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ECONOMICS·RESEARCH·ANALYSIS

Economic Analysis: London & Partners Business Areas

Final Overview Report

December 2011

Contents

Acknowledgements
We are most grateful for the help, advice and comments support received from London & Partners staff during the work on this study. We are also grateful for comments received from members of the external steering group on the draft version of this report. However, the views expressed in this report and the five supporting technical papers are those of Regeneris Consulting; any errors and omissions remain those of the authors.

1. Introduction

Background

1.1 London & Partners (L&P) was formed earlier this year from the amalgamation of several previous separate promotional organisations that had been funded in London (Think London, Study London and Visit London). It is therefore now the sole promotional agency for London. The first year so far has been one of transition and largely business as usual for the activities it has taken over. However, for the 2012/13 financial year and beyond London & Partners require a new strategy and business plan. In 2011/12, London & Partners has a core budget of around £19m pa (including a significant contribution from private sector sources).

1.2 Other parts of England have seen budgets for promotion that were co-ordinated by the former Regional Development Agencies (RDAs) all but disappear. In the English regions, with the exception of London, work on tourism promotion and inward investment promotion and enquiry handling has largely migrated to national bodies such as VisitBritain and UK Trade and Investment (UKTI). There remain separate arrangements for the devolved administrations.

1.3 The future role and value of London & Partners will ultimately have to be justified in economic terms that are acceptable to several stakeholders including the Greater London Authority. Therefore it is important that a strong and cogent evidence-based case can be made for the future impact and benefits from London & Partners. The Mayor has indicated that he wants evidence that London & Partners makes a positive impact on the economy of London.

1.4 The Mayor has set out the five business areas for London & Partners, these are:

1) Leisure tourism

2) Business tourism

3) Major events

4) Foreign Direct Investment (FDI)

5) Higher education.

1.5 In addition, and linked to all five business areas, London & Partners is responsible for the development and promotion of a unified London brand. This area of London & Partners' business is not covered by this report.

1.6 Apart for the requirement for London & Partners to work to some degree across these five areas there are no set parameters for what London & Partners should do in the future. So within this broad framework, the new strategy development and business planning process is starting from a nearly zero-based budget approach. There will be several choices for 2012/13 and beyond, in particular:

- First, the amount of resource devoted to each of these five areas
- Second, the relative focus on business activities within each of the broad business areas (for instance the types of events supported, or whether London & Partners only supports promotion of London's higher education offer to overseas students, or other higher education services)
- Third, the particular role London & Partners takes vis-a-vis other partners.

Aims of the Exercise

1.7 In October 2011 Regeneris Consulting was appointed by London & Partners to carry out an economic analysis of each of the five business areas. The questions the exercise is seeking to answer are:

- *What is the potential benefit to the London economy from increasing certain types of activity?*
- *What is the reason for the public sector intervening – why does the market not deliver the full desirable outcome for London?*
- *Can London & Partners actually realistically make a difference to what would have happened anyway in a cost effective way (i.e. potential additionality)?*
- *Is there another organisation better (or equally) well placed than London & Partners to make the intervention?*
- *What are the implications for London & Partners' future focus?*

1.8 At the outset it was recognised by London & Partners that this was an ambitious exercise and that it would not be possible to answer all these questions with a strong degree of certainty and the evidence base varies across the five business areas.

Work Carried Out

1.9 The work has consisted of an analysis of the available and relevant information linked to these questions, discussion with London & Partners staff covering each business area and initial discussions with external bodies: BIS, DCMS, GLA, HM Treasury, VisitBritain, Visit England and UKTI. We have looked at the evidence where it is available at a national level, from other regions and for London itself.

Purpose of the Report

1.10 This report draws on five separate detailed reports that have been produced for each of the business areas. It is intended as a summary of the key points for use by London & Partners.

2. The Current London & Partners Business Areas

2.1 A brief summary of the current London & Partners activity by business line is set out below.

Leisure tourism

2.2 Total spend c. **£6.4m** 2011/12[1]. The key activities carried out by London & Partners are:

1) **UK and overseas marketing campaigns**: London & Partners carries out targeted marketing campaigns aimed at UK and overseas visitors which have been identified through research as being key potential markets for London. The team works closely with the travel industry, pooling resources with commercial companies (including airlines, trains, hotels, travel agents and tour operators) to get maximum exposure to London.

2) **Providing visitor information**: this is mainly done through the www.visitlondon.com website (which receives 1.5 million visitors per month). Other mechanisms include social media and emails to individuals who have registered on their website.

2.3 London & Partners also works with stakeholders in the travel industry to promote London to leisure travellers' groups worldwide. There is a travel trade website which is designed to sell London to clients such as coach operators and tour groups

Business tourism

2.4 Total spend c. **£4.9m** 2011/12. The key activities carried out by London & Partners are:

1) Proactively **attracting new business tourism** activity to London by: attending international trade fairs such as IMEX and EIBTM; participating in and helping organise trade missions; attending client networking events for the major associations and convention organisers (e.g. ICCA); and helping organise pitches to organise large future business tourism events.

2) Delivering **business tourism and convention bureau services** for those considering organising events in London. The bureau is intended to focus on winning/delivering 'discretionary' business events i.e. those events which are footloose and can choose where they want to be. The services offered do play an important role in assisting event planners for a wide range of events, domestic and international.

[1] Total forecast spend for London & Partners is around £19.1m in 2011/12, around £0.5m of activity is not allocated to the five business areas. The analysis of spend by business area was carried out by Anna Burman, Interim Finance Director for London & Partners. It is indicative only especially in the allocation of digital spend and overheads/administration by business area.

Major events

2.5 Total spend c. **£0.8m** 2011/12 (including 2012 related activities). London & Partners are involved in the following areas of major events activity:

1) Helping coordinating **bids for new events**, in particular footloose/discretionary events such as the 2017 IAAF World Athletics Championships

2) Working with a wide range of public and private sector partners, including their partners, helping **co-ordinate the delivery** of new major events

3) Working with other partners and stakeholders to **develop and create new events** (such as the proposed 2013 Marathon on Wheels).

2.6 The main focus of the London & Partners major events team, at present, is on sporting events linking to the Olympics legacy.

Foreign Direct Investment

2.7 Total spend c. **£5.8m** 2011/12. London & Partners currently supports FDI in London through three broad service areas:

1) **Inward Investment lead generation**. This focuses on developing leads with prospective investors. London & Partners has teams located in key countries such as the US, China and India, charged with lead generation. Leads generated by these teams and by other sources (such as UKTI) are then passed on to one of two teams

2) **Inwards investment enquiry handling**. Firms that are considering a number of locations in the UK or worldwide (Contestable Projects) are passed to the business development team, who try to persuade and assist these firms to invest in London. Firms that have already decided to locate in London (Non-contestable Projects) are passed on to the Fast Track Service. These are then provided with a light touch service, connecting the firm with London and Partners' commercial partners and to networking opportunities.

3) **Support for established FDI firms**: This consists of work to engage with foreign-owned companies with an existing presence in London. There are two strands to this: (1) Business Growth - work to engage with international companies already based in London, providing them with support to grow their established business; (2) Investor Development - an aftercare service to overseas firms that have already been assisted by the Inward Investment team to establish a presence in London.

Higher education

2.8 Total spend c. **£0.75m** 2011/12. The main service that London & Partners and previously Study London has provided is a web-based tool to help overseas students identify the most suitable course and find out impartial information about studying in London. This process has changed relatively recently (February 2010) so that if a student completes a registration process, they are able to contact HEIs directly through the website to enquire about courses. London & Partners refers around 700 students a month to HEIs using this tool. There has also been some limited involvement in direct marketing of studying in London overseas

3. Overview of Findings

3.1 The London economy is by far the largest in the UK. In 2009 the total GVA generated in London was £265 billion, 21.5% of the UK and 25% of the England total. Yet London only accounts for about 12% of the population in the UK. Its contribution to GVA is much greater firstly because output per head is much higher than the rest of the UK, and secondly, because of course London's working population is swelled by a vast commuter workforce drawn from a very large hinterland. In a period when there have been major cut backs in the public sector and the Coalition Government is very keen to see private sector-led economic growth, London has a particularly important role to play in the UK economy. Therefore what London & Partners can achieve for London is also important for the UK as a whole.

