in June this year had 87% of respondents rating London as a good or very good place to do business[1].

Table 1: Rankings across key competitiveness indices

	2008	2009	2010	2011
London	1 1 1	1 1	1 1	1 1
Paris	2 14 7	2 18	2 19	2 20
Frankfurt	3 6 8	3 8	3 11	3 14
New York	2 2	2	2	2
Hong Kong	3 6	3	3	3
Singapore	3 4	4	4	4

Numbers =rankings

Cushman & Wakefield

GFCI: note: 2 indices per year (2011 only 1 to date), best result noted)

Mastercard Centres of Commerce

A principal reason for London's success as an international business centre is the concentration of financial services institutions. This cluster attracts other industry clusters, such as professional services, and provides the access to financing and global markets demanded by global business. Therefore, the success of London as a financial centre is key to its broader success as an international business centre.

The evidence above of London's strong international economic position is further supported in the foreign direct investment indices where London is a leading European city and top performer internationally. The PwC Cities of Opportunity report shows London outperforming New York, Paris, and Hong Kong (although not Singapore) in terms of attracting FDI capital investment and outperforming all these cities in terms of FDI in greenfield (new job-creating) sites.

Tables 2 & 3: FDI rankings

Attracting FDI: Capital Investment	2011
New York	14
Paris	8
Hong Kong	6
London	4
Singapore	2

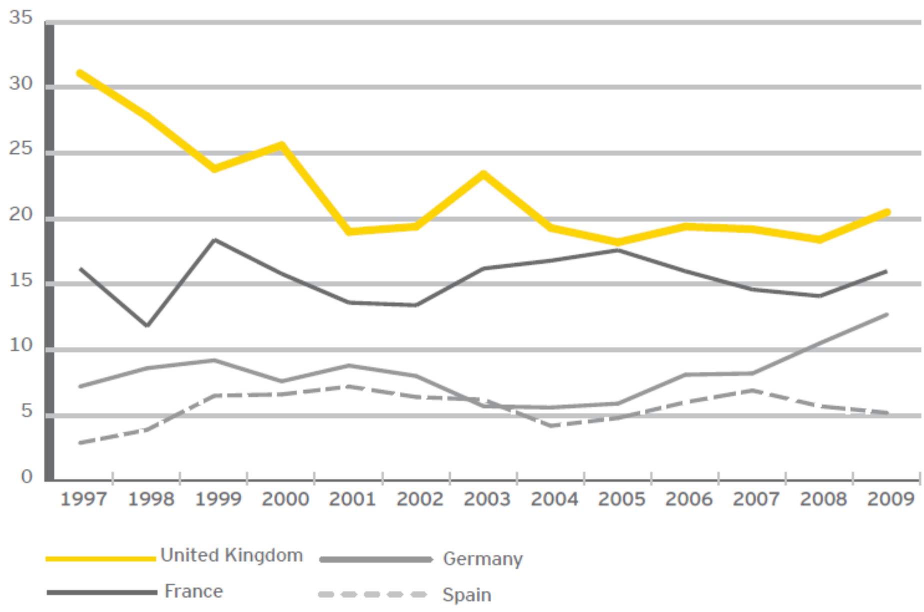
Attracting FDI: Greenfield sites	2011
New York	11
Paris	6
Hong Kong	5
Singapore	3
London	2

Source: PwC Cities of Opportunity

This is supported by the Think London Barometer, which suggests that 95% of overseas businesses are satisfied with London as a location for their business[2] and data from Ernst & Young which confirms London's leading position in Europe: the UK attracts 20% of all European FDI, with London accounting for almost 40% of the UK's FDI[3].

But while London's overall position is strong, the underlying trends show that there is no room for complacency. Data from Ernst & Young show that the UK's European dominance in attracting FDI has diminished since 1997 (although stabilised in recent years - see chart 1).

