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## **Cities, global cities and Glasgow - some reflections**



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**Making a difference to policy outcomes locally, nationally and globally**

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**OCCASIONAL PAPER**

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# Cities, global cities and Glasgow – some reflections<sup>1</sup>

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## **Abstract**

**Globally, cities are now the dominant locations for production, consumption and human settlement - and their number, scale and influence is set to increase in the century ahead. Cities increasingly compete in a globalised economy and this has profound impacts on how cities organise themselves to be economically and socially successful. Globalisation and the changing nature of business and social innovation are discussed, as are the 'cycles' of city development that cities need to pursue to be successful. The issues facing cities worldwide are viewed through the case of Glasgow, Scotland's global city. In surmising the city's performance in a wider global context, it concludes that Glasgow needs 'cycle 3' tools, taxes and tactics to be successful in the future and that new city governance reform is a key aspect of any future success.**

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## **1. Introduction – Glasgow, Scotland's global city**

Good evening. Thank you to the Lord Chancellor, Lord Robert Smith, and Professor Sir Jim McDonald for the invitation to be with you this evening to make these remarks. May I also greet the Leader of Glasgow City Council, Cllr Frank McAveety, the Lord Provost Sadie Docherty and the Convenor of Court Richard Hunter.

I must point out immediately, just in case of any doubt, that I am not the Rt. Hon. Greg Clark MP, Secretary of State for Communities and Local Government in David Cameron's Cabinet. I apologise to anyone who was hoping to meet him tonight. We have the same name but are not the same man. But I do regard him as the Secretary of State who has overseen the greatest progress in city policy and progressive devolution in England - in the last 100 years. More of that shortly.

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<sup>1</sup> This paper is taken from the keynote address given at the 2016 University of Strathclyde Annual Dinner, held in the Barony Hall at the University of Strathclyde on Wednesday 27 April 2016.

The best way to describe me is 'an urbanist'. Although I have studied geography, economics, politics, philosophy, planning, and business at various points in the past, it is the hugely complex and absorbing fabric and position of cities in our contemporary world that engages me most. The emerging science of cities is the most fascinating new realm of epistemology that we have, in my view.

I am here tonight as someone who regards himself as friend of Glasgow. I am not someone who has undertaken a detailed study of Glasgow. This is very much an 'outside in' and not an 'inside out' set of observations. But nonetheless, I want to bring to a discussion of Glasgow's future some observations from key urban trends and developments in other cities.

Let me say then, as a starting point, that I regard Glasgow as:

**Scotland's global city:** Glasgow is Scotland's largest metropolitan area, its most socially diverse city, with the broadest and deepest global roots. It provides important social and cultural connections for Scotland with the rest of the world, and it anchors several of Scotland's advanced globalising industries.

**A hugely improved city:** It has weathered the crisis of de-industrialisation that has beset so many of the industrial cities of the last century. It has become more economically and socially diverse and resilient, more attractive and liveable, more confident and forward looking. It has had some very good leadership.

**A city of knowledge, science, and innovation:** Higher Education has been an important ingredient in Glasgow's mix for many decades, but in the recent period this dimension has been accelerating its influence on the economy and its presence is now having an important influence on the physical fabric of the city.

This platform and other recent changes herald, in my view, the start of a new cycle in Glasgow's growth and development. It is a cycle in which enterprise and innovation will become major drivers. One where the metropolitan area, or city region, will need to organise and synchronise around a common agenda, and one where the resilience of the economy and the ongoing physical improvements in the city will lead to increased city population and urban densification.

To fulfil the potential of this cycle I believe that Glasgow will need additional and different tactics and approaches from previous cycles of progress, and so my proposition will be in the end towards the acceleration of reforms to provide Glasgow with the new tools that it needs rather than to seek to repeat the strategies of previous cycles.

### **Glasgow's global performance, relative to its peers**

I decided to review Glasgow's progress relative to some other post-industrial and/or medium sized European cities, which include Edinburgh, Manchester, Birmingham, Lille, Lyon, Stuttgart, Gothenburg, Rotterdam and Antwerp among others. I chose relevant comparators where

reliable data was available. I picked a mix of cities that are pursuing competitiveness agendas, and several with advanced or increasing competitive tools and powers to do so.

### ***Economic Performance***

Glasgow's economic performance since the crisis has been stable with limited growth, but diverse employment, as has that of many of its post-industrial small and medium sized peers in Europe. At (-) 0.9% annualised employment growth, and 0% annualised GDP growth from 2009-14, it is nonetheless lower than the leaders in its peer group (e.g. Manchester 0.6% and 0.2% employment and GDP respectively, Gothenburg 1.2% and 2.2%).