3.2 London is a global city with a very largely service sector based economy[2] with about half of its output from financial and business services, and to that extent its economy is very different from other parts of the UK. This means that any findings drawn from other regions in the UK or abroad need to be treated cautiously. This international role of London is reflected in the relative role it plays in the UK overall as exemplified in Figure 3-1.

Figure 3-1: London share of UK activity

Relative to GVA share	Nature of activity	Share of UK total
Below national share of GVA	UK domestic tourism spend	10%
	Resident population	12%
	Workforce jobs (employees and self-employed)	17%
Roughly proportional to national GVA share (up to 25% above GVA share)	**Total GVA***	**21.5%***
	Total FDI jobs (UKTI)	20%
	EU research income	22%
	UK business tourism spend	22%
	UK tuition fees	22%
	Overseas students overall	24%
	UK research income	24%
Up to 100% above national GVA share	Overseas post graduates	26%
	Overseas student fees	28%
	Total FDI projects (UKTI)	33%
	Non-EU overseas research income	33%
Over 100% above national GVA share	International business tourism visits	41%
	International leisure visitor spend	51%
	International leisure tourism visits	52%
	International business tourism spend	56%
	European HQ FDI projects (UKTI)	62%

Sources: to be included
Note: * share of ex-regio UK GVA in 2009

[2] Manufacturing accounts for less than 5% of total GVA in London

The potential benefits to the London economy

3.3 The agreed metric for measuring the benefit to the London economy is the net increase in London's overall economic output (or Gross Value Added – GVA). This is important as traditionally the impact of many of London & Partners' activities have been measured in other ways (jobs, or total visitor spend).

3.4 In reviewing the gross contribution of different activities we have adopted the following approach:

- First, we have compared the evidence of the direct economic contribution only. We have therefore not looked at the indirect and induced economic effects via the supply chain and income multiplier effects. The reason for this is that we judge that these are unlikely to vary markedly across business areas and will be broadly in proportion to direct economic effects. Also the way these have been calculated varies somewhat from study to study and so would need to be treated with caution. So to ensure the greatest possible comparability between business areas we have focused on direct GVA. Clearly, however if these wider economic effects do occur they will increase the measured Benefit Cost Ratios (BCRs) or Returns on Investment (RoIs) from London & Partners' activities. Other potential effects are noted but not quantified.

- Secondly, we have considered the overall scale of the economic activity associated with the business areas, not initially seeking to understand the contribution London & Partners may or may not be making.

- Third, we have then considered the incremental benefits from increasing economic activity at the margin to give some sense of the potential for impact.

3.5 It is important to emphasise that this exercise is not saying these overall impacts are attributable or can be achieved by London & Partners, but simply putting the possible contributions into context.

3.6 The key points from the analysis summarised in Table 3-1 are that:

- The scale of economic activities that might be influenced by London & Partners activities are in some instances very large and significant components of the London economy.

- The contribution is generally more dependent on the scale of extra activity than the mix of activity. The exception to this is for FDI where the GVA contribution is very sensitive to the sector/function associated with the new firm.

- These are all gross impacts; they do not measure the net impact of London & Partners' activities.

Table 3-1: Summary of Contributions to the London Economy

Business Area	Current overall measurable direct contribution to the London economy	Other economic contributions not measurable	Incremental gross contribution of extra activity
Leisure tourism	• Total spend by leisure tourists £8.1bn of which £6.5bn from overseas visitors. • Overseas visitors support £2.6bn in direct GVA	• None of significance. Potential negative externalities from congestion.	• An extra 100,000 overseas visitors on average supports around £21m pa in GVA
Business tourism	• Total spend by business tourists of around £3.1 billion generating around £1.2 to £1.5 billion of direct GVA (of which 70% is from overseas visitors) • Additional direct spend by event organisers and corporates on business tourism could add an extra 50% • Gross value of business tourism activity associated with London & Partners aided events is around £130m pa spend or around £50m to £65m pa GVA.	• Contribution to business efficiency and development of spillovers from B2B activity associated with large meetings	• A typical 1,000 person trade fair, £0.7m GVA; a 500 person conference, £0.2m GVA
Major events	• Not possible to define the total value as no definition of what is a major event	• Case for major events is threefold: (1) direct economic impact from spend; (2) media coverage/brand value (likely to be relatively unimportant for London); and (3) "demonstration effect" on participation in the event activity (sporting or cultural)	• A 10,000 participant/visitor two night event could contribute a GVA boost of up to £1m depending on the source of visitors.
FDI	• There are an estimated 8,400 foreign owned business in London that account for about 50% of gross output and 17% of jobs • An average of 175 new FDI projects every year (linked to London & Partners activity) • The actual average annual new gross job creation associated with these projects is 2,800 new jobs each year (by year 3) • This annual FDI activity could be generating around £265 million of GVA annually or £1.3 billion in total[3]	• Important spillover effects evident at a national level for certain types of FDI which are "technology exploiting" • These stem from supply chain/customer and wider sector effects on productivity	• A typical year 3 forecast 50 job FDI project can range from a £2m pa direct GVA contribution up to a £10m + pa boost • Overall cumulative total GVA effect around 5 times these levels
Higher education	• Total HEI income around £5.5bn pa of which around £1.1bn is from overseas sources • Total direct GVA contribution from overseas students including fees, accommodation and other spend associated with overseas students around £1.3bn pa	• The role that research activity of London's HEIs and the graduate output plays in attracting FDI • The future links to London and the UK from the experience of overseas students studying in London	• Total GVA contribution per extra overseas student: c. £13,000 (postgrad) and £38,000 (undergrad)
Source: Regeneris Consulting calculations			

[3] Assuming an average 5 years persistence effect of GVA; however please that this figure is very sensitive to the average GVA per employee and so the sectoral mix of FDI activity

3.7 We have used the work to also consider the additional economic activity required to generate the same direct economic boost for the London economy. These estimates are summarised in Table 3-2. It is important to stress that these are estimates of total not annual GVA boost so they are all on a comparable basis.

Table 3-2: Summary of Incremental Contributions to the London Economy

Business Area	Scale of Additional Activity needed for **one off** increase direct GVA to the London economy			
	Type of activity	£5m extra	£20m extra	Notes
Leisure tourism	Extra international leisure tourist visits	24,000	97,000	• Assumes 2010 average spend per visit for London (Source: IPS)
Business tourism[1]	Extra average international business tourist visits	12,000 - 16,000	50,000 - 66,000	• Assumes 2010 average spend per visit for London (Source: IPS)
	Extra international business delegates	6,000-8,000	23,000 - 30,000	• Assume £410/night av. for international association
	Extra 1,000 delegate international association-type event	6 - 8	23 - 30	• As above, but assuming 1,000 delegates
Major events	Number of major **cultural** events, with 50% non-Londoners	8	30	• Assume £88/day spend, 20,000 visitor/ participants, 2 nights
	Number of major **sporting** events, with 50% non-Londoners	11	43	• Assume £62/day spend, 20,000 visitor/ participants, 2 nights
FDI	Extra forecast Year 3 jobs			• Assumes 23% displacement and applies the past ratio of actual to forecast year 3 jobs. Assumes 5 year persistence of GVA impacts
	ICT sector	30	130	
	Food & Drink	100	390	
Higher education	Number of additional undergraduate students	130	520	• Includes fees, living and impact of visitors. Assumes 3 year stay
	Number of additional post-graduate students	390	1560	• Includes fees, living and impact of visitors. Assumes 1 year stay

Source: Regeneris Consulting calculations
Note: these estimates exclude any multiplier effects (indirect and induced GVA effects); they also exclude any potential crowding out effects. Details of calculations set out in Appendix A. (1) range reflects different direct GVA to spend ratios

3.8 The calculations above need to be treated cautiously as they do not take into account the additionality of any interventions. However, they do give an idea of the relative extra scale of activity needed to generate similar levels of direct GVA for the London economy. One interesting feature is the relatively low number of extra FDI jobs needed to generate extra GVA.