Chart 1 ; Percentage market share of 'big 4' European investment locations

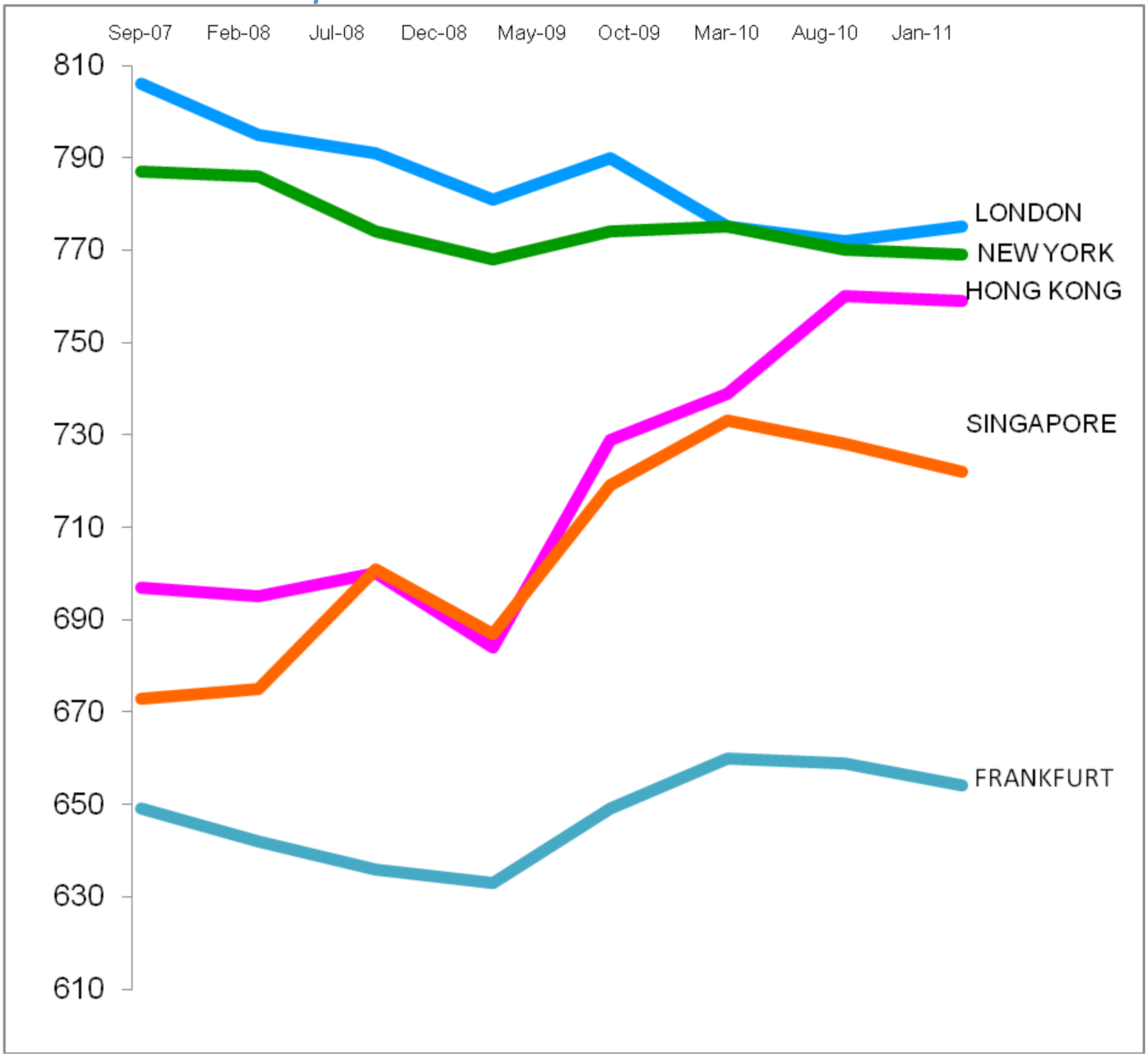


Source: Ernst & Young European Investment Monitor 2010

According to the most recent UNCTAD data Germany attracted the same amount of FDI as the UK last year for the first time [4].

GFCI data show that while London has ranked number one since the index began, the gap over some competitors, particularly from Asia, is diminishing (see Chart 2).

Chart 2: GCFI overall performance data for selected cities



It is also worth noting that on indices which attempt to measure broader city liveability London scores less well than on purely economic metrics. For example PwC Cities of Opportunity index 2011 has London in 6th place – generally scoring well on economic measures but less well on some of the more qualitative criteria. Of course measuring liveability is, if anything, more subject to some of the subjective bias difficulties noted above: just how should one weigh income equality; tolerance; cultural amenities; or sunshine? While this report does not explore these issues in any detail, some liveability issues – for example personal security – clearly have the potential to support or undermine competitiveness and need to be taken seriously by policy makers in this international comparator context.

Trends affecting London's global city status

Fixed factors

London's time zone, location, legal systems and fluency in the English language were instrumental in creating London's success (as noted in the 2008 Wigley report[5]) and will remain great strengths[6].

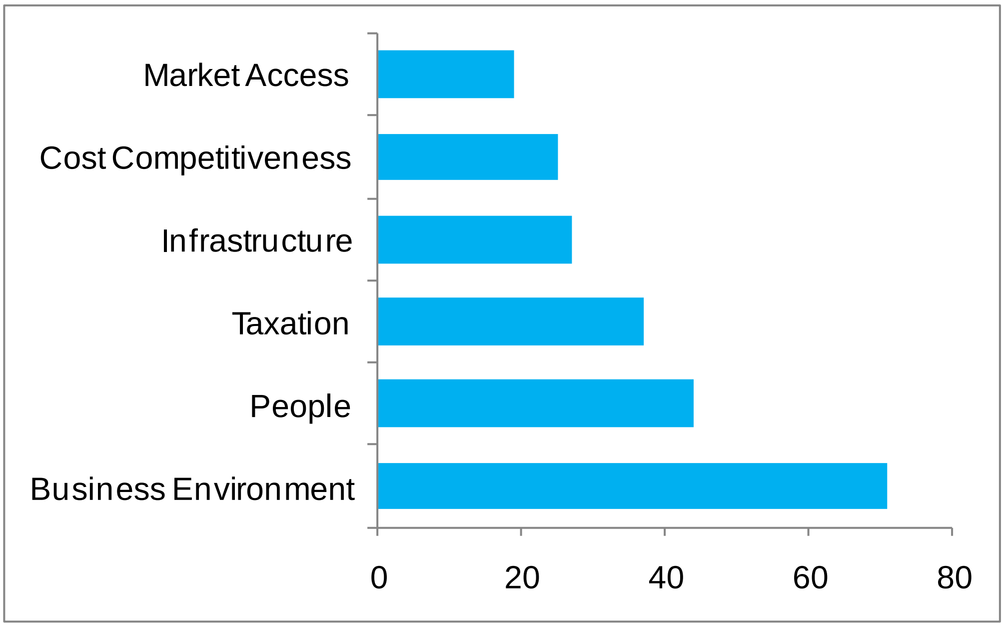
These factors combined with the agglomeration benefits of London's established market (see below) provide London with a degree of resilience against adverse economic and competitiveness factors. Evidence from PwC showed that although London suffered more than many other cities in the financial crisis, it remained the leading city in terms of economic clout[7].

However, while these factors will remain, they are becoming less powerful. This is due to a combination of replication by other jurisdictions - English language is now the working language of financial centres across the world and English law is able to be applied in many jurisdictions – and, as discussed below, the shift in demand and likely gravitation of business towards the East.

Policy factors

Some of the areas of greatest concern to London's future competitiveness, particularly when considering its role as a financial services centre, are, paradoxically, the areas where UK policy makers control their own destiny. The GFCI report[8] identified that business environment, particularly in regard to the stability and predictability of regulation, is by far the most important factor in determining a city's competitiveness.