This is further noted in Glasgow's performance on La Salle's European Regional Economic Growth Index, which ranks Glasgow 71st of 100 for its growth credentials (a mix of performance, long-term prospects, and R&D potential and risk environment) in 2015, compared to an average of 20-50 for its peers.

Glasgow is nonetheless noted as an entrepreneurial city where it is easy to do business, featuring in the top 35% of the Cities in Motion 'economy' sub-index, and in the top 3 of its size-group in fDi's Cities of the Future 'business friendliness' sub-index. In both cases, it is comparable to the high-performers of its peer group, including Stuttgart, Manchester, and Lyon.

### ***Business, Investment and Finance***

In 2013, Glasgow was just in the top 50% of most globalised cities globally (in terms of economic connections), while most of its peers entered the top 30% to 40%.

fDi European Cities of the Future ranks it in the top 10 Large European cities for investment potential, sharing the top decile with Edinburgh, Manchester, Gothenburg, Rotterdam and Stuttgart among its peers. It also stood out for having the second best FDI strategy in Europe in its size-class, second only to Manchester. Tholons notes it as a top 60 outsourcing destination globally.

Glasgow is just outside the top 50% of cities globally for its overall commercial attraction in terms of real estate investment. This is behind Lyon, Edinburgh, Manchester, Stuttgart, Birmingham or Rotterdam, but ahead of Antwerp and Gothenburg.

Nonetheless, it performs strongly for its size in terms of cross-border real-estate investment flows, entering the global top 25% and sitting towards the top of its peer group. It is also in the top 15 of European retail capitals in terms of overall expenditure, well ahead of its peers.

The Global Financial Centres Index ranks Glasgow in the bottom third of global financial centres (59 of 86) – however it is the only city of its peer group (bar Edinburgh in a similar position) to appear, denoting the presence of a stronger financial cluster than in other secondary European cities that do not specialise in finance.

### ***Quality of Life***

Mercer ranks Glasgow among the 25% top liveable cities globally. This is towards the bottom of its peer group, generally clustered around the 10 to 20% mark.

Resident satisfaction according to the European Commission's latest quality of life survey is among the highest of any city in Europe, standing at 96% - ahead of most of its peer group.

Satisfaction with health and education reached the 70-80% mark, again broadly in line with most of its peers, although higher performers such as Antwerp or Rotterdam can reach the 80-90% level.

### ***Infrastructure***

The European Commission notes relatively high satisfaction with public transport (80%), which is largely similar to the rest of its peer group (which all register high to very high satisfaction).

IESE Cities in Motion 'mobility and transportation' sub-index ranks Glasgow in the top 30% of cities globally, though most of its peer group reach the top 15-25%. However, the index is skewed towards traffic performance, and airport and metro system coverage, which does not necessarily reflect service quality and other modes of transportation.

Glasgow does stand out as highly congested compared to most of its peer group (except Lille and Birmingham), ranking 91st of 174 globally for congestion (where 1st is least congested).

### ***Human Capital***

Glasgow is in the top 25% globally of innovation-ready cities according to 2thinknow's index, ahead of Gothenburg and Lille, Antwerp and Birmingham, but behind Edinburgh (top 15%), Rotterdam (17%), Lyon, Stuttgart or Manchester (top 10%).

It is the 63rd (of 75) best student city according to QS, ahead of Birmingham but behind its peers.

Eurostat's data suggests it has a highly educated population, with 50% of its active population involved in Science and Technology sectors (whether in education, training or at work). This is broadly comparable to its leading peers (Edinburgh at 54% and Antwerp and Lyon at 52%), and ahead of Manchester, Birmingham, Stuttgart and Lille.

R&D per capita spending is relatively low however, at below €300 per head – similar to Lille and Manchester, and well behind Stuttgart (€2,600), Gothenburg (nearly €1,600) and Antwerp (€1,100). In this sense it is broadly comparable to British, Southern and Eastern European secondary cities, but well behind Nordic and German peers.

### ***Brand and Destination Power***

Glasgow does not feature frequently in global indexes measuring brand or destination power. Small to medium-sized cities rarely feature in such measures. Nonetheless it is ranked 68th globally of over 350 cities for the number of ICCA registered conferences (in 2014), which is higher than most secondary European cities, and in the (low-end) of the leading group (Edinburgh and Gothenburg in the top 30-60). It is ahead of Lyon and Manchester, Stuttgart and Rotterdam.