The rationale for public sector intervention

3.9 An important part of the work has been to examine the arguments that have been developed for these potential areas for intervention. These “market failure” arguments provide the underpinning logic as to why the public sector should intervene and not leave it to a pure market-led solution. They are particularly important to explore in London given the size, nature and relative vibrancy of the London economy. In brief the different types of economic rationales for public intervention that are relevant to London & Partners’ activities are:

- *Spillovers or externalities*: this form of market failure exists where activities or actions by one group of economic actors produce wider benefits (or costs) which are not taken into account in their decision-making. Economic theory suggests that when there are positive spillovers the market will tend to under-provide a good or service.

- *Co-ordination failures*: where spillovers exist in theory it may be possible for the private sector to deal with them via joint working (for instance collective shared marketing of an area with all businesses contributing). However, the difficulties of coordinating and the so-called “free rider” issue where some businesses stand to benefit from the actions of others yet do not contribute to costs can justify public intervention.

- *Information asymmetries*: economic theory also suggests that the market may not function properly if there is a mismatch in the information held between buyers and sellers. This argument is often used to justify information services being provided by the public sector free of charge and some form of quality assurance of information and possible suppliers of services by the public sector.

3.10 Note: there are other accepted arguments about market failure such as public goods which are less directly relevant to London & Partners’ activities areas.

3.11 Table 3-3 below summarises our findings. The key points are:

- **Spillovers** are an important feature in all cases. These are all economic activities where generally the wider benefit to the local economy is greater than that to the public/private body who would tend to lead on the marketing/information provision activity. However, the relative scale and the ability to measure spillovers directly vary. Generally, the direct beneficiaries of any spend/income are likely to under-invest in marketing/promotion compared what might be desirable for the economy and society at large. However, often the marketing activity is what might be regarded as part of the <u>core business</u> for some of the bodies (hotel chains, visitor attractions, venues, HEIs). So we must be wary of jumping to conclusions that potential spillovers equals a market failure in practice. An important point is that many businesses are indifferent as to the source of their customers/income (London residents, UK residents or international visitors), yet the spillover effects will vary quite a bit by these different groups. So even if the core business does invest in marketing this does not necessarily lead to the market focus that a wider economic perspective for London would suggest would be the most beneficial.

- There are important arguments about **information "asymmetries"** for many of the business areas. But again these arguments need to be treated cautiously as the justification for intervention for several reasons:

    - First, access to information has and is becoming much easier through the internet.

    - Second, there are an increasing number of private sector providers of information both partial and impartial that are available via the internet (such as "Hot Courses" on training and education courses and various tourism information websites).

    - Third, the assembly of bespoke information packages (for instance on prospective inward investors or event organisers) is much less likely to be delivered by the internet; however, in this case, there are specialist private sector advisors who can offer independent advice to decision-makers (on business or event locations).

- **Co-ordination**: in several cases there could in principle be a private sector led solution that addressed some of the market failure issues by joint working of several private sector businesses (for instance in event and tourism promotion). This does to some extent already take place, as in joint marketing/promotion campaigns. Clearly, the issue here is what value can London & Partners or other public bodies add to the existing co-ordination activity that is already taking place. The case is strongest the greater are the number of private (and public) sector players that need to be co-ordinated.

Table 3-3: Summary of Economic Rationale Arguments

Business Area	Spillovers/Externalities	Information Asymmetries	Co-ordination Failures
Leisure tourism	• There are significant direct spillovers from leisure tourism. The total spend by tourists is typically 2.5 times that on accommodation alone, 7 times than on attractions alone and 1.9 times that on attractions and accommodation combined	• It could be argued that visitors may suffer from access to reliable information on facilities in making tourism trip choices. However, given the wide range of private, impartial advisors, this argument is weak.	• Potentially, and in some cases in reality, private providers of accommodation, travel and/or attractions may combine to sell a location (or at least packages to that location). • However, the challenges of co-ordination and the free-rider problem are likely to lead to a sub-optimal level of promotion.

Table 3-3: Summary of Economic Rationale Arguments

Business Area	Spillovers/Externalities	Information Asymmetries	Co-ordination Failures
Business tourism	• There are direct spillovers from business tourism in that the total spend associated with an international business event could be typically twice that the basic delegate package (this will be lower where delegates are staying in an all-inclusive hotel/conference package) • There may be wider spillovers (not measurable) from the role of business tourism in facilitating meetings and B2B business development activity	• Not a terribly strong market failure argument as many larger conference/ events use professional organisers. There are private sources of information on venues etc.	• Given the scale and the divergent interests of all private organisations, there is relatively little incentive to coordinate their messages and branding. Without this coordinating role, the divergent messages about facilities and services in an area could lead to misinformation and a diluted messages to organisers
Major events	• The arguments are similar to business and leisure tourism, although there may be other external benefits (media coverage and demonstration effects on the local population). The degree of externalities will vary widely from event to event; the spillovers will be particularly high where the event organisers have a low share of total visitor/participant spend (as in international-focused street based sporting events)	• Not an argument for larger or professionally run events, but for new event organisers coming to London it is more relevant	• Larger events especially ones involving traffic and other issues face a multiplicity of agencies in London and co-ordination challenges. These are especially acute for new events being organised and for event organisers new to London. The scale of co-ordination challenges fall as both events and organisers become more established
FDI	• At a national level there is an accepted argument and some evidence that there are positive productivity spillovers from certain types of FDI, but there is a lack of quantitative evidence.	• Some evidence that there are information barriers to potential FDI and that the market will tend to under-provide. • Important "trusted intermediary" role for public sector.	• For some potential FDI lack of access to networks and co-ordinated response. Role for public sector in ensuring response and quality assuring advisors.
Higher education	• Some relatively modest spillover effects in that the gross economic output per overseas student can be of the order of 2 times the actual fees paid. So the wider benefit to London is quite a bit larger than to the individual HEIs.	• Some issues around the extent to which students can access consistent and unbiased information to make informed choices from HEIs direct alone. • UK students well served by UCAS and by various newspaper and other comparison tools.	• Arguably London HEIs (or UK HEIs) could work together collectively to provide consistent and clear information. But the different nature of HEIs and competition between them has made this difficult.

Source: Regeneris Consulting

The potential cost effectiveness and additionality of intervention

3.12 Even if there is a prima facie argument for the public sector getting involved, it does not follow that it is necessarily good value for money to do so. This is because the net economic impact may be modest relative to the cost of intervention. Table 3-4 summarises the evidence on additionality and value for money. The economic research generally distinguishes between three main types of additionality:

- **Full** additionality – where the activity would not have happened at all in the absence of the intervention (e.g. a business tourism event would have never taken place in the absence of the activity of London & Partners).
- Partial additionality (**scale)** – where the activity would have taken place but its quality/scale (and so economic impact) is increased (for instance a new overseas investor develops a larger presence in London as result of the help of London & Partners). The value of this additionality is of course the proportion of the actual impact that is enhanced.
- Partial additionality (**timing**) – where the activity would have occurred at some point but is brought forward in time (for instance an overseas tourist would have visited London but decides to come a few years earlier). The benefit here is the relative value of time applied to the timing of impact. A £1m increase in GVA next year is worth more than a similar injection in 5 year's time. Normally the benefit is measured by applying the social discount rate (3.5% p.a.)

3.13 it is important to note that in no cases have we been able to uncover any robust evidence on the scale of **potential crowding out**[4] effects at a London level (where an increase in economic activity as a result of London & Partners activities leads to a reduction elsewhere - for example as result of rooms being fully booked). These crowding out effects could be important and are likely to vary across different types of activity.