Chart 3: Key areas of competitiveness mentioned by respondents



Source: GFCI Index 9, March 2011

Tax Regime

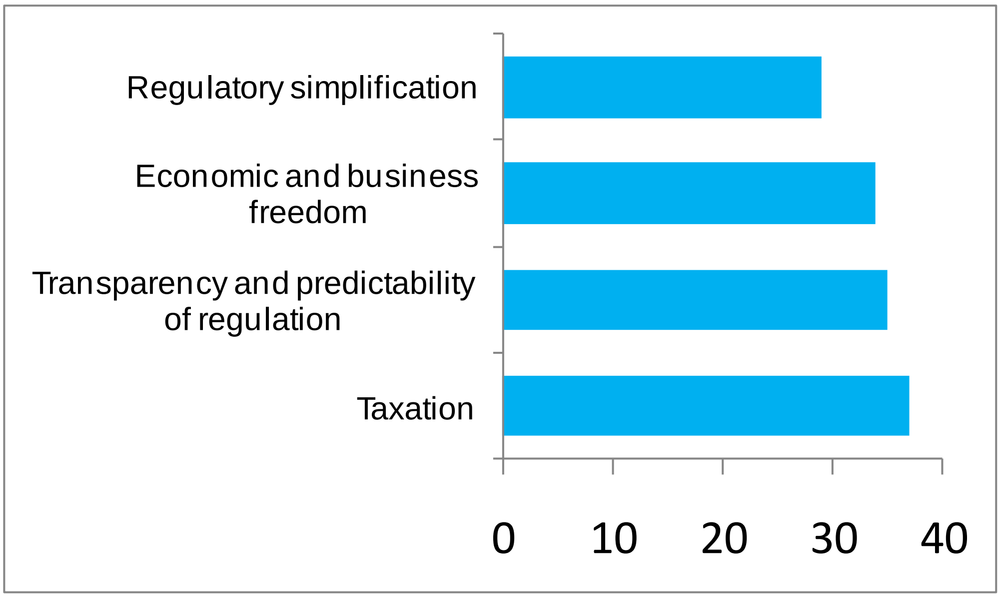
Tax is a vital element in a city's business environment[9]. Research by KPMG highlighted the pivotal role tax plays in business decisions. More than half of respondents named tax considerations as a major factor in international business planning, two-thirds deemed tax issues to be growing in importance and no-one suggested taxation to be losing importance[10]. Recent evidence from competitiveness surveys suggests that this is an area in which London is weak[11].

Competitiveness data on taxation is difficult to cumulate as different measures are used in different surveys. Some focus on perceptions of tax policy while others are more quantitative; some focus on individual taxes while others include not only taxes but also the other burdens tax policy imposes on business, such as compliance costs. However, while it is not possible to aggregate the messages from different surveys, it is possible to identify themes.

The first theme is that taxes are up. In 1997, the UK had the tenth lowest main rate of corporation tax among the current EU27 countries; by 2010 it had fallen to twentieth. While the UK had not increased its corporation tax rate, policies in other jurisdictions to reduce their rates left the UK, and hence London, in an uncompetitive position. Further sector specific data considering the tax and legal environments for the development of private equity and venture capital within Europe found that between 2003 and 2008 the UK dropped from first to fourth place, with the 2008 report citing tax rates as the primary reason for the fall[12].

Personal taxes - a vital contributor to the competitiveness of any city reliant on globally mobile talent - have become uncompetitive[13]. The recent GFCI index found changes to personal tax to be the single change that could most improve a financial centre's competitiveness (see Chart 4).

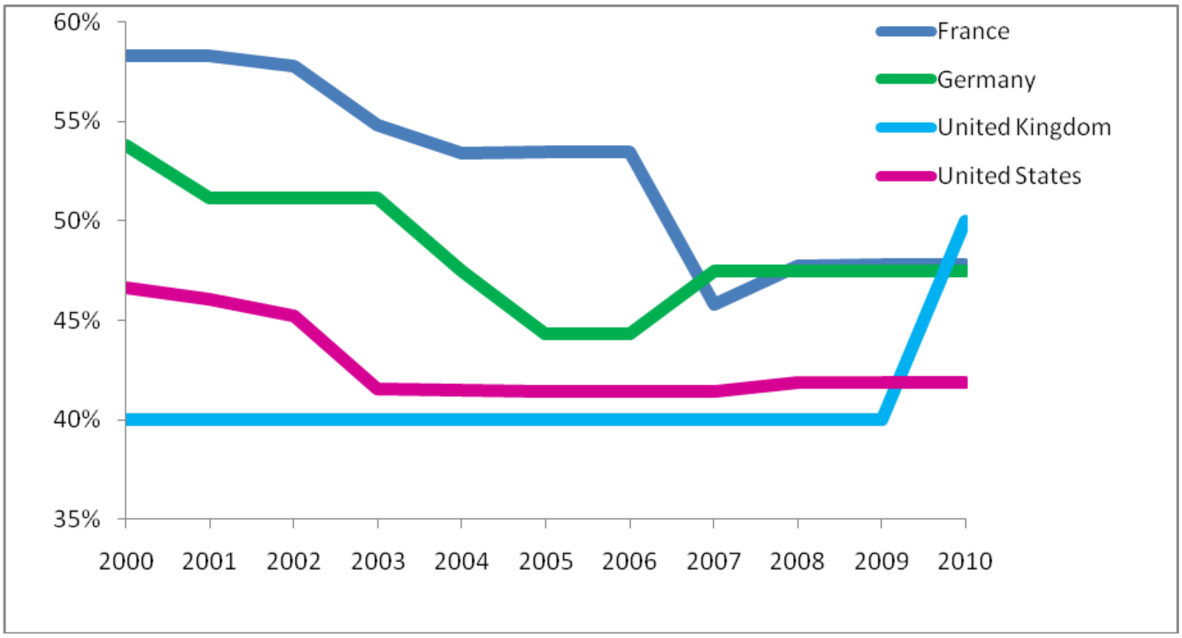
Chart 4: Single regulatory change that would improve a financial centre's competitiveness: top four by respondent mention



Source: GFCI Index 9, March 2011

The introduction of the 50% top rate of income tax means that London now faces the highest rate of personal tax in the world's top 10 financial centres[14]. As Chart 5 demonstrates, after a period of a competitive top rate of tax among London's Western competitors the increase in rate to 50% pushed London (and the UK) into uncompetitive territory.