So, Glasgow's overall performance is good for its size and recent history, but there is a need to shift forwards on multiple agendas if it is to become a leader in its peer group.

But before we come to Glasgow's future, let's review where cities find themselves in this second decade of the 21st century. A few remarks on each on:

- History of Cities
- Future of Cities and Technology and cities
- Cities and Business
- Glasgow's global dynamics
- The imperative for reform and innovation: Auckland, Turin, Amsterdam, and Santiago
- Glasgow's next cycle

## **2. *The History of Cities***

From the founding of the great cities in antiquity, well before the modern nation states emerged, to the rise of the digitally driven new future cities of today, the history of cities lies deep in our human civilisation. In many ways, the current cycle since 2008 invites us to observe this history more closely and to note the return to the primacy of cities.

We are one third of the way through a 100-year cycle that started in the 1980s, during which the human race is shifting towards fundamentally urban and metropolitan patterns of settlement and exchange. At the end of this cycle, the world will be 80% urbanised, human population growth will have evened out, and barring other disruptors, the pattern of cities globally, and the infrastructure platforms that support them, will be largely set for the next 100 years that follow. So the cities that rise to prominence in this cycle, and find their path to influence and relevance, have an opportunity to sustain advantages for a long time to come.

What is so important in the current cycle is the interaction of cities with contemporary trends such as Globalisation; New Demographics; Technology development; and Climate change. Each of these is shaping the way that cities evolve today and the tools and tactics that they need to succeed.

The history of globalising cities is one of diverse groups of cities globalising in distinctive ways. Some of them, like the established world cities of past quarter century (New York, Tokyo, Paris, London) were centres for corporate headquarters and decision making, providing advanced finance and expert services to multiple sectors, firms and nations. But many global cities before them were not that kind of global city. Today, and in the future, it looks clear that there will be even more ways to 'go global' for cities of different types.

There have been many phases in the history of global cities, that are variously associated with discovery, navigation, and conquest, geo-political changes, technological developments, the opening of new trade routes, new products, the development of kingdoms, dynasties, empires, colonies, and indeed slavery. Subsequent waves have been associated with ports, canals, aviation, automation, advanced manufacturing, creative and cultural developments, and the rise of transnational corporations.

These different evolutions have created diverse paths to becoming global cities. Some models have been dominant at certain times, but the cities that succeed over several cycles are adaptable places able to fulfil several roles at once. This evolution accelerated after 1980 with the globalization of capital markets and financial services, as well as de-regulation and global expansion in business media and information services. But it makes little sense to think of global cities as only financial centres, or indeed to think of such cities historically solely as imperial capitals.

Work to define and measure global cities is rapidly developing today in tandem with a new wave of global city development since 2008. This 'emerging science' of global cities is being developed in different places through an increasingly connected global community of scholars and analysts that includes: International Organisations such as OECD, World Bank, UN and others; Global firms such as McKinsey, JLL, PwC (and many more); Think tanks and research institutes such as Brookings, Mori, and the Chinese Academy of Sciences.

In the current cycle post 2008, there are many distinctive new paths to become a global city. These are linked to increased mobility of people and capital, and anchored with different globalizing functions, business sectors, and the emergence of new technologies and demographics. The growth of new specialisations provides opportunities for new world cities to host leading functions in globally integrated value chains. In particular, we can observe how the newly globalizing sectors of life sciences and medicine, digital and screen industries, clean tech and renewables, engineering and traded urban services, and other advanced industries, are fuelling a new generation of global cities from Tel Aviv to Brisbane, to Santiago de Chile, San Diego, and Stockholm. And perhaps also Glasgow?

At the same time, rapid development of advanced economies and large nations such as China, India, Brazil, Indonesia, UAE, and South Korea has given rise to a new set of emerging world



cities, major cities with increasing global influence. So in the current moment we see the rapid rise of the technologically oriented new global cities and the increasingly influential emerging global cities.

The global city model produces its own tensions and frictions such as: Growth management and adaptability; externalities within cities; and externalities between cities and national states. But the rise of this class of new world cities should be an inspiration for Glasgow. It is this group of cities that are inventing so many of the new dimensions to urban life in the 21st century.

### **3. *The Future of Cities***

No wonder then that over the last decade there has been a major surge in attention to how cities can be prepared and primed for the future. The world is witnessing a mind-set shift in how to think both about the future of individual cities, and also about the long-term perspective for systems of cities across countries and continents.

There are at least three obvious reasons for this upswell of interest in the future of cities.

First, cities will, like it or not, host the vast majority of population and economic growth in the rest of this century. In 2016 there are now over 500 cities larger than one million people, and by 2050 that figure will be closer to 800. The profusion of cities mean they must be viewed as places whose promise has to be unlocked and optimised.