3.14 It is also important to point out that the evidence on additionality is backward looking (i.e. based on past activity that pre-dated London & Partners), in some cases based on small samples and uses different methodologies. The results for some business areas are likely to be sensitive to the actual focus of activity and so are likely to change as the focus changes (for instance types of FDI projects or business tourism events). The research we have reviewed also shows that additionality estimates are very sensitive to how questions are asked of beneficiaries. It follows therefore that the estimates of both additionality and benefit cost ratios **need to be treated with caution.**

[4] Also called factor market displacement

Table 3-4: Summary of Evidence on Additionality and Cost Effectiveness	
Leisure tourism	• There is a relatively strong evidence base on the additionality and efficacy of leisure tourism marketing campaigns. However, there are significant methodological challenges in comparing RoI figures. We consider that the work carried out on recent London & Partners tourism promotion activities is more rigorous and stricter in how additionality is measured. RoI calculations of other bodies have tended only to measure the gross extra visitor spend (not GVA impact) and also have additionality questions that tend to deliver higher apparent additionality responses. • Recent work by the GLA Economics has suggested that the additionality effects are of the order of 6% for actual and 11% for planned trips to London (combined effect of a promotional campaign in North America and London & Partners web site). • These results are actually not particularly surprising. London is already the world's most visited city by international tourists, some way ahead of the nearest rival (Bangkok). It has extremely high global recognition. • Many if not most tourists will already be considering London as a visitor destination (either for a short haul trip or part of a long haul trip). • Applied to the net public sector incremental cost of marketing and promotion this suggested a BCR of around 4:1 for a recent campaign in North America at a London level[5]. (Previous methodologies for past Visit London spend have suggested RoI on the old method of over 20:1).
Business tourism	• There is currently a poor evidence base on the genuine additionality of London & Partners' work in attracting business tourism to London (this is also true nationally and regionally) • At a headline level the value of business tourism attracted to London is very impressive. The early pilot surveys suggest that the influence of London & Partners on whether events come to London may be modest. • This is not surprising given that there are so many factor influencing choice of locations and in many cases London will have already been chosen (for reasons of convenience, location of firms etc) • However, as business tourism can generate substantial economic impacts, the rate of additionality would need to low for benefit costs ratios to be poor value for money for larger business events
Major events	• The evidence base on major events only partly covers issues of additionality. It tends to focus on the extent to which visitor spend associated with events is additional (because it is from visitors from outside the area), rather than whether the event itself would not go ahead without support. The implicit assumption is that most major events are additional to the area.

[5] Or of the order of 6:1 at a UK level including exchequer receipts. These are RoIs on the extra visitor spend associated with the separate campaign activity only (not the web-site as well) and are based on estimated public sector costs only. These BCRs are higher than in the GLA Economics paper as they are per additional £1 of public sector costs not total costs which include partner contributions.

Table 3-4: Summary of Evidence on Additionality and Cost Effectiveness	
FDI	• At a UK level the main overall economic benefits arise from: (1) productivity "batting average" where average factor productivity is higher in foreign-owned firms; and (2) from spillover technology effects (largely from greenfield FDI) • There is evidence of some crowding out at a national level (of the order of 20% of jobs created, but focussed on manufacturing FDI); however this research is quite dated and not particularly applicable to London. It is likely that the rate of crowding out would tend to be higher in London (given its relatively buoyant labour market) • National evidence points to significant additionality from UKTI efforts, particularly around accelerating projects in time and scale • There is a lack of firm evidence on persistence effects. A past analysis of London FDI projects suggests that by year 3 actual jobs were around 70% of those forecast (a combination of firms not surviving, leaving London and not in all cases reaching job targets). Many evaluations take 5 years as a rule of thumb. This does not seem unreasonable for those jobs that are actually created by year 3. • Evidence across the regions point towards to FDI deadweight levels of 70% to 85% but generally low displacement (especially for manufacturing investment) • Past evidence for London for FDI projects is 70% to 80% deadweight and c. 25% displacement effects or overall additionality of around the order of **15% to 25%** • For Business Growth (i.e. existing FDI) projects in London the evaluation evidence points towards much lower overall additionality of around 5% to 10% • The estimated Benefit Cost Ratios for FDI support in London are positive (of the order of 2.5:1 up to as high as 13:1) but highly influenced by assumptions on persistence and additionality
Higher education	• Complex decision-making process for international students with a mixture of country, city and HEI quality/appropriateness factors • Some evidence that lack of clear information could be a barrier to choice • Good evidence that the London & Partners website made a difference to decisions about studying in London. Different surveys give different results; the level of influence is between around 3% to 8% of all web site users (who have been influenced to some degree and have definitely decided to study in London or might still do) up to 50% of those web site users who then decide to study in London stating it influenced their decision. However, the degree of this influence is not clear from the surveys. • The additionality appears to be much stronger for the less specialised and less internationally well known HEIs (as would be expected) • Even at very low rates of additionality, the website service would offer reasonable value for money.
Source: Regeneris Consulting review of evidence base	

3.15 It is possible to conclude definitively about the relative value for money and benefit/cost ratios across different business lines from this evidence base? In short the answer is no. However, there are some key messages that emerge:

- Average past performance and estimated benefit cost ratios are only available for FDI and leisure promotion. Both suggest reasonable positive BCRs, but in the case of FDI are extremely sensitive to the assumptions made in the evaluation.

- The emerging evidence on support for international students suggests that at plausible levels of influence there would be a reasonable BCR. So for instance if the cost of the service to London & Partners is c. £0.75m a year, then the web site would need to fully influence (i.e. offer 100% additionality) to the decisions of around 80 undergraduates or 230 post graduate students each year (o a mix of the two) to offer a reasonable BCR ratio of 4:1[6].

[6] This number of extra students would generate around £3m GVA boost to the London economy on average giving a BCR of 4:1 (i.e. £3m/£0.75m)

- Judging the value for money for support to business tourism and major events is much harder as the bulk of net impact will come from a relatively small number of key events. It is unlikely that London & Partners on its own would create 100% additionality for any event; rather it contributes to capturing events and making them successful. Given that London & Partners spends around £5m pa on business tourism, it would need to create around £20m pa of net additional GVA associated with business tourism event to offer a 4:1 BCR. The gross direct GVA supported by business tourism events with which London & Partners engages is at least of the order of £50m to £65m[7], so the average rate of additionality would need to be of the order of 33% to 40% to achieve such a BCR. We suggest that this is possible if there is the right targeting of effort.

- Similar arguments apply to major events, except that generally the additionality is much higher. Without the effort to persuade such events to come to London and then facilitate their arrival it is unlikely that many events would come to London. However, the London & Partners role is again part of a wider team facilitating the arrival of events.

Who should be delivering the services?

3.16 The extent to which London & Partners should be the body delivering services and the potential role of national or other bodies varies widely across the business areas.

Table 3-5: Delivering Promotional Services for London

Business Area	National level	Private sector	Other public bodies
Leisure tourism	• Visit Britain carries out quite extensive marketing of the UK, including London. Its web site also provides information on London. • Visit England mainly involved in UK based promotion, does not sell London.	• Individual tour operators, attractions, hotel chains and airlines all market trips to London (sometimes packaged up). • Information on London provided by many private sector web sites and travel guides (e.g. Time Out etc).	• None [we not aware that any other public sector bodies promote London].
Business tourism	• There is no national body promoting the UK or England for business tourism. This is almost always carried out at a city level.	• Individual venues promote events, but no collective team London approach. There are also private sector event organisers delivering solutions for businesses.	• None
Major events	• No national body leading on events, although individual sporting or cultural bodies may be involved in trying to attract and in organising major events.	• There are successful national and international private sector organiser and delivers of many events (cultural and sporting) such as running events.	• In London TfL, Royal Parks, the Metropolitan Police and London Boroughs could all be involved in promoting and delivering events.

