

The end of industry in London?

A report by Jenny Jones
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On one side of my home there is a tyre shop, on the other a scaffold yard. Both are very good neighbours. Under the arches at my local railway station you will find steel fabricators, MOT garages, an art gallery and bespoke manufacturers of many kinds.

But the Mayor of London has set out plans that could completely kill off these little oases of enterprise within fifty years.

Perhaps his view of industry is from a past era of smokestacks and Made in Dagenham nostalgia? He hasn't noticed the flourishing breweries and aerospace manufacturers I came across in preparing this report, part of a vibrant industrial scene documented by Just Space and Cass Cities, whose work I have drawn on in this report.



The Mayor assumes that the past is a good indicator of the future, and so the decline in manufacturing and other skilled manual trades was inevitable and will carry on until the jobs hit zero.

If the jobs won't be there, he reasons, there's no need to keep the land for industry. This gives property developers lots of land to turn into flats, making huge profits. From large estates in the Thames Gateway to little pockets dotted across the capital, industry is expected to make way so we can ease our severe housing crisis. Land the size of 750 football pitches was lost in just seven years.

I'm worried that this will leave many Londoners with no option but to put up with low skilled, low paid jobs. We can't have everyone commuting into central London to work as designers, accountants and bankers, or as their cleaners, baristas and porters. I'm also worried that it will undermine the foundations of our economy and city. Where will the car breakers, the coffee roasters and the plumber and building suppliers go?

This report sets out why I think the Mayor is wrong to think the loss of manufacturing is inevitable, wrong to encourage the loss of industrial sites, and has it within his powers to reverse this. The Mayor should put common sense and skilled manual jobs before property developers' profits.

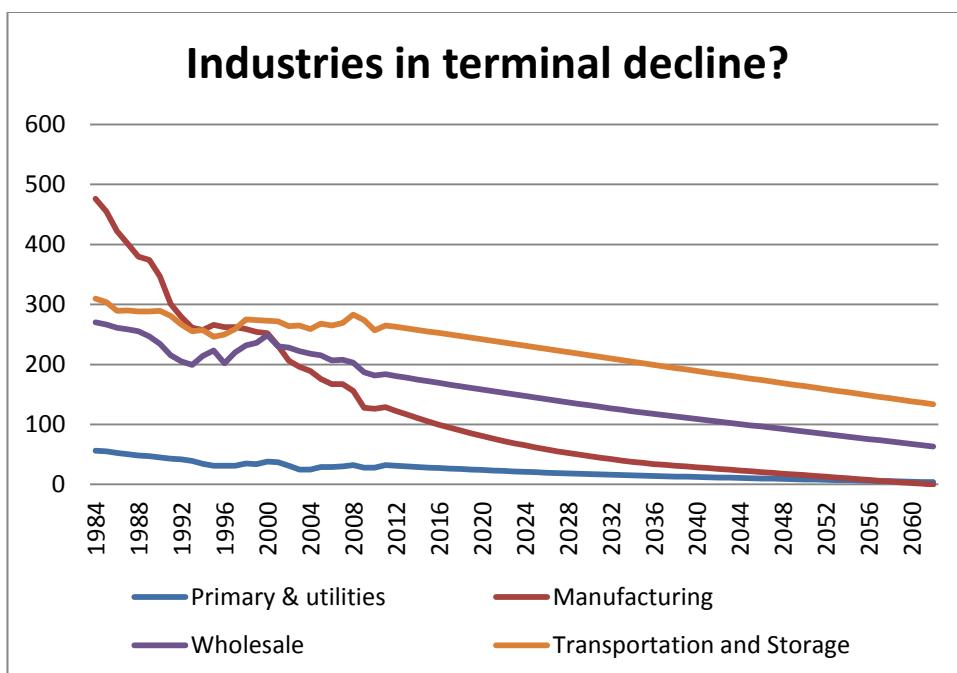


The Mayor's predictions for decline

The Mayor takes an approach called "predict and provide" when making plans for London. This dead-end approach assumes that the past is a good predictor of the future, and that politicians have little power to change anything. So he "provides" things like land supply on that basis.

When it comes to industry he predicts terminal decline, and so provides less and less land.

In his Infrastructure Plan, he sets projections of employment that show manufacturing jobs falling to just 15,500 by 2050¹. On that trend, manufacturing will disappear completely from London by 2062². Other sectors that provide skilled manual jobs are also projected to decline – jobs providing energy and water, or transporting, processing, storing and distributing food are all assumed to be on the gradual slide to oblivion.



But this is an absurd prediction.

Does the Mayor really think that the dozens of breweries and wholesale coffee roasters which have been opening up in London in recent years are going to close? What of the 'Made in London' trend in clothing, or the growing number of niche caterers and food pre-preparers?