A second reason has to do with relevance to global agendas. The many impacts of migration, climate change, natural disasters, terrorism, health epidemics and resource shortages are now felt so strongly and so visibly in cities. This heaps great pressure on cities to plan ahead in order to adapt and bounce back from those impending 'known unknowns'.

The third factor is the growth of new technologies that drive change in and through cities. Mundane technologies such as the flushing toilet, the electric lift, and the underground railway have been hugely significant in the evolution of our cities over the past 100 years. This new generation of technologies includes some important disruptors for cities today such as: big data and sensors; the Internet of Things; 3 D Printing; driverless cars and transport; artificial intelligence and robotics; new energy systems; and new mundane technologies such as smart phones, bus stops, and cashless payment systems.

The implications for cities arising from these new technologies are deep and multi-dimensional.

Areas impacted include

- City systems
- Systems of cities
- The global war for talent
- The innovation economy
- The sharing economy
- The experience economy
- The circular economy

At the local level, these kinds of changes have impacts upon:

- Land use, mixed use, and densification
- Work space
- City centres
- Housing
- Public space
- New financial mechanisms and blended form of investment

A fourth factor is the much more sober grasp of the failures endured in the previous 150 years of urbanisation. This has raised awareness of the risks that cities become stuck in 'negative path dependencies': for example, when their economies become too narrowly specialised (as with Detroit in the 1960s); or when transport decisions lock them in to a model that soon becomes outdated or inefficient (as we've seen in Birmingham or Los Angeles); or institutional frameworks that are outmoded and locked in - good organisations that are doing the wrong jobs or serve the wrong geographies.

As the different global streams of work on the future of cities begin to converge, consolidate and find common ground, four shared challenges for all cities are beginning to come into view.

The first is how to be agile to global economic change. As different sectors globalise and more parts of urban economies become contested, cities cannot avoid being thrown into competition in a mix of national, regional and global markets. In Asia 20 years ago only Tokyo, Hong Kong and Singapore were really acquiring higher order economic functions, but today the Asian system of cities is evolving very rapidly as up to 30 cities move to specialise in globally traded technology sectors, business services, entertainment and tourism. Numerous others are trying to position their industrial production within very dynamic value chains. The upshot is that those cities that want to pursue a future around growth and competitiveness will need much more nuanced approaches towards how they manage their workforce skills, business climate, and spatial and infrastructure model, if they want to prosper for more than 10-15 years at a time.

The second common challenge is how to manage the unintended consequences of growth. Most in-demand cities eventually come up against a series of externalities: inflated costs, unmet housing need, opposition among property owners to new development, congested

infrastructure, increased security and sustainability risks, and the rise of a two-speed economy that breeds resistance to pro-global policies. These conditions pose a future imperative to densify, and stark choices about where and how to grow in a way that will escape rather than exacerbate past mistakes.

The ability to cope with the consequences of growth and success often means overcoming a third challenge - governance deficits. It is part of the day job for city leaders to be mired in vertical and horizontal government relationships that are shaped more by historical accident than rational design. What we find are numerous local governments, authorities, agencies and interests that were not originally set up or empowered to think about large cities as single collective units. Siloed mentalities die hard. With some prominent exceptions like Singapore, Hong Kong and the German city-states, the vast majority of cities have limited governing powers and have to plot feasible pathways to reform.

Finally, most cities face a system of fiscal centralisation where higher tiers of government are either erratic in their investment or have effectively abdicated responsibility altogether. Handicaps in the ability to borrow capital and to develop new financial tools tends to discourage innovation and ambition at the local level, especially in emerging cities where they are badly needed.

Solutions that propel cities into a higher investment equilibrium will be decisive enablers of progress. The challenges and the capacity deficits for cities are often severe, but they are giving rise to inventiveness and innovation in many places. The best and most durable examples tend to require long-term strategic planning, coalition building, and meaningful devolution. Cities that make progress on these challenges are often able to address their metropolitan areas collaboratively as one functional system, rather than as many competing jurisdictions.

They normally benefit from mechanisms for delivery and investment that help them dodge the capriciousness of four or five-year election cycles and instead plan for structural changes that take 20 or 30 years. Cities where a long-term agenda really sticks - from Auckland to Curitiba to Seoul - rely on a critical mass of consensus with citizens, and on business and civic leadership to become active as partners and advocates for catalytic projects.