[7] This is a very ballpark estimate as the method of collecting information on new business tourism event attracted to London is not comprehensive and provides rough estimates only, plus may not capture all the spend

Table 3-5: Delivering Promotional Services for London

Business Area	National level	Private sector	Other public bodies
FDI	• UKTI is main agency promoting the UK for FDI overseas; it has considerably greater resources in all overseas markets than London & Partners. • However, only around two fifths of contested FDI leads that reach London & Partners have historically come from UKTI, with roughly half of all contested FDI projects generated by London & Partners activity. • London & Partners is the on the ground FDI enquiry handling body for London (taken by UKTI/PA Consulting elsewhere in England).	• The main role of the private sector is potentially in inward investment handling. For larger projects for larger companies it is very common for them to use specialist location advisors (e.g. real estate companies) to compare locations and then procure solutions.	• In London City:UK and the City of London Corporation both have roles in selling London as a financial services centre.
Higher education	• There is currently at a UK level a British Council funded website called Education UK that offers a similar course finding service to the London & Partners website. • UCAS also offers a service, but historically focused on UK students. • The British Council has played an important role in promoting UK HE study overseas, but this role is being reined back at present.	• There are private sector HEI rankings and course choice support tools at a UK level and to a limited extent international (at least in terms of rankings). • Hot Courses provides a course search website for UK and international students.	• Clearly, all individual HEIs have their own websites and in the case of some HEIs they also have active overseas promotion activity.

Source: Regeneris Consulting

4. The implications for London & Partners' future focus

4.1 In drawing out conclusions from the review of the economic evidence base there are a number of important caveats.

- First, there is simply not at present sufficiently **consistent and robust** evidence to be able to say definitively that London & Partners could make a greater overall contribution to London's GVA by investing more or less in a particular business area.

- Second, the evidence points to considerable variation of additionality and economic impact rates **within** each business area (for instance across different FDI project or events). There is a real danger of relying on averages to make decisions. The evidence indicates that working more smartly within business areas is likely to lead to a significant increase in overall additionality and return on investment.

- Third, the evaluation evidence is **historic** and so is based on past patterns of intervention and support. These may not always be a good guide to the likely returns on investment and impacts in the future.

4.2 However, there are some clear messages we draw from the evidence that will help London & Partners in the development of its strategy.

Key messages across London & Partners' current Business Areas

Leisure tourism promotion (c. £6.4m current annual spend)

4.3 London is the jewel in the UK's crown accounting for over half of all international tourism spending in the UK. It is both the main gateway to the UK and also has by far the largest concentrations of visitor attractions. Tellingly it is the most important city in the world in term of international arrivals and clearly one of the top visitor destinations globally. Leisure tourism from international visitors supports around £3bn of direct GVA in London each year.

4.4 **Overall case**. In spite of London's strong market position, there is still a good prima facie case for the public sector in the UK to invest in attracting extra visitors to London – there are clear market failure arguments as to why this would make sense with high rates of spillovers and a large number of beneficiaries from leisure tourism and so difficulties of co-ordination. The market failure case for providing information to visitors on its own (as opposed to an integrated service linked to marketing campaigns) is weaker as there are many other sources of good visitor information other than the Visit London website.

4.5 The emerging evidence points towards relatively low levels of additionality stemming from tourism marketing campaigns of the order of 6% to 10%, although it is possible that the full impact of these campaigns is not measured and that these rates of additionality may in part reflect the mature markets in which they have been carried out.

4.6 Although the evidence point to low rates of additionality, the numbers of potential visitors from most markets is large, so that a small influence on visitor behaviour at the margin can generate significant extra spend and so GVA in London. The robustly measured benefit cost ratios (BCR) are relatively modest but represent reasonable value for money (public sector cost per pound of additional GVA created of the order of £1 to £4 measured in a recent marketing campaign in North America for the marginal impact of the marketing campaign). London & Partners is able to get considerable private sector support towards the direct costs of many of its marketing campaigns.

4.7 We are not surprised with these findings given the existing market prominence of London (say compared to other parts of the UK). Clearly additionality will differ by type of target audience/market and we must be wary of over-focussing on the emerging results and BCRs may be higher for marketing campaigns in other markets. It is important to stress that this BCR is calculated on a very different basis than the RoIs measured in the past by Visit London and those still assessed by VisitBritain. The BCRs are considerably higher when looking at the combined effect of the Visit London website and the marketing campaign.

4.8 The conclusion is that leisure tourism promotion activities (campaigns and website combined) offer good value for money for the public purse in terms of extra GVA in London per £1 of public spend where the costs of the campaigns are in part met by the private sector. The web site is, we understand, almost entirely self-funded by booking fees and advertising.

4.9 **Implications for focus**.

1) There is need to consider carefully London & Partners' focus and investments in direct marketing campaigns. More information will enable better targeting of any future investment on sectors offering better genuine economic additionality.

2) Past evidence on RoIs shows that on the old measures there were enormous variations in RoIs and no obvious pattern apart from relatively low returns on marketing campaigns in the UK. We conclude that UK-focused marketing campaigns are likely to offer poor value for money once past RoIs are converted to impact on direct GVA and a more robust set of additionality questions are asked.

3) In terms of spending on above or below the line visitor marketing, the RoIs are increased where there is more private sector involvement and support. Indeed, without this private sector support the emerging evidence is that RoIs for separate campaigns might offer relatively poor value for money.

4) From an overall UK perspective there is a clear case for the marketing spend linked to London being supported by Visit Britain. The business case for investment in marketing London is actually stronger at a UK level given the "leakage" of spend to other parts of the UK from London and the economic value of indirect taxation spend by overseas visitors that does not figure in any London level assessment. This suggests that there should be a considerably bigger role for VisitBritain in selling London with linkages through to the Visit London website.

5) Should VisitBritain take on an increasing role in marketing London then the importance of co-ordination of sales activity and of the respective websites would become paramount.

6) There is a clear message about the really important role of the London & Partners website as a key marketing and promotional tool and the likely relatively good cost effectiveness of this tool. The extent to which in the future e-based marketing campaigns can be used with the web site needs to be explored.

7) We do not believe there would be a strong case for subsidising an information web site on London per se given the wide range of alternative sources However, as mentioned above, the website is an important part of the marketing London role as it is a link through to marketing campaigns and casual visitors. In practice the web site is self-financing. Whilst it is clearly very helpful in these times of limited public sector resources that the Visit London website is self financing, it is important that it is not unfairly crowding out private information providers. So long as the basis for charging referral/booking fees is compatible with normal commercial practice, then there should be no element of unfair competition.

Business Tourism (c. £4.9m current annual spend)

4.10 Business tourism supports directly around at least £1.2 to £1.5bn of GVA each year. There is no national body promoting London for business tourism and there is strong international competition between cities for major business tourism events. Unlike leisure tourism, London is not in such a strong position internationally and there is some evidence that it has been slipping back in relative terms. London faces a number of competitive factors from other cities such as subsidised venues, subventions for major business events and a perceived lack of political importance attached to it. London & Partners fulfils three main roles:

- First, a front end sales and coordination role with major venues and other partners in trying to attract footloose business events to London (in this sense the role is not dissimilar to that involved in major events).
- Second, in subsequent hand-holding and support in organising events
- Third, in the provision of basic information on venues costs etc.

4.11 **Overall case**. There are strong first principle market failure arguments for a body coordinating the business tourism offer and pitching for new business (including both the scale of measurable and non-quantifiable spillover benefits). In gross terms the value of new business tourism business it is involved with is of the order of £50m to £65m pa, a single major business tourism event can contribute £1m extra GVA to the London economy. Given the extent of competition, at least for international business tourism, and that London does not just "sell itself" we would expect that the levels of additionality would be considerably higher than for leisure tourism. However, there is a lack of evidence about the practical additionality that the activity of London & Partners brings (as there is generally on business tourism activities in the UK and internationally). Nor is there robust evidence on those types of business tourism activities where the impact of London & Partners is likely to make the greatest difference.

4.12 The economic case for London & Partners' role is greater for larger and more complicated business events and in the front end sales part of its role. There is a less strong case for the provision of basic information on venues for smaller events unless this service can be offered very cost effectively or at no net cost to the public purse (as there is a weaker market failure argument and the spillover effects tend to be lower with the great majority of the spend contained within the hotel-type venues[8]).

4.13 **Implications for Focus**.

1) We know that in terms of the business tourism events helped by London & Partners the gross economic impact of the seven largest ones in 2010/11 was half the potential impact out of 290 projects. It is important therefore that London & Partners focuses its efforts on where the additionality and scale of prize is biggest.