Is Ford going to completely close its factory in Dagenham?

If Tate & Lyle Sugars can win its fight against the flawed Common Agricultural Policy, is there any reason why it shouldn't continue to employ hundreds of people?

How does the Mayor expect his environmental ambitions to be realised if there are no jobs to implement them? We have seen, in recent years, a significant growth in waste recovery and recycling, water supply, energy, alternative fuels and building technologies³. One of these companies, Closed Loop Recycling, is based on a sustainable industries park created by the GLA and its predecessor the LDA. Does the Mayor think this company will close?

None of this is considered by the Mayor's predictions.

Valuing industry in London

This predicted decline, if it came true, would be hugely damaging for the ‘foundational economy’ that sustains the infrastructure of everyday life.

These sectors produce mundane, essential goods and services like waste, energy and transport which are used by all Londoners. They also contain many of the essential but largely undervalued jobs which we too often ignore – the car repairers and breakers, brewers and coffee roasters, specialist trade supplies for plumbers and electricians, and the ethnic minority food wholesaling operations. Along with other traditionally private activities such as banking and food shops, and traditionally public activities including health, education and welfare, they are essential to keep London going.

Case study - Charlton

Just Space has illustrated in detail the many connections between businesses within an industrial estate in Charlton, and between those businesses and the wider local and even national economy⁴.

I visited Stone Foundries, who make high integrity magnesium and aluminium castings for aircraft and the defence industry. John, the Managing Director who started as an apprentice, talked me through their plans and showed me the factory floor supporting over 100 semi-skilled jobs.

They've been on the site since 1939 and have no desire to move. Luckily, they own the freehold on their site. But the area around them is being redeveloped into flats and retail parks, and as the area becomes steadily more residential they may find the council issues a compulsory purchase order, forcing them to move from the area.



When I visited, we drove past London's largest aggregate yard, with a wharf and a rail head that keep vast quantities of sand, recycled concrete and other aggregates off our roads. A large block of flats had just been built next to it. How long will it be until that company is forced to move?

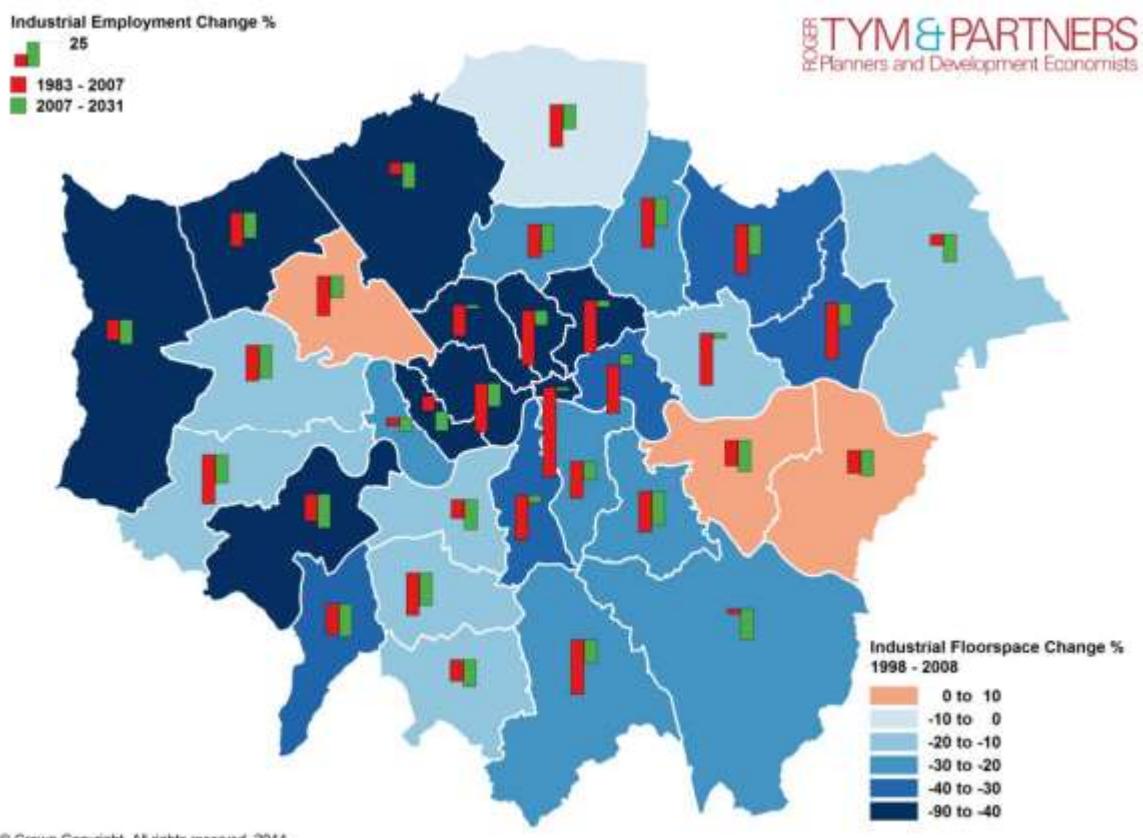
These sectors contribute to the diversity and resilience of our economy, softening the impact of any damage to one particular sector, such as global financial crashes. The jobs are spread all over London, helping to prevent the capital from becoming entirely concentrated in central London and so overwhelming the transport network with commuters from the suburbs.