The world is only a short distance along the journey towards coherently organised and economically sustainable cities. Dangers of becoming locked in to unsustainable, unjust, or unproductive patterns of urbanisation are clear and present. The exchange of experience and knowledge about how cities turn vision into action remains essential. Despite the many constraints, there is reason for optimism that bold leadership, careful reform, and experimentation really can help create and sustain the cities we wish for - competitive, connected, efficient, open and integrated.

#### 4. *The Business of Cities*

We are also living in an age in which the relationship between businesses and cities is changing. We can document the new connections and relationship between these two entities. Cities and businesses are becoming more interconnected, interdependent, and increasingly useful to one another. We see can see these as:

**The Re-urbanisation of Business:** Business has become enamoured with cities once again, after a cycle of suburban popularity. They have become the places for businesses to develop products, sell in and to, and also to physically locate themselves.

**Cities - emerging markets for business:** In the latest cycle of globalisation, businesses are focusing on cities and city dwellers more than ever as their key markets. Increased size and relative importance of city markets, particularly in the global South and East; shift in nature of products to favour those that are 'urban' in nature e.g. leisure, retail, tech; and increased importance of cities as purchasers of goods and services in their own right.

**The re-urbanisation of business location:** Evidence observes the recent (post 2000) movement of business, retail and even industrial locations back into core city areas from suburban bases.

**The urbanisation of capital:** There is a marked increase in institutional investment allocations to fixed infrastructure and urban assets in the context of the relative attraction of urban assets over other asset classes. This leads to imperatives about the development of core assets. Connections between capital allocations and good urban governance. How much capital can good cities safely absorb?

**Business innovation in cities:** Cities support businesses as partners in innovation. The nature of urban spaces, their density, assets and institutions, encourages the formation of innovation networks and produce agglomeration advantages. Cities (and particularly globalising cities) also provide useful test markets for companies looking to develop or trial products, as their diversity represents the wider world. Diverse urban workforces are thought to be more innovative.

#### **The Growing Business of Traded Urban Services and City Building**

The growth of cities has created a new and potentially lucrative market across a very wide range of sectors from infrastructure and tech to design and law. Evidences, using case study material, how businesses are re-aligning themselves to make the most of the resultant opportunities.

**Growth of Tradable Urban Services and Solutions:** Industries that supported city building (e.g. engineering, architecture, planning, design, energy, water, infrastructure, transport, land management and remediation, etc.) in Upper Income nations are rapidly internationalising to support the growth of cities outside their own national systems, particularly in emerging and developing nations.

**Businesses Rebranding for City Markets and Consumers:** Global companies are moving fast to align their products, services and operations to meet the needs of cities. Discusses the growing importance of 'integrated' or 'smart' city services to the transport, tech, engineering and consultancy sectors. Companies are branding their city-based offerings using terms such as 'sustainable, resilient, future, global' etc.

**Businesses Restructuring to better serve City Markets:** Global firms are reorganising themselves internally, so as to better align with city-based opportunities. This realignment includes the creation of specific city divisions (e.g. Siemens), the placement of sales representatives in target cities, and developing specific city strategies, in order to improve both sales to and relations with city authorities.

### **The New Roles of Business in City Development**

The latest cycle of urbanisation, businesses are helping cities to tackle their development challenges.

**Cities' use of business approaches and tools:** City authorities are seeking inspiration from private sector managerial methods, approaches and tools in order to become better run and more effective organisations. E.g. using comparative benchmarks and indexes, formulating strategic plans, focusing on their investment rate, developing city brands. City leaders as individuals are also adopting traits of their private sector counterparts, becoming more pragmatic, innovative, and using longer-term multi-cycle approaches.

**Business and city partnerships:** Mutually beneficial collaborations are springing up between many businesses and cities. Some of these partnerships are involved in the very development of new cities e.g. Cisco's role in the creation of Songdo, South Korea. Other firms are providing financial resources or loans for city development, or support cities in their international marketing.

**Businesses and city governance:** Businesses are playing an increasingly important role in city governance, particularly through the formation of business leadership organisations, and through involvement in inter-city collaborative networks.

## 5. ***Glasgow's progress***

I said at the start that Glasgow is Scotland's World City. Indeed, I think it is becoming Scotland's New World City.

Taking the view that Glasgow's future path is about a combination of knowledge and innovation, visitability, creativity, and culture, cosmopolitanism and damn good fun, it is clear that Glasgow could be described as being on a journey from industrial city to becoming a new world city. It has good company; the same journey is taken by Manchester, Gothenburg, Malmo, Philadelphia, Barcelona, Turin, Brisbane, Melbourne, Rotterdam, Hamburg, Berlin, and others.