2) As well as the co-ordination support in pitching for big footloose events, there may be a case for considering a limited amount of resource from London & Partners to help make the difference to large business events (such as the opportunities from subsidised Oyster Cards) in a very target way. This needs to be carried out on a case by case basis

3) The wider economic impact (due to lower spend per delegate during and before/after events) and additionality is likely to be lower for UK-focused business events, suggesting less focus on these events. The London & Partners service could continue to be offered by perhaps a web-based low cost service only.

4) Generally, smaller events and those with limited additionality could be offered a more internet based automated service, with London & Partners staff time focused on events over an agreed threshold (in terms of contestability, scale and likely % of international delegates).

5) London & Partners is providing in some cases a service that could be provided by private event organisers and so needs to be wary of crowding out the private sector. Although it has partners with whom it works closely it does offer an even-handed convention bureau services (including for non-partners).

6) There are commercial models in other parts of the world that London & Partners could consider following where bookings are made with partners, but as with leisure tourism, London & Partners would need to be wary of straying from a trusted advisor role.

7) The extent of spillover benefits to productivity in the wider area from some business events hosted in cities have been identified in some research but not quantified. However, this suggests that for larger technology-based events in particular that London & Partners should consider part of its role facilitating "fringe" events to try and link London businesses/other bodies to some of the key firms represented at events.

[8] Where there is a 24 hour conference package covering accommodation, venues and food & drink

8) London & Partners urgently needs to put in place a system of systematically measuring business tourism additionality to help understand where its efforts make the most difference.

Major events (c. £0.8m pa current support)

4.14 **Overall case**. Major events undoubtedly can and do bring significant one-off economic boosts for London. Although there are potential crowding out effects for very large and concentrated events (on hotel capacity), these have not really been measured in any work we have seen. Depending on the size of income from visitors/participant to organisers relative to the length of stay and wider spend, there are substantial spillover benefits not captured by organisers. Hence, events are commonly subsidised throughout the world.

4.15 As with business tourism, there is really no particularly robust or useful information about the additionality in the sense of bring forward events in time, expanding their scale or making them happen at all in London. The focus of the national and international evidence is about the scale of overall economic impacts for events – as part of the case for subsidising them.

4.16 There are no national bodies dedicated to organising events and London has a particular spaghetti soup of organisations that are challenging for those new to event organising. Similarly, organising these bodies for a bidding process also requires a dedicated body. If London & Partners did not exist some other public body or organisations would need to carry out its task in London. The focus of London & Partners on developing and attracting sporting events linked to the Olympics legacy is also clearly sensible.

4.17 **Implications for Focus**. Given the rationales for intervention and the potential scale of economic returns, there is a case for a more explicit focus on:

1) Events in their start-up phase - once they become established organisers are much better able to deal with the London co-ordination and logistical challenges.

2) Events of a minimum critical threshold in terms of number of likely overnight participants/spectators from outside London (to justify the time and effort of the London & Partners team).

3) Events which are contestable – where there are other locations (outside London and probably the UK) that might be considered. However, even in these cases we would counsel caution in ensuring any investment of time and money and possible requirement for subvention is relative to the potential value of events.

4) Those events where the spillover effects are particularly large (events where viewing or participation is free so that the organiser's revenues are low compared to the overall economic value). There are many events that can happily wash their own face and need very limited support.

5) There may be a case for considering specific limited financial support for certain types of events that meet certain threshold criteria in terms of size, spend per head, likely % of international (or at least non-London visitors) and genuine degree of contestability/additionality.

6) We have seen no evidence that points towards a preference for attracting sporting vs. cultural events or visa versa. Although typical spend per visitor is marginally higher for cultural events, this is highly event specific and should not be used as a guide. The case for support or effort in attracting event needs to be done on a case by case basis where London & Partners can make the most difference.

7) The evidence on the wider spillover and legacy benefits from different types of events is not especially robust. Although they may well be higher for certain types of business events this is purely supposition. We therefore advise that the decision about the focus on event should be based on potential net additional economic impact not the type of event.

8) One factor that is important and should be considered in supporting/focussing on event is the scale vs. length relationship. There is more benefit to London from a 10,000 participant/visitor/spectator event spread over 5 days than a one day/night 50,000 visitor event (assuming the same spend per day). The reason for this that there is potentially much more crowding out from the latter type of event.

Foreign Direct Investment (c. £5.8m current annual spend)

4.18 London is clearly the UK's market leader in several inward investment sectors – financial services, creative/media and fashion – and certain FDI function (European HQs/other HQs and sales offices). Although the data is not available we suspect that the London share of UK new greenfield FDI by gross value would be in excess of its share by jobs (20%) or number of projects (33%). London is therefore extremely important for the UK for certain types of FDI. The pattern of FDI is quite different from all other parts of the UK.

4.19 **Overall case**. There are strong economic arguments for why extra FDI should be supported and why there should be public sector support, especially in the inward investment handling phase. At a national level the strongest case for FDI is for greenfield "technology exploiting" FDI from relatively advanced economies where the potential future spillover benefits are greatest. However, to maximise these potential benefits requires the right sort of receptive local business environment (and possibly some encouragement during and after the inward investment process). The evidence on FDI via Mergers and Acquisitions (M&A) is that it does not generally enhance economic performance or activity (although the evidence is mixed and does depend on the timing of the assessment made, since for acquisitions there are significant one-off adjustment costs).

4.20 The evidence on additionality in supporting greenfield FDI is that it is relatively limited. Most projects would have happened anyway, but FDI promotion and support can accelerate and expand projects. The evidence from London on the additionality of FDI projects points to a net effect of 15% to 25% of the gross effects. This is in line with other regions, but lower than the apparent additionality at a UK level. It is important to stress that applying past averages to assess future potential impact, especially if the focus on FDI changes, could be very misleading.

4.21 Even with this modest rate of additionality, investing in FDI support still appears to offer reasonable value for money – as the right kind of FDI can add considerably to London's GVA and unlike other areas of London & Partners' activity a new FDI project leads to a recurring GVA impact.

4.22 There is very limited evidence on the extent of crowding out effects (whereby foreign-owned firms expand but lead to reductions in employment and so output elsewhere). They undoubtedly exist for some type of FDI. Past national evidence points to these being of the order of 20% of jobs created, but this figure cannot be directly applied to London. It does however suggest that crowding out effects are likely to be relatively limited[9]. This is a possible area for future research.

4.23 **Implications within business area**. The London evidence on Business Growth support (for existing foreign owned firms) is that the levels of net impact are even lower than for greenfield FDI projects (c. 5% to 10% additionality). This is consistent with the argument that new FDI projects are particularly in need of help in accessing information and in having a "trusted intermediary" to help them enter a new market successfully. This does not apply to existing FDI projects. The case for this form of support is **considerably weaker** in our view than for greenfield FDI. It is not possible within this assessment of Business Growth to isolate the impact of aftercare for recent inward investors assisted by the Inward Investment team from more general targeted assistance to strategically important foreign owned businesses already located in London.

4.24 There is unfortunately limited evidence on levels of additionality by type of project, country of origin which would provide a clearer guide to future targeting of activity. However we note:

1) There is quite a wide range of sizes of FDI projects. Our view would be that the greatest value for money from London & Partners interventions is likely to be from mid range projects where the additionality is likely to be significant and the size of investment is worthwhile relative to the effort involved. We are sceptical that there would be more than minor scale and possible timing additionality for large projects coming from major international firms to London.

2) The potential spillover effects on other businesses are linked to the knowledge content of projects – which is related both to their GVA per employee, but also the nature of activity (it is likely to be relatively low for sales functions we suspect). Generally, there will be a reasonable correlation between the average value of new jobs and the potential contribution to London's knowledge base.

3) The national evidence on spillover effects would tend to argue for the greatest emphasis on attracting FDI from advanced OECD economies (in the digital and media and life sciences sectors for instance) rather than emerging markets such as India and China (although these are now second and third in the country league table of new projects). However, in emerging markets, there is a close link between FDI and trade, with inward investments often playing an important role in laying the ground for future trade opportunities for UK companies. As these countries catch up technologically, attracting FDI from them will be increasingly desirable.