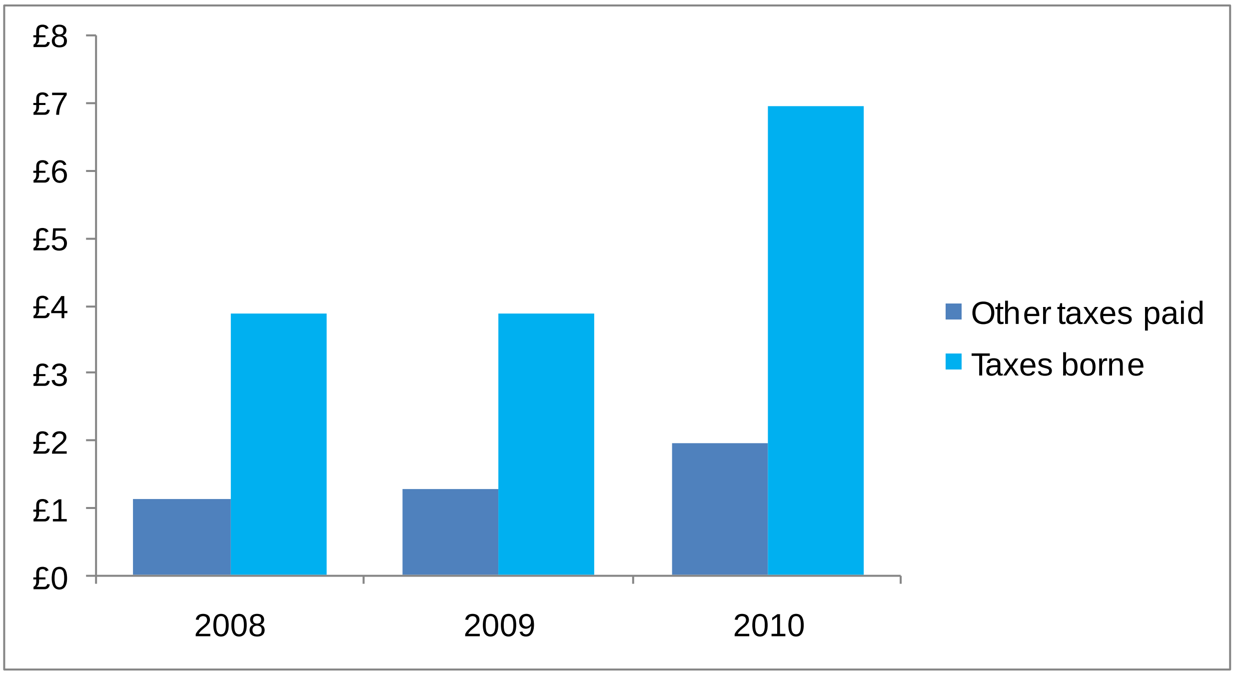
Chart 5: Marginal tax rates over time



The second theme is the loss of the UK's reputation for stability in the tax regime. The Wigley report identified a decline in the UK's reputation for predictable, favourable and constructively applied taxation: a situation that was already happening prior to the financial crisis and continued through the crisis as unexpected policies such as bonus taxes and bank levies were applied. This deterioration in the tax environment was also cited as an important factor in the UK's fall in London's ranking in the WEF global competitiveness index, from second in 2006 to twelfth in 2010[15].

The third theme is that compliance costs are high. An IEA paper[16] found that while difficult to measure accurately, the costs of tax collection in the UK are estimated to be approximately £15–£20 billion[17]. The scale of the burden on business is shown by PwC's Total Tax Contribution survey[18] which found in 2010 that for every £1 paid in corporation tax, business paid £1.97 in other taxes borne (taxes that business collects on behalf of the Government e.g., NICS, PAYE) and £6.79 in taxes collected (the increase in other taxes paid and taxes collected per £1 corporation tax shown in Chart 6 is, to a large extent, a result of a fall in corporation tax receipts).

Chart 6: Additional taxes paid and borne per £1 of corporation tax



Source: PwC Total Tax Contribution reports, 2008-2010

The compliance and administrative burden of taxation increases with the complexity of the tax regime[19]. While hard to measure complexity, one proxy is the length of primary tax legislation. The UK has one of the longest pieces of primary tax legislation (according to PwC research in 2006, it was the second longest after India[20]); and has increased the complexity of legislation over recent years with the average Finance Act between 2000 and 2009 being over three times as long[21] as the average Finance Act in the 1980s. Given this, it is not surprising that business have raised concerns about the increasing cost of tax compliance[22] and the increasing complexity of the UK regime versus regimes in competitor markets (2009 World Bank survey, ranked the UK 16th in terms of ease of paying taxes, a fall from 12th in the 2008 survey[23]).

While recent Government policy has at least acknowledged the need for a competitive tax regime[24], the overall decline in the UK's, and therefore London's, international tax competitiveness over the past few years means more needs to be done.

Regulation

The regulatory environment has a major influence on a city's competitiveness. As with tax, it is not just the cost of regulation that is of concern to business but also the stability of the regime: GFCI found transparency and predictability of regulation to be the second most cited response to the question of the single change that would most improve competitiveness (see chart 4 above). A number of the indices highlight the levels and costs of regulation as a growing competitive disadvantage for London[25] putting London at risk from regulatory arbitrage[26].

A recent report by the Institute of Directors (IoD) suggested that the amount of time company directors spend each week on regulatory compliance has gone up from 13 hours a month in 2009 to 17 hours a month in 2010 which equates to a cost of £36.8bn in 2010, up from £28.2bn in 2009[27]. The particular areas identified as of major concern to London's competitiveness relate to employment regulation (identified by the London business survey as the second most burdensome area of regulation behind taxation) and the regulation of the financial services sector (as identified in various financial centres reports[28]).

Employment regulation

Concern over the cost to business of employment regulation is noted in the indices[29]. Over recent years, European Union legislation has had an increasing influence over UK employment law[30]. The EU has enacted a series of employment laws which are more rigid than those the UK had had in place since the 1980s.The application of EU law to the UK has removed its ability to create a flexible employment environment versus the rest of the EU (some would also argue that the UK's approach to implementing EU legislation is more stringent that other EU countries, potentially putting the UK at a disadvantage within the EU[31]). This has also reduced London's competitiveness against key competitors based outside the EU. The tables below, from PwC, summarise the position.

Tables 4, 5 & 6: Employment Factor rankings

Ease of hiring	2011	2010	2009
Paris	24	20	19
London	12	11	13
New York	7	6	6
Hong Kong	1st	1	1
Singapore	1st	1	1

Ease of firing	2011	2010
Paris	19	17
London	12	9
Hong Kong	8	5
Singapore	6	4
New York	1st	1

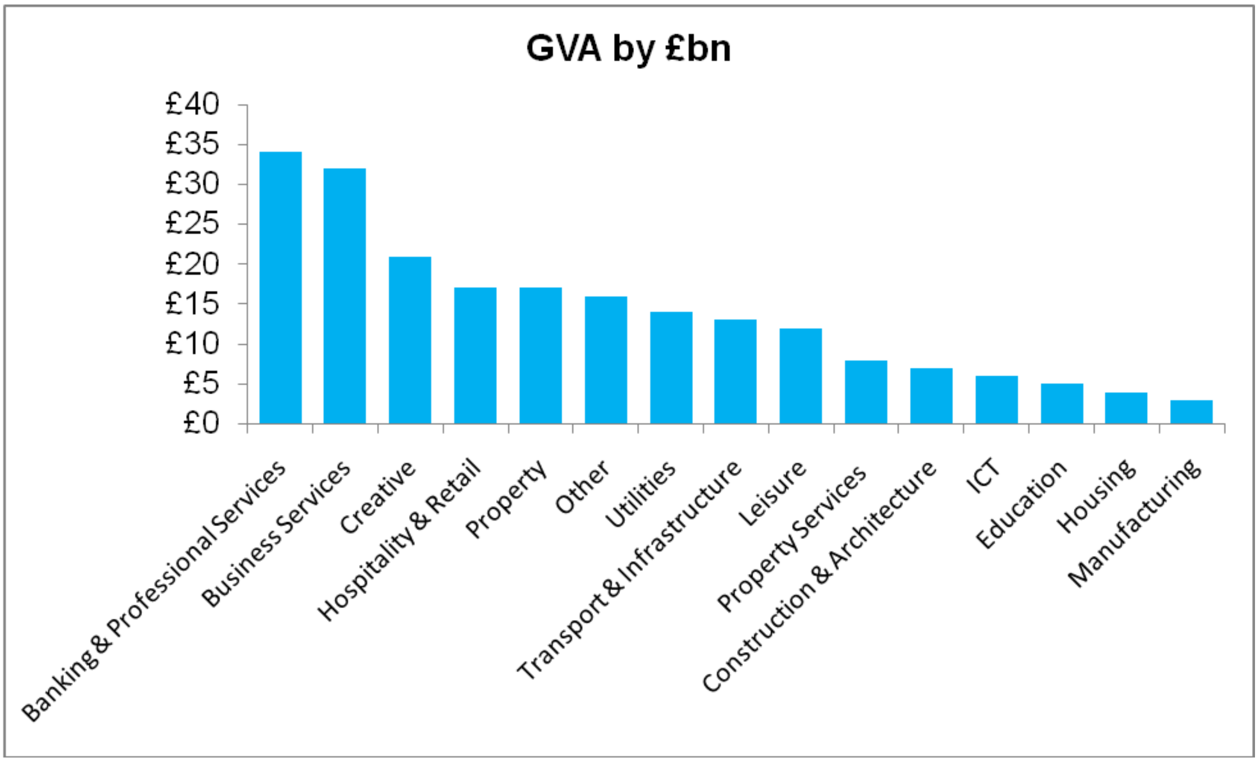
Rigidity of hours	2011	2010	2009
Paris	26	20	19
London	16	13	9
Singapore	7	5	6
Hong Kong	7	5	6
New York	1st	1	1

Source: PwC Cities of Opportunity

Financial services regulation

The financial services sector is a major contributor to London's success. As TheCityUK put it, financial and professional services account for almost 600,000 jobs and over £68 million to London's total GVA, with the sector an international leader across a range of activities from cross-border bank lending and foreign exchange turnover to marine insurance[32]. Chart 7 below shows the breakdown of the London economy based on 2009 GVA; the banking and professional services is the third largest sector, with the closely related business services sector in top place.

Chart 7: Breakdown of London's GVA

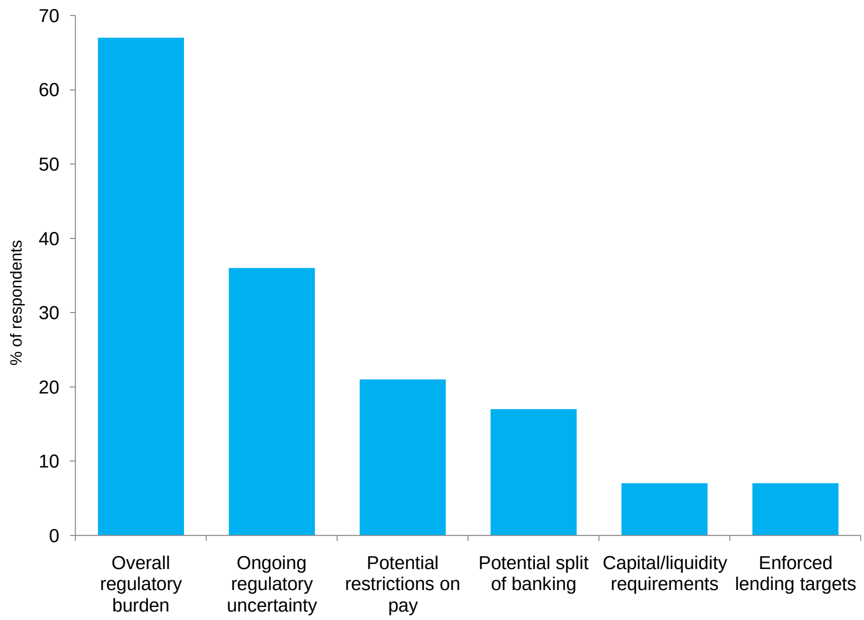


Source: Office for National Statistics, 2009.

The global nature of the financial services sector increases the risk of regulatory arbitrage. The 1986 "big bang" deregulation provided London's financial services sector with a competitive and flexible regulatory regime. This "light touch" environment served London well for many years: particularly when competing against New York following the US introduction of Sarbanes Oxley in 2002[33].

However, in recent years, London's regulatory environment has become less competitive. First in terms of the burden of regulation (LCCI highlighted the increasing concern[34] while Policy Exchange suggested that the overall regulatory burden was the key reason why financial services organisations would look to leave the UK) and second in terms of the certainty of the regulatory framework (CBI/PwC [35] found that the competitiveness of the UK's financial services sector is more likely to be undermined by the uncertainty surrounding future regulation of the industry, than by further aftershocks from the financial crisis).

Chart 8: Survey of Financial Services companies: Reasons to leave



Source: Policy Exchange: Not with a bang but a whimper, December 2010

Regulation of the financial services sector is a major political issue and one that puts London's international competitiveness under serious threat. Moves taken either unilaterally at a UK level (such as those proposed in the recent Interim Report from the Independent Commission on Banking) or at an EU level (such as those coming out of Basel III, CRD IV) could put London at a serious disadvantage compared to other financial services centres.

Openness to international talent

A great trading city, London has historically been open to migrants and visitors. This has been a major contributor to London's international development (of the 7.1 million UK residents born abroad, 36% live in London, equivalent to just over a third of the capital's population) which in turn has been a driver of its competitiveness through its ability to attract talent from around the world[36].

However, this reputation for openness appears to be diminishing with concerns raised in respect of two key areas: immigration and visas.

Immigration

The Government's decision to introduce an immigration cap which limits the number of non-EU citizens coming to the UK threatens London's competitiveness[37]. Prior to the introduction of the cap, the London Business Survey[38] found that two thirds of companies recruiting from abroad thought a permanent immigration cap would negatively impact them (concern was particularly noted amongst banking, finance and insurance respondents).

Given the cap was only introduced in April this year, the scale of the impact is not yet clear. However anecdotal evidence suggests that the cap is reducing the attractiveness of London to overseas talent. People who have a choice of where to locate see the combination of immigration restrictions, policies such as high personal tax rates and antipathy to the financial services sector as reasons to work in other, more welcoming, cities in the US or Asia.

A decline in London's ability to attract global talent could, over time, diminish one of London's key competitive advantages, that of a deep skills pool. Therefore it is vital that the impact of policies such as the immigration cap are carefully assessed[39].

Visas

In the main indices relied on for this paper there is little mention of the competitiveness of the visa system or its impact on a city's overall competitiveness. What limited data there is does not suggest the UK's system is a major concern.

Tables: 7 & 8: Visa rankings

Flexibility of Visa Travel

	2011	2010	2009
Singapore	23	2	2
New York	16	14	12
Paris	11	12	9
London	2	1	1
Hong Kong	1st	3	3

Ease of entry

	2011	2010	2009
New York	18	14	13
Paris	14	12	19
London	4	5	3
Hong Kong	2	2	2
Singapore	1st	1	1

Source: PwC Cities of Opportunity

However, anecdotal and economic data suggest that the UK's visa system is preventing London from fully benefitting from the opportunities presented by overseas visitors. Taking China as an example[40], 54 million Chinese went abroad in 2009, spending some $42 billion. Yet in 2009, only 110,000 Chinese visitors came to the UK against two million for the EU's Schengen countries. Increasing London's share of Chinese visitors would have a substantial benefit to the London economy.

With London attracting around 15 million international visitors a year and figures showing they spent a record £8.6 billion in 2010, it is important that London remains an attractive place to visit and that the visa system does not act as deterrent. Concerns have been raised that the current system is too costly and cumbersome[41]. With other jurisdictions actively seeking visitors from emerging markets and ensuring their visa systems support this approach, the UK risks losing out.

Market factors

Proximity to markets

London's interconnectivity with global markets is an ongoing advantage. Historically, proximity and connectivity to the Western markets of Europe and the US have been important drivers of a city's attractiveness to business. However, with the growth of the emerging markets, particularly in Asia[42], it is now essential that London's connectivity to these new markets is well developed. India and China are currently reporting growth rates of over 10% versus those of Europe and the US of around 2% to 3% (with significant downside risk). As a result business is increasingly looking to these new markets for demand and growth. The indices support this trend[43] with the GFCI data showing very clearly the rise in competitiveness of lead Asian cities.

Chart 9: GFCI competitiveness rankings of selected countries

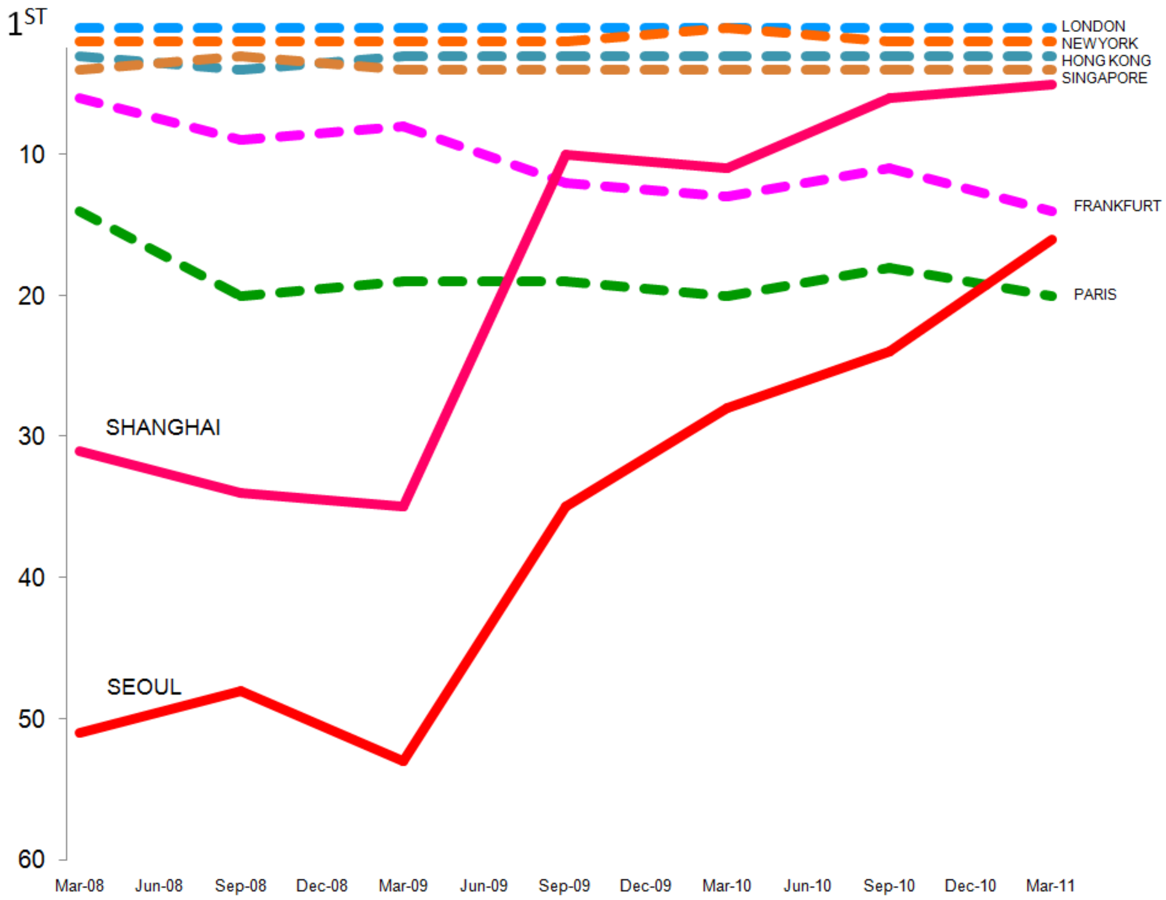


Chart 2 showed that Hong Kong and Singapore have reduced the gap between themselves and London and New York. Chart 3 shows how Shanghai and Seoul have risen through the rankings from 31st to 5th and 51st to 16th respectively between 2008 and 2011[44]. GFCI data suggests that the financial centres most likely to become more significant in the next few years are all Asian – Shanghai, Singapore, Seoul, Hong Kong and Beijing[45]. Research by McKinsey, which anticipates which cities will lead the economy by 2025, shows the potential rise of cities such as Tokyo and Shanghai[46] and the relative loss of economic power by Western cities such as London[47].

As the Bischoff report for the last Government noted, if London is to continue to compete in this changing global landscape it must ensure it shares in the emerging markets' growth. The report argued that this required, among other things, the maintenance of an open economy and cooperation with other financial centres; a reaffirmation of the UK's reputation for competence, responsibility and trustworthiness; a stable, sustainable and competitive UK tax system in the long term; and support for flexible labour markets, with enhanced skills and training.

Policies such as the immigration cap and uncompetitive visa regimes risk this engagement not only in terms of the restriction on getting people here but also the perception of London's desire to attract global talent and visitors.

Liveability

While economic factors drive competitiveness, and are the focus of this report, there are other indices which measure liveability ratings (such things as work life balance, green spaces, social infrastructure) which are shown as increasingly important in individuals' and hence businesses' decisions of where to locate[48]. This poses a challenge to London's competitiveness as, while strong on economic factors, it performs less well on some liveability factors compared to key competitors.

London's fall from 2nd place in 2010 to 6th place in 2011 in the PwC Cities of Opportunity index is, at least in part, a result of weaker results in more qualitative measures around quality of life, where London fares poorly on metrics such as commute time, green spaces, hospitals and air pollution[49]. Cost is also an important driver in some of these indices: for example, London ranks 19th for the cost of living in the PwC study. London's weaker performance in quality of life metrics is also borne out by the Mercer Quality of Living Survey and data from the Economist Intelligence Unit's liveability analysis, where it ranks 38th and 53rd respectively.

As noted above, measuring liveability is, if anything, more subject to some of the subjective bias difficulties in measuring economic data: just how does one weigh income equality; tolerance; or sunshine? Notwithstanding this difficulty, liveability factors may become more important as incomes rise – making these factors more, not less, important to policy makers.

Conclusion

London remains a leading global city but its position is increasingly vulnerable. Adverse policy measures and increased instability in the tax and regulatory regime are putting London's position under threat. As London's business regime has deteriorated, other cities, particularly in the Far East, are increasing their efforts to attract business and talent. Favourable business regimes, investment in new infrastructure and high growth rates are making new competitor cities such as Singapore, Hong Kong, Shanghai and Seoul increasingly attractive – although within Europe, London's lead remains firm.

A further issue to watch is how London compares when wider quality of life measures are assessed. To date, London has performed less well in these areas than on economic metrics. If they become more important in individuals and businesses' assessment of a city, as incomes rise London's position will be subject to greater stress.

A successful London is vital to a successful growing UK and to restoring stability to the public finances; each and every threat to its relative international competitiveness needs to be analysed seriously and tackled by government.

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Appendix 1: Summary of data

The following table sets out the key features of the main indices used in this report (selected primarily based on the insight they provide on business environment and their ability to provide trend data).

Survey	Produced by	Coverage	Sample Details	Time series	Quantitative/ qualitative
Global Financial Centres Index	Z/Yen Group	75 financial centres across the world	1970 survey respondents plus 75 external data sources (e.g. property indices)	9 editions 2007-11 6-monthly	Both
European Cities Monitor	Cushman & Wakefield	Major European Business Cities	500 companies from 9 European countries	Annually from 1990	Qualitative
Cities of Opportunity	PwC / Partnership for New York City	26 cities: centres of finance, commerce and culture	Collation of data from 382 sources (reports and articles)	4 reports 2007 - 2011	Both

In terms of providing a clear insight into London's competitiveness the GFCI draws on a good combination of economic data sources and substantial survey evidence. However, its focus on financial centres means the analysis is skewed to reflect the attributes of financial cities rather than providing a wider overview of the attractiveness of London.

The European Cities Monitor has a good sample size and long time series of data; however it does not extend beyond Europe. Given London's main competitors are increasingly non-European this only provides a limited insight.

The Cities of Opportunity data was produced with the Partnership for New York City. The data comes from a combination of quantitative and qualitative sources such as global organisations (e.g. the World Bank), national statistics providers and commercial data providers and presents information across a large range of business environment factors. This report provides a broader analysis of London's position across economic, social and environmental factors.

In addition to the reports set out above we have drawn on data from the following reports:

- CBI / KPMG London business survey: This has a small sample size (124 responses in the most recent survey) and is perception based only. However this report does provide some useful insight into perceptions over time of London businesses in respect to the London business environment.
- Mastercard Centres of Commerce: this was only produced in 2007 and 2008 but provided in-depth analysis of 75 of the world's leading global cities.
- Ernst & Young's European and UK Attractiveness surveys: These are new surveys and focus on FDI activity.

- Mercer's Quality of Living Survey: released annually and compares 221 cities based on 39 criteria. New York is given a baseline score of 100 and other cities are rated in comparison. Important criteria are safety, education, hygiene, health care, culture, environment, recreation, political-economic stability and public transportation.
- McKinsey Urban World: Mapping the economic power of cities: A one-off forward looking report which provides some interesting assessment regarding London's and other current lead cities' economic positioning in 2025.

We have also looked at some of the quality of life indicators to give a broader context to purely economic measures. We used

- Mercer Quality of Living Index: This survey covers a range of measures such as education, recreation, political and social environment, health, and climate.
- Economist Intelligence Unit's Liveability analysis: This relies on data from the Mercer consulting group. A rating of relative comfort for 30 indicators is assigned across five broad categories: stability; healthcare; culture and environment; education; and infrastructure.

Where possible, this report compares London against Paris, Frankfurt, New York, Hong Kong and Singapore.

[1] KPMG/CBI, Annual London Business Survey, June 2011
[2] http://www.thinklondon.com/business_facts/FDibarometer3.html
[3] Ernst & Young, Destination UK: sustaining success in the new economy, 2011
[4] United Nations Conference on Trade And Development, World Investment Report, 2011
[5] London: Winning in a changing world: Review of the competitiveness of London's financial centre, 2008. Page 16: What drives London's financial leadership?
[6] Evidence from a recent CBI/PwC financial services survey showed that while concern was expressed in a number of areas regarding London's international competitiveness, London still retains the fundamental competitive advantages.
[7] PwC, Cities of opportunity, 2011
[8] The Global Financial Centres Index 9 (March 2011): Table 5: Main areas of competitiveness
[9] Tax regime was a key factor identified in the 2008 Wigley report: London: winning in a changing world: Review of the competitiveness of London's financial centre.
[10] KPMG, UK Tax Competitiveness – Where are we now?, 2007
[11] KPMG/CBI ibid
[12] KPMG, EVCA: Benchmarking European tax and legal environments, October 2008
[13] Lack of competitiveness is not limited to high earners: see evidence by UHY Hacker Young: http://www.integralsearch.co.uk/news/uk-has-very-high-tax-burden--news-800577829
[14] Research by PwC. Source: Sunday Times,16 January 2011.
[15] World Economic Forum, The Global Competitiveness Report, 2010-2011. Table 4: Global Competitiveness Index 2010–2011 rankings
[16] Francis Chittenden, Hilary Foster & Brian Sloan, Taxation and Red Tape: The Cost to British Business of Complying with the UK Tax System, Feb 2010.
[17] The research found that while administrative costs incurred by government are falling in the majority of OECD countries they are not doing so in the UK, despite the introduction of self-assessment and new technologies. The UK is one of only three out of the 43 most advanced economies where the costs of tax collection were not falling.
[18] PwC 2010 survey for The Hundred Group, Total Tax Contribution, March 2011
[19] Francis Chittenden, Hilary Foster & Brian Sloan, Taxation and Red Tape: The Cost to British Business of Complying with the UK Tax System, Feb 2010.
[20] Francis Chittenden, Hilary Foster & Brian Sloan, Taxation and Red Tape: The Cost to British Business of Complying with the UK Tax System, Feb 2010. Table 20 Federal tax administration burden. Source: PwC study, June/July 2006.
[21] 463 pages
[22] 90 per cent of businesses rank the difficulty of paying taxes as one of the top five obstacles to business.
[23] World Bank, Doing Business: Measuring Business Regulations, 2009
[24] The Government have committed to making the UK the most competitive tax system in the G20
[25] Identified in the Wigley report London: winning in a changing world: Review of the competitiveness of London's financial centre.
[26]The Global Financial Centres Index 9 (March 2011): Identified long term stability of regulation as the best signal of commitment to financial services
[27] IoD policy paper, Regulation Reckoner 2011:Counting the Real Cost of Regulation, Feb 2011
[28] Identified in various indices covering the competitiveness of London as a financial centre e.g. Global Financial Centres Index; London: winning in a changing world: Review of the competitiveness of London's financial centre etc.
[29] E.g. KPMG/CBI Annual London Business Survey, June 2011
[30] According to research by Open Europe Still out of control? Measuring eleven years of EU regulation (June 2010): EU employment legislation introduced since 1998
has cost the UK economy £38.9 billion: this is 22% of the total cost of regulations introduced in that period in the UK.
[31] Concerns are often raised that the UK introduces EU regulations on a stricter basis than other EU countries, so called "gold plating"
[32] http://www.thecityuk.com/financial-services-in-the-uk/uk-by-region/london/
[33] The negative impact of Sarbanes-Oxley on New York's regulatory environment was heighted in Global Financial Centres Index 1 (March 2007)
[34] Europe Economics, The competitiveness of London – future challenges from emerging cities, April 2008)

[35] CBI/PwC, The Future of Financial Services, Jan 2010
[36] Oxford Economics and City of London, London's Competitive Place in the UK and Global Economies, Jan 2011
[37] The political concern regarding immigration relates to the problem of wage depression among lower skilled jobs arising from the availability of non-UK, generally central and Eastern European workers. The immigration cap does not stop this problem but instead targets potentially economically valuable people from coming to the UK. While certain exemptions are in place to enable the highest paid individuals to come to the UK the cap risks preventing those people who would be the wealth creators of the future from choosing London.
[38] CBI/KPMG London Business Survey, December 2010
[39] According to the Migration Advisory Committee report, a reduction in net migration of 10,000 would reduce GDP after one year by £559 million
[40] The United Nations World Tourism Organisation predicts that China will be the world's fourth-largest source of outbound tourists by 2020, with 100 million overseas visits.
[41] Despite the major opportunities opening up from Chinese tourism, a UK visa application from China takes an average of 15 days to process and cannot be applied for online; all visas, irrespective of risk, require a visit in person to a visa office.
[42] Also relevant are the growth markets of South America and Russia
[43] c.f. McKinsey - Urban world: Mapping the economic power of cities, March 2011; City of London - Understanding Global Financial Networks -Business and Staff Location Decisions, 2011.
[44] Increasing competitiveness of the emerging economies are a result of a combination of strong growth rates and policy initiatives.
[45] The growing importance of the emerging financial centres is shown across a number of indices
[46] McKinsey - Urban world: Mapping the economic power of cities, March 2011
[47] While London is still anticipated as an important city, it falls behind the emerging cities.
[48] PwC, Cities of Opportunity, 2011
[49] Data taken from PwC Cities of Opportunity. Trend data is not available for the quality of life and life satisfaction data. Green space data shows London retaining its 14th position but this is out of 26 in 2011 compared with only 21 in 2010 (a high ranking is positive).