These cities appear to me to have a clear re-development path that involves four distinct but overlapping cycles.

### **Cycle 1: Physical Improvement, Urban Projects and Urban Promotion.**

Cleaning up the city and its reputation.

In this cycle, cities make the fundamental decision to respond to de-industrialisation and to attend to making improvements and combining physical redevelopment with city promotion to attract new visitors and jobs and to build confidence. This cycle is also often associated with hosting events.

Glasgow began this work about 30 years ago, has been substantially successful, and this cycle of physical improvements and city promotion is ongoing.

### **Cycle 2: Developing strategy and diversifying the jobs base.**

Making the city investable and productive again, and diversifying the economy to achieve resilience.

In this 2nd cycle, cities shift from projects to plans and programmes where the intent is to move more precisely into a set of new or emerging sectors, to grow the jobs base, and to increase opportunity. These strategies are often associated with major infrastructure renewal, an increased focus on enterprise, longer-term partnerships and strategic planning, and more sophisticated integrated city branding

Glasgow has been pursuing these kinds of objectives broadly since the mid-1990s and it was evident that in the crisis of 2008 that Glasgow has achieved a new kind of diversification and resilience.

### **Cycle 3: Building the ‘managed metropolis’**

In this 3rd cycle, when the projects and initiatives of the first two cycles have started to bear fruit, some important new dimensions are added.

- New population growth
- New generation manufacturing
- Innovation and knowledge creation eco systems
- New districts and clusters
- Smart City Systems and Governance
- Metropolitan areas and city regions
- System of cities and relationships with other cities
- Private sector and institutional leadership
- New PPPs and investment mechanisms – the shift toward value capture.

The third cycle ask cities to behave in different ways. They require cities that are able to:

- Develop enterprise and innovation eco systems and incentive structures
- Adjust land uses quickly and manage polycentric and densified cities
- Leverage change in land use and shape those changes keenly
- Generate longer term investment streams from new activities within the city
- Integrate city systems to achieve optimisation and responsiveness to population and enterprises

In other words, cities that get to cycle 3 in this simple model need to be more ‘empowered’ cities. They need additional competences and authorities, as well needing skilful strategic management. To move from cycle 2 to cycle 3 cities need the empowerment that usually comes from institutional reform.

Glasgow is already starting cycle 3 in my view. But the tools and tactics needed to manage and compete cycle 3 fully may not yet be fully in place, as I shall explain shortly.

### **Cycle 4: Sustaining global leadership**

In this 4th cycle, cities extend their leadership in globalizing sectors, and managing new peaks of population and job growth, and they turn attention to the three key challenges that arise from sustained success.

- Growth management, capacity and reputation
- Externalities within the city
- Externalities within the nation

These require skilful use of the tools and tactics created in cycle 3, in a metropolitan context, and with a strong coalition of civic leaders that exercise hard and soft power to achieve success.

This is where cities like London, Munich, Singapore, and San Francisco find themselves today.

This simple model will not fit all cities all of the time. Some observations are important here. In this way of thinking:

- One cycle follows another because it is the next expression of the development path, but the cycles overlap and have cumulative impact
- Each cycle needs different tools and governance
- Duration of cycles depends upon successful implementation and whether the conditions exist to move on.
- Cycles can be easily disrupted by political and institutional events.
- Repeating the strategies and tactics of previous cycles will not work in new cycles
- The geographies get bigger as the cycles evolve.
- The size and scale of the coalitions needed increases.
- There is an evolution from project delivery capability, to systems management and integration, to soft power and influence but all three are required throughout.

It is also true that:

- Resilience increases as a city goes through multiple cycles.
- Competitions get tougher as the city makes progress
- Externalities become more important and difficult to address

Using this simple lens we might observe that:

Glasgow has successfully completed cycle 1 and most of cycle 2 and has already started cycle 3. In some senses, the period between 2008 and 2014 marked the successful completion of much of the cycle 2 imperatives and the beginning of cycle 3.

That means that there are some shifts that Glasgow needs to make if it is to fully embrace cycle 3 and not get trapped in cycle 2 behaviour, or with cycle 2 tools.

- Innovation Economy
- Managed Metropolis
- Urban vibrancy and densification
- City centre living
- Clustered specialisation
- Future City
- System of cities thinking and co-operation with other cities.

And it needs new organisational forms:

- Metropolitan governance
- A New Deal with Scotland
- Enhanced autonomy and investment tools
- Business and Civic leadership

To do cycle 3 Glasgow needs cycle 3 taxes, tools, and tactics. It can't complete cycle 3 with old tools and approaches. That means that what is now needed is not just strategy but also reform.