[9] Especially in the short to medium terms whilst the UK economy is operating well below its potential output

4) There is a case for continuing to invest in the post-decision support for greenfield FDI, especially in helping new FDI firms link to the existing supply chain in London and to the strong knowledge-base in the city's HEIs. This is likely to help maximise the positive spillovers from new FDI. This aftercare service could be targeted on firms where there is the most obvious technology exploiting FDI.

5) Given the special nature of FDI in London and its UK-level importance there is a strong case for a well-resourced and dedicated London-level team handling FDI enquiries.

6) There is a strong case for revisiting the former "matrix" agreement between London & Partners and UKTI in terms of focus on overseas markets and FDI sectors to maximise the impact from the joint resources. We are aware however, that the successful role of the partner organisations to London & Partners might not work nearly so effectively with UKTI and these organisations work both in the UK and overseas.

7) There is clearly a need to institute a process to assess the additionality of London & Partners' role for past FDI projects and to follow-up systematically the actual jobs created and average wage of the project (possibly after 12 then 36 months).

Higher Education (c. £0.5m pa currently)

4.25 **Overall Case**. The focus of London & Partners' activities has been limited to information provision to facilitate the attraction of overseas students. With the likely gradual run down of the UK-level information website supported by the British Council, we believe that there is a good case for continuing with the support. Clearly, it ought to be supported financially in some way by the London HEIs as they are the main beneficiaries. The emerging evidence suggests that the website is well used and does help potential overseas students make choices that in some cases will mean studying in London. Given the significant GVA benefits per overseas students, the volume of usage, emerging evidence on additionality and relatively low costs there is likely to be an overall positive return on investment. This interim conclusion needs to be assessed once the current evaluation survey results are ready. It is also the case that London & Partners should keep a close eye on alternative private sector provision and the extent to which this satisfactorily fills the gap in the market.

4.26 **Implications within the business area**.

1) It is clear that the net impact of the information tool is much more significant for London's HEIs that are neither major research institutions nor highly specialist HE providers. These more generalist, lesser known HEIs seem to benefit most. The web site is more effective in reaching and referring student to these HEIs. Clearly, London & Partners could consider some form of charging policy linked to the eventual update of new students that meant those HEIs that benefitted most.

2) The economic impact from a new overseas undergraduate (especially from outside the EU) is much higher than for a post-graduate). This points towards any extra effort or refinement in the web tool

4.27 We were asked to address the question as to whether London & Partners ought to expand its role in selling HEI expertise internationally (in terms of research capabilities and scope for collaboration with foreign companies). Clearly, to some extent major HEIs are doing just that (as is UKTI), although UK HEIs have a relatively poor track record in their interface with companies. There has been a lot of evidence about market failure in the exploitation of knowledge and intellectual property between HEIs and firms in their locality. However, this is not the role for London & Partners.

4.28 To sell HEI research expertise or try and add value to HEIs' effort in attracting overseas research funding comprehensively and effectively would be a very resource intensive and time-consuming process. We struggle to see what added value London & Partners could offer. However, there is a case for more strenuous efforts to make new FDI investors before and after the arrival in London aware about the key opportunities for collaboration with London's HEIs (as part of maximising the potential spillover benefits from FDI). Realistically if London & Partners were to do this effectively it would need to be focused on just a few sectors that were deemed a priority.

Inter-relationships across Business Areas

4.29 There review of business areas has highlighted some clear emerging cross areas themes. These are summarised in the table below. The key inter-relationships we would highlight are:

1) *The actual and potential links between FDI and London's HEI base*. There is scope to do more to try and develop the links between new FDI and the city's HEIs (around knowledge/technology transfer, joint research or other collaborations). Similarly, there is clearly an important role in highlighting the HEI expertise and strengths as part of the FDI offer in certain sectors and markets. There may be scope to consider how the large overseas student base could be exploited for future FDI or trade links, especially with rapidly growing segments such as overseas Indian students.

2) *Events*. Although major events and business tourism are different business lines, they are, sensibly, managed together by London & Partners. There is a large cross-over in the skills, measurement issues and information needed to pitch for major business and sporting events. There may be a case for looking at the future deployment and investment of London & Partners resources across business tourism and major events as part of the same piece. The point made in this report about using metrics on value and additionality to determine scale of effort applies in both business areas.

3) *Leisure tourism and HEIs*. As London & Partners is collecting information on overseas students coming to London, there may be opportunities to use this as part of future e-marketing campaigns targeted at the visiting friends and relatives (VFR) market.

4) *Business tourism and HEIs*. There is also an obvious link between the research strengths and accommodation offered by London's HEIs and attracting major academic-based association business events.

4.30 Finally, we note one important cross-cutting theme that we believe emerges in how London & Partners can and should operate. That is the difference between web-based/low cost and bespoke/expensive solutions. In many areas (FDI, business tourism and events) there is the possibility for London & Partners to offer a cost effective low level support which is primarily web based and provides information, advice and help. The people resources of London & Partners should be directed on activity that is either large in scale or potential and where there is the greatest potential for additionality from investment of handholding time. To a large extent London & Partners is already operating in this way.

Table 4-1: Interfaces between London & Partners Business Areas

Business Area	*Leisure tourism*	*Business tourism*	*Major events*	*Foreign Direct Investment*	*Higher education*
Leisure tourism					
Business tourism	• Largely separate markets, but scope to use Business Tourism events to market London for repeat and extension visits				
Major events	• Apart from business events, major events a key attractor for leisure visitors	• Big overlap between business events and major events. Many of the co-ordination and marketing skills similar			
Foreign Direct Investment		• There has been some research into the longer term business productivity benefits from the new connections formed at certain business conferences			
Higher education	• VFR tourism linked to overseas students a significant market	• Academic conferences or conferences linked to research and important source of conference and association business		• The R&D, knowledge transfer and skilled specialist graduate output all important parts of certain FDI propositions. Scope	

5. Implications for the Monitoring and Evaluation Framework

5.1 At this stage we have flagged up some key points that London & Partners will need to consider as it develops it monitoring and evaluation (M&E) framework for each business area.

Leisure Tourism

5.2 Work is well underway to develop and refine the methodology for measuring the direct GVA contribution from campaign activities. Ideally London & Partners would want to measure:

- The extra visits that its activities have led to in any one year (by market area)
- The extra spend associated with the extra and extended visits
- The associated direct GVA boost to the London economy.

5.3 We consider key issues that still need addressing are how to measure the influence of marketing campaigns on visitors who do not visit the Visit London website.

Business Tourism

5.4 At present the system in place only measures at a very high level the gross economic contribution of business tourism events. Ideally London & Partners would want to measure:

- The total number of business events it has been involved with and the total business trips associated with these events.
- The total estimated business tourism spend and associated direct GVA.
- The net additionality of its intervention for a large sample of business tourism events (using similar style questions to those developed for leisure tourism), this would measure the impact of London & Partners support on the decision to come to London at all, the scale and timing of the event (and potentially the likelihood of coming back to London).
- Ideally, event organisers would be surveyed at two points: when the decision to come to London was made and after the event has been completed (to get more robust information on its scale to measure economic impact and, potentially, to assess any wider spillover benefits).
- The net additionality findings applied to different events could be used to gross up to an estimate of future direct net additional GVA the will accrue to London from business events attracted over a 12 month period.

5.5 One area where there is a need for some further work is in developing more robust measures of: (a) total spend per day per event, per delegate by type of event; and (b) robust measures of converting business tourism spend into direct GVA in London.

Major Events

5.6 The process and systems should be similar to that for business events. However, given the smaller number of events involved a more in-depth approach to research to assess forecast gross economic impact and the net additionality impact of the role of London & Partners in the event.