The jobs in these sectors are also overwhelmingly skilled manual professions involved in operating plant and machines, craft and manufacture, driving vehicles, engineering, clerical duties and so on.

How the Mayor is facilitating the decline

One of the Mayor's key powers is planning. The London Plan has always supported the loss of the sites that these industries need, freeing it up for much-needed housing.

From 2006-13, almost 604 hectares of industrial land have been lost, more than double the target in the London Plan⁵. That's equivalent to around 750 football pitches of employment land lost, and 400 pitches more than the Mayor had planned to lose. In West London alone, more land was lost in the four years from 2006-10 than was planned to be lost in the twenty years up to 2026⁶. The shading of boroughs in this map shows the loss in industrial floorspace from 1998-2008, with the worst boroughs shaded deep blue:



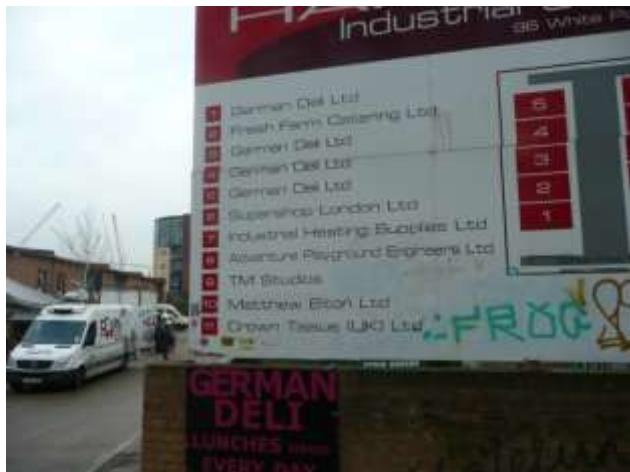
Source: VOA, RTP

The Mayor argues that this land was surplus to requirements. But more than half the lost industrial land was in use, and the vacancy rate for all industrial land in London was only 7.3%, lower than the vacancy rate for many high streets⁷. In Tower Hamlets, the vacancy rate is zero, yet employment on these sites is still predicted to decline⁸.

There is evidence from academic literature that it is real estate speculation that is driving much of the deindustrialisation. Just Space point to the examples of "Camley Street, Charlton Riverside and Hackney Wick and Fish Island, where leases on employment premises are becoming increasingly shorter and more insecure" as land owners eye up the potential profits to be made by selling their land for lucrative residential development⁹. This fits with a broader evidence base of speculation causing landlords to offer insecure leases, businesses not having the confidence to invest, land values rising and the land then being lost¹⁰. Valuation Office Agency figures show that in 2011 industrial land owners could double their money on the land value alone if they successfully converted it to a residential use¹¹.

Case study – brewing beer in Hackney Wick

I was shown around the Fish Island industrial area of Hackney Wick by Jack from Truman's Beer. This industrial park is a stone's throw from the Olympic Park, one of the last industrial sites in the area.



Truman's moved to the site in 2013. They've invested in a new office and brewing facilities, and make the most of other businesses on the site for carpentry, gas and more. Jack talked me through the vibrant economic community in the Wick, from artists and engineers to scaffold yards.

But Jack also told me that he will have to move in a few years because their site, along with most of Fish Island, has been bought up by property speculators looking to build flats.

Developers get permission here if they include some office or live-work space, but as we saw these often languish empty and may be converted to flats. More importantly, these spaces would never be suitable for the sorts of businesses being driven off Fish Island. The Mayor is investing £141m to create a major new higher education and cultural district on the Olympic Park¹², while overseeing the loss of a thriving industrial hub that could connect up with it just the other side of the River Lea.

Further threats to light industrial sites

The Mayor is proposing alterations to the London Plan which would further support the loss of industrial land with good public transport connections¹³. His reasoning is that these are good sites for new homes because the residents will be close to transport to take them to work. But it is equally true that retaining light industry there will make it easy for people to reach these workplaces. In its assessment of land for new housing, the GLA estimated that a further 709 hectares of industrial land could be lost to residential property developers in the next decade, with more lost to other uses¹⁴. This is more than twice the London Plan benchmark, but less than the loss in the past decade. More than half of the land has been protected as "strategic" or "locally important", but boroughs think it should have housing built on it anyway.

The Mayor is trying to tackle one severe and difficult crisis – a shortage of housing at prices and rents that residents can afford. But tackling it in this way could leave him with a second severe crisis – a shortage of space that businesses can afford.

The Government is also proposing to extend permitted development rights to all land used for light industry, and for storage and distribution¹⁵. Given the scope to double the value of the land by changing its use to residential, this could further intensify speculation on light industrial land, accelerating London's deindustrialisation.

Gimmicks won't halt this decline

The Mayor has backed worthy small initiatives to help manufacturers and other industrial companies, but they're worth little if there is no low-cost land for the businesses to locate on.

The Mayor is taking up a positive suggestion from Assembly Member Steve O'Connell to convert empty lock-up garages into low cost work spaces for start-ups^{16 17}. But the garages he identified, and the land around them, would only amount to around 10 hectares¹⁸, compared to an annual loss of almost 100 hectares of light industrial land. When these start-ups grow, where will they go?

Another worthy solution has been the provision of affordable workspaces, usually negotiated through planning agreements. The London Enterprise Panel, which he chairs, is working to map the many incubators and accelerators for start-ups and small companies around the capital with a view to helping them grow, and opening more¹⁹.

I fully support this initiative, but a recent review of affordable workspace in London found that these incubators are of limited use if the cost of moving out into the mainstream market is too high. What is more, it suggests that affordable workspace policies are actually encouraging developers and providers to tailor their spaces to higher value creative industries at the expense of the neglected industries that have a lower turnover per square foot, in effect accelerating the process of industrial gentrification²⁰.

Without an adequate supply of affordable industrial sites, protected from the claws of property developers, these worthy policies will be little more than gimmicks.

Case study – Making things in Peckham

I visited Complete Fabrication, a tailored design and fabrication business based in a small industrial area under the railway arches behind Peckham Rye station.



Jo told me about the wide variety of things they make for the art and design, media, and advertising sectors in London, and their links with student placements from Goldsmiths University. They're just the sort of business the Mayor should support.

But Jo also told me about having to move there from Deptford, where their last premises was turned into a block of flats, and the struggle that she and other businesses now have getting a secure lease from Network Rail. This whole area has been under threat of being redeveloped into a gentrified retail, cultural and residential area, potentially clearing out Jo's business along with a steel fabrication firm, a service lift specialist and a host of MOT garages.

Recommendations

The Mayor doesn't have to give up on industrial jobs in London so easily.

The Government's industrial strategy doesn't completely give up on these sectors. It proposes interventions in skills, investing in technology development, access to finance, procurement to get maximum benefit out of supply chains, and picking winning sectors²¹. All of these could be taken on board by the London Enterprise Panel, which the Mayor chairs.

Drawing on this work, the Mayor could ask the London Enterprise Panel to develop a new stream of work in the Jobs and Growth Plan to implement an activist industrial strategy in London. He could revisit the GLC's strategy, which was based on a detailed understanding of 23 key sectors and which set out a vision for an equitable, entrepreneurial and innovation-led renewal of industry in London.

The Mayor needs to develop a better evidence base on industry in London today. He has taken the unusual step of commissioning a comprehensive, qualitative study of the Park Royal industrial area. Now he could build on this by commissioning a study from economists outside the very limited neo-classical tradition he is used to in order to examine the wider value of industrial sites to London's economic wellbeing, and its ability to respond to major challenges such as mitigating and adapting to climate change.

The study could also examine the evidence of real estate speculation driving deindustrialisation, and so review whether the benchmarks for the release of industrial land are appropriate.

The GLA's review of planning controls on industrial land found that the current policies were already too weak, and weren't being properly implemented by boroughs. Further weakening them will only make things worse. The Mayor could use the evidence from the study to support strengthened policies preventing the continued loss of industrial land beyond the London Plan benchmarks, and strengthened guidance to boroughs to ensure they implement this properly.

Finally, the Mayor should lobby against the Government's proposals to extend permitted development rights to light industrial land, and should at the very least seek exceptions for all Strategic Industrial Land and Locally Significant Industrial Locations. I pressed him to do this in September 2014, but got a noncommittal answer²².

These are just a few ways in which the Mayor could arrest the decline in industry in London, and protect the foundations of a more equal and sustainable city.

What do you think?

Please do contact me to share your views and solutions.

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- ¹⁹ LEP Jobs and Growth Plan, http://www.london.gov.uk/sites/default/files/Jobs%20and%20Growth%20Plan_1.pdf

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