## 6. **Reform and Innovation**

It is tempting to look south of the border and argue that what Glasgow needs is a programme of reform that is like those now underway in Manchester, Birmingham and Bristol.

The English combinations of City deals, Combined authorities, Metro mayors, Business rate retention, Public land commissions, Earn back schemes, and Regional 'powerhouses' will lead to these cities being more capable to undertake a full programme of cycle 3 type developments. They will be able to:

- Achieve higher coordination and investment equilibriums.
- Recalibrate business climate and innovation eco-systems to attract and grow advanced industries.
- Integrate city systems and play key roles in systems of cities.

In short, they will become more competitive and more sustainable. This new competitiveness will be felt in Scotland, and especially in Glasgow.

But looking to English solutions is not in my view a safe or totally logical behaviour for Glasgow. These reforms in England are very welcome and hugely overdue. The UK has been 'the sick man' of the OECD countries for far too long on urban and metropolitan matters and these reforms are the more important because the UK is coming from a very low base of city self-government.

So, can Glasgow draw any inspiration or insights from other parts of the world? When I asked myself this question before tonight's dinner, I looked for cities that are leaders within small nations that are somehow attached to a larger nation where their big city is also part of larger system of cities. (Please bear with me).

### **Auckland: New City Governance for New Zealand's World City.**

Auckland is New Zealand's world city. It is not the capital city, but its metropolitan area is a third of New Zealand's population. Auckland houses many of New Zealand's advanced industries and the majority of its immigrants that include poor Pacific Islanders as well as higher skilled Asian emigres. Importantly, Auckland is also part of the Australasian system of cities. Although it is New Zealand's large metropolitan city, it must compete with Sydney, Melbourne, Brisbane, and Perth for investment, jobs, and talent.

Until recently, Auckland was characterised by fragmentation, multiple jurisdictions, compromised decision-making and missed opportunities. Auckland was a city of motorways and sprawl. Public transport was on its knees. The city centre was in a state of slow decay. In 2005, New Zealand won the rights to host the 2011 Rugby World Cup, with Auckland as the key host city. Indecision and conflict within and between the seven local and central governments provoked a clear imperative for reform.

Following a Royal Commission process that reviewed Auckland's governance, the result was a new, consolidated and unified City Government for all of Auckland, headed by a directly elected executive Mayor, up and running in less than 18 months. An amalgamation was the solution chosen.

Since then, Auckland has been able to increase the rate of investment by pooling the assets and resources upon the merger of its eight councils in 2010. In the six years since amalgamation, Auckland's combined financial strength and leadership has helped make progress on the larger projects necessary to harness its fast population growth. As well as making efficiency gains of NZ\$183 million (£80 million) per year, the Council has been able to raise capital investment in Auckland to \$1.8 billion (£800m) in 2016/17. This is accelerating the progress of the City Rail Link, electric trains and a multi-modal system across bus, rail and ferries.

The merger has allowed Auckland to create a single rating system based on capital value, standardise wastewater tariffs, and harmonise domestic and business rates. Consolidation has also allowed Auckland to negotiate with national government and agree a Housing Accord to increase the supply of new homes, which has been successful in speeding up the rate of consented dwellings since 2013. The Council's asset base is expected to grow by nearly 50% up until 2025.

This kind of solution is not just being pursued in Auckland. There are other cities which are:

- Largest city in a small nation
- Trying to enter and succeed in cycle 3 strategies
- Part of wider system of cities that is highly competitive where they have to complement and compete with other cities in neighbouring countries

Santiago de Chile is the largest city in Chile but it competes with Buenos Aires, Cordoba, Mendoza, and a resurgent Lima. A new initiative for directly elected regional governors (Intendente) to tackle the problems of car dependency, sprawl, and unmanaged growth where the spatial development of the city has not been well supported by the free market economics that has so well encouraged export led growth.

Oslo, a new regional alliance to build a growth map and city region brand so that Oslo can differentiate and compete with Stockholm, Copenhagen, and Helsinki.

Toronto, Canada's new world city, but not the capital, in competition with Chicago, New York, and Boston, as well as with Ottawa, Montreal, Vancouver, and Calgary. Here, after limited reform in the late 1990s better reforms in the 2000s were introduced to create:

- Integrated regional transport authority.
- Urban growth boundary with incentives for city-centre living.
- Strong inducements for education, health, creative industries and technology clusters.

Each of these examples is somehow about a city acquiring the tools and tactics needed to complete a 3rd cycle programme.

## 7. *Glasgow's next cycle.*

So, my observation this evening is that Glasgow's next cycle is about embracing population growth, densification, the innovation and new manufacturing economy, traded urban services (including engineering), the metropolitan area, smarter systems for investment and management, and becoming a more integrated part of a UK and NW Europe system of cities.

To do that a New Deal for Glasgow is needed: one that provides greater capability to the city-region to invest, to promote enterprise and to manage its own future.

The Glasgow City Deal, signed during the tumult of the independence referendum is a good start, but it should be seen only as a start, a platform from which to progress. It is good that local leaders have recognised this and are already making progress with:

- The infrastructure projects that are the heart of the City Deal.
- New governance and cooperation.
- Metropolitan economic strategy.
- City-regional branding and storytelling.
- Better integrated bus and transport systems.

Three main challenges that need to be addressed.

**Enlarged Infrastructure investment**, especially transport investment, especially public or shared transport systems are needed.

**The innovation system**, especially the interactions between entrepreneurs, knowledge institutions like universities and major hospitals and broadcasters, and capital need to be strengthened. Glasgow has world-class investors, enterprises, and knowledge institutions but they do not cooperate that much.

**This new world city requires 'managed metropolitan areas'** that escape from parochial localism and are able to grow, adapt, and densify in ways which do not simply increase sprawl, congestion, inflation, or income segregation. They are also places that do not focus on narrow localised competition (e.g. Glasgow v Edinburgh or Manchester or London) and instead focus on teaming up to win in an international sphere, and leveraging their relationships with other cities more fully. Co-operation between cities is part of this model. For example, Glasgow's role in the UK's creative economy, its Fin & Prof Services, its role in entertainment, sport & tourism, advanced engineering, and indeed in traded urban services give multiple and different value chain relationships with other parts of the UK and NW Europe systems of cities.

What can Glasgow do to adapt to build this kind of new world city?

These new world cities have some quite specific requirements from spatial development. Let's mention three of them.

*Growth:* As Glasgow engages more intensively with globalising sectors, its growth will accelerate. That means it will attract a larger population and a greater mix of activities. Housing markets can easily become stressed and inflated, and both of these can corrupt their economic success. Fostering the pipeline of housing developments is key to ongoing success, and is probably the single most important thing. Each city has different constraints; construction supply chains, land availability, political will, planning policies, investment capital. These constraints have to be tackled to increase housing supply at all price points and tenures.

*Urban vibrancy:* City Centre Living, mixed use, popular density, public space and infrastructure all come together in that cosmopolitan managed metropolis that supports science, technology, knowledge, creativity, and design. This means that the real estate industry has to figure out how to create new destinations, improve public spaces, design, and amenities, and to increase the mixed of uses and adaptability of buildings. It needs to promote well-designed densification and show how it can work.

*Innovation Economy:* The innovative sectors that are the stock in trade of new world cities have rather different business models, growth cycles, and uses of real estate than in the corporate economy. In summary, the Real Estate industry has to change its business model and adapt to its new clients. That means a shift away from a fixation on rental income, long term leases, and passive assets towards a model that is customised and services oriented, operates more at the level of clusters of buildings servicing communities of businesses and entrepreneurs, resourced by membership fees, and much more technologically enabled and adaptable. That means that the real estate sector has to become part of the innovation economy rather than just to see it as a client.

So, how should Glasgow engage in an exercise of looking forwards when the political world of referenda, elections, and competing visions of the future are so stark. There is no easy answer. But the lesson from Auckland is quite clear:

**Recognise the new competitive threat to jobs, investment, and population.**

Jobs that do not come to Glasgow will not go to Dundee, Inverness or Stirling, but will more likely go to Manchester, Rotterdam, Malmo, or Antwerp. No one can doubt that the English cities are now becoming more competitive, and some of Glasgow's other peers are ahead on jobs, investment, and innovation.

**Organise a better conversation about the future and make it one big conversation.**

There should be a finite and well-informed public debate about what Glasgow needs to optimise its contribution to Scotland's success. In Auckland's case a Royal Commission was the best available tool and despite many challenges it worked and produced an outcome.

**Go for the boldest and simplest reforms possible.**

Toronto did not do this and wasted 10 years, needing a further reform. Auckland gasped this and did not look back. I am not suggesting that the Glasgow City Region become one metropolitan government with an Executive Mayor: that is a task for people who are cleverer than me. But in Auckland this was always the nuclear option that nobody initially wanted, but it eventually became the most logical and compelling solution, and in the end it was the inescapable conclusion.

Thank you for the opportunity to share these thoughts with you tonight.

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