Foreign Direct Investment

5.7 The major issue here is that there is no systematic collection of information on the net additionality of London & Partners' role. There is a strong case for surveying successful FDI projects once the decision has been made on the net additionality impact of London & Partners' role (and that of other organisations especially UKTI). Ideally London & Partners would want to measure:

- The number of successful FDI projects converted
- The forecast year 3 jobs and the associated annual and total GVA based on applying sector GVA per job (and ideally a sector/function matrix of GVA per job based in due course from the evidence from past FDI projects)
- The net additional GVA associated with the contribution of London & Partners in both generating leads and handling enquiries based on a survey of all successful FDI projects (probably after 12 months)
- The number of the projects and forecast jobs associated with projects where spillover effects are potentially significant.

5.8 The past work by London & Partners' predecessors to measure actual job creation after year 3 compared to forecast is good practice and we recommend this continues on an ongoing basis. Ideally this audit would also include:

- An estimate of the average salary per person employed at Year 3 (which can then be used to build up the evidence base of average wages per employee by sector/function).
- An assessment of the degree of supply chain linkages and likely knowledge spillovers associated with the business activity in London.
- An assessment of the location of main markets and competitors to assess product market displacement rates.

Higher Education

5.9 There is already a reasonably good system in place to survey the website users. The main enhancement that is needed is the inclusion of questions that can generate a clearer picture of the degree of influence from the website information on decision-making. Ideally London & Partners would measure:

- The undergraduate and post graduate students studying in London who have used the web site
- The estimated gross direct GVA based on applying the standard direct GVA per student type
- Then the net additional GVA based on applying the evidence on additionality rates,

Appendix A - Technical Note

1. This note explains how the estimates of gross direct GVA and links to extra business activity were created. In all cases the estimates are for the direct GVA generated by the increase in activity, they do not include any multiplier effects or any estimates of crowding out (i.e. displacement of factor markets).

Leisure Tourism

Scale of Additional Activity needed for **one off** increase direct GVA to the London economy		
Type of activity	£5m extra	£20m extra
Extra international leisure tourist visits	24,000	97,000

2. The approach adopted was as follows:

   1) Calculate the average visitor spend per international visit (from IPS) – see Table 2 below

   2) Convert to direct GVA using factor of 37.8% based on estimate of conversion rate from visitor spend (including indirect taxes) to GVA from the recent GLA Economic paper[10] for North American tourism.

   3) The estimate the number of extra visits to generate a one-off impact of £5m or £20m in direct GVA was then calculated.

Table 2: Estimating Impact of Leisure Tourism in London, 2010	
	London, 2010
Total Visits (000s)	11,930
Total Nights (000s)	78,408
Total Spend (£m)	£6,499
Spend/trip	£545
Spend/night	£83
Total direct GVA	£2,457
Average direct GVA per trip	£206
Source: International Passenger Survey 2010 and Regeneris calculations	

[10] Visit London Economic Impact Evaluation, preliminary findings from enhanced conversion research of a North American leisure marketing campaign by Stephen King on behalf of GLA Economics, Working Paper 46 (April 2011). £29.6m of visitor expenditure including VAT estimated as equating to £11.2m of direct GVA (37.8%)

Business Tourism

Scale of Additional Activity needed for **one off** increase direct GVA to the London economy		
Type of activity	£5m extra	£20m extra
Extra average international business tourist visits	12,000 - 16,000	50,000 - 66,000
Extra international business delegates	6,000 - 8,000	23,000 - 30,000
Extra 1,000 delegate international association-type event	6 - 8	23 - 30

3. The methodology was similar to that for leisure tourism in the calculation of spend to GVA. The steps were:

1) Estimate the spend per visit in 2010. In the case of average international visitor to London this simply took the average spend per business trip (£808 over an average of 4.3 days). As this data is based on the International Passenger Survey it may not include all the expenditure associated with business tourism events and so should be seen as a lower impact estimate.

2) In the case of international business delegates we took the average daily spend per delegate for 2010 (£410) times the average length of business trips (4.3 days) to get total spend per international association business delegate of £1,750. This figure includes direct spend by conference organisers.

3) The £410 figure was based on the 2007/8 estimate produced by VisitBritain from its Delegate Expenditure Survey, uprated to 2010 using the GDP deflator

4) In both cases the total spend was converted to direct GVA using two ratios: first the one used for leisure tourism; secondly a ratio of 50% based on the turnover/GVA ratio for the hotels & accommodation sector in London to reflect the different pattern of spend by business tourist. Ideally, we would have a figure that was more closely aligned to the actual pattern of business tourism spend which differs from that for leisure tourism. However the figures will be of the right order of magnitude[11].

5) The estimate the number of extra visits to generate a one-off impact of £5m or £20m in direct GVA was then calculated.

6) The number of international association events was calculated simply by scaling up the delegate spend (see (3) above by 1,000.

[11] A report on measuring the impact of events in the North West used a conversion rate of 35%. Amion Consulting Evaluation of the North West Development Agency's Major Events Programme (2006-2010), October 2010

Table 3: Estimating Impact of Spend by Business Tourists in London, 2010		
	Lower GVA ratio	**Higher GVA ratio**
Total Visits (000)	2,775	
Total Nights (000)	11,910	
Average length	4.3	
Total Spend (£m)	£2,242	
Spend per visit	£ 808	
Spend per night	£188	
GVA per visit	£305	£404
Total direct GVA (£m)	£847	£1,120

Source: International Passenger Survey 2010 and Regeneris calculations

Note: as using the IPS this excludes direct spend by conference organisers. The relatively limited evidence suggests that the total direct GVA value of international business tourism could be 50% higher

Major Events

Scale of Additional Activity needed for **one off** increase direct GVA to the London economy		
Type of activity	£5m extra	£20m extra
Number of major cultural events, with 50% non-Londoners	8	30
Number of major sporting events, with 50% non-Londoners	6	24

4. These estimates were built up as follows:

1) Sports: Assumed average gross spend per day is £62 (2010 prices), based on averages taken from a range of studies including Measuring Success 2 – UK Sport, and SMG's impact work on London's Triathlon and Badminton championships.

2) Cultural: Assumed average gross spend per day per is £88 (2010 prices) based on evidence from both the Ecotec evaluation of London events and the BOP evaluation of the Edinburgh festivals (only festivals which have high levels of non-local attendees are included).

3) To put these into context according to the IPS the average spend per night in London by international visitors is £83 and for UK tourist £64

4) The assumed number of visitors/participants was 20,000 over a two day period (or 40,000 visitor nights).

5) In both cases it was assumed that half the visitor/participants were from outside London (and so overnight visits).

6) The total visitor spend was converted to direct GVA using the same conversion ratio for leisure tourism (37.8%).

7) The estimate the number of event visits to generate a one-off impact of £5m or £20m in direct GVA was then calculated.

FDI

Scale of Additional Activity needed for **one off** increase direct GVA to the London economy		
Type of activity	£5m extra	£20m extra
Extra forecast Year 3 jobs	Extra forecast Year 3 jobs	
ICT sector	30	130
Food & Drink	100	390

5. The two sectors were chosen due to their contrasts. These estimates were calculated as follows:

1) The GVA per job was based on the Annual Business Survey data for 2009 (£80k for the ICT sector and £46k for food and drink).

2) The estimates were based on forecast Year 3 jobs but taking account the evidence on the actual jobs delivered on average by sector. These were respectively 59% for ICT FDI projects and 29% for food and drink projects. So to deliver 50 actual year projects for ICT requires on average 85 to be promised.

3) We have also applied the average product market displacement rate from the evidence of past FDI projects (23%).

4) We have assumed a five year persistence effect, so that on average the actual Year 3 jobs will last for 5 years overall. This is a reasonable assumption given the evidence on actual persistence. It means the annual GVA is multiplied by 5.

5) The estimate the number of Year 3 forecast FDI jobs to generate a one-off impact of £5m or £20m in direct GVA was then calculated.

Higher Education

Scale of Additional Activity needed for **one off** increase direct GVA to the London economy		
Type of activity	£5m extra	£20m extra
Number of additional undergraduate students	130	520
Number of additional post-graduate students	390	1560

6. The estimates were calculated separately for undergraduate and post graduate students. The estimates were calculated as follows:

1) The estimates of economic output from overseas students came for the PA Consulting study for Study London. This covered the direct fees, accommodation and tourism expenditure from visiting friends and relatives. They estimