

Baroness Jo Valentine, speaking in the House of Lords debate, 3 November, 2008

Check against delivery.

The Financial Services Secretary to the Treasury (Lord Myners) rose to move, That this House takes note of the current economic situation.

My Lords, this is a timely debate and I am grateful to the Noble Lord, Lord Myners, for its scheduling.

Time is too tight to reiterate the many wise points made earlier.

Instead, I base my remarks on my experience of London business over recent months – as Chief Executive of London First. Indeed the Minister, in one of his first official engagements, shared a breakfast with London First business leaders where he displayed a strong grasp of the then acute challenges facing the financial services sector and the Government's strategy in addressing them.

Fundamentally, my Lords, we must prepare and strengthen ourselves for the upturn while seeking to reduce both impact and duration of the dip.

First, we need to step up investment in infrastructure. We could learn not just from Keynes and from Louis XIV's Colbert, but from Maharajah Umaid Singh, who in the face of famine and drought overwhelming the Marwari people, commissioned in 1928 a great palace – the Umaid Bhawan Palace. It employed many hundreds of Marwaris for some 15 years, transforming the short and long term fortunes of Jodhpur its capital.

Back at home, I trust our downturn will not bring famine or last fifteen years. We have existing commitments to new economic infrastructure, such as Crossrail and Thames Tideway. But London also has both unfunded transport projects and those which could be accelerated. For example, the modernising of the Tube. And Phase 2 of the East London Line. Work can start now if the funding is provided, providing activity and jobs for now, while building our capacity for future growth. They are London's equivalent of the Maharajah's palace!

We also should invest in social infrastructure; increasing the new Homes and Communities Agency's budget, so it can be an active investor in housing development in London. This would both stimulate the private sector and enable the public sector to acquire new, much needed, social housing while prices are low.

And we need to invest to support London's future growth. Of course we must deliver the Olympic Games cost-effectively. But we mustn't mix up investing in the long-overdue regeneration of the east end with this cost. The Olympics provide a once-in-a-life-time catalyst: we must invest the public money necessary to provide the foundation for the private investment which will turn the East End into a powerful part of London's future growth. For instance, why are we scaling back the Olympic village, on one hand, while stressing the need for thousands of new homes in the same area?

My Lords, it is a myth to think that low borrowing makes you a saint and higher borrowing a sinner. What matters is where the money goes -- and London, the engine room of our economy, will deliver a decent return on investment for our hard pressed Treasury.

My second area for action is to look afresh at regulation. There are areas – most obviously financial services – where action is needed. Boardrooms and regulators need to understand fully the risk profile of the products and services which they trade and oversee. We need proper risk management without undermining competitiveness. That's not necessarily heavy touch or light touch; it should be right touch regulation.

So no knee-jerk response. Instead, we need thought-through global coordination. The British government's recent impressive international leadership must continue - to avoid regulatory arbitrage and ensure that international regulators, whether in Brussels or Basel, do not take short-term, short-sighted actions. For instance, it makes no sense for the failure of a bank such as Lehmans to be treated so differently by authorities in the US and the UK that the market may be skewed, to the disadvantage of its creditors, customers, workforce or competitors.

Equally, we must guard against over-zealous UK regulation which will simply drive business off-shore. The competitiveness reviews of financial services commissioned by the Chancellor and London's Mayor before the recent crisis should provide real-time input to policy-making.

My Lords, we also need to look more widely at the impact of regulation; now is not the time to load extra burdens on business. The Planning Bill before this House places a new infrastructure levy on developers. We need to ensure that it is a practicable measure which will support, rather than deter, investment.

Similarly, the Government should not be starting to levy full business rates on empty properties, hitting businesses when they are down.

Finally, in these difficult times, I want to reiterate that London remains open for business. We need investment; we need to improve Londoners' employability; and we have to avoid more own goals on tax and regulation. But London remains, according to most studies, the best place in the world to do business.

Our competitive advantage extends beyond the City, from world class research and development, to its visitor attractions and creative industries. From, as it were, the A and B of celebrated Architecture and newly opened-to-the-public Buckingham Palace Gardens, to the Z of London Zoo.

Londoners have skills, diversity and flexibility. And for dollar based investors and tourists, our premium product is now surprisingly affordable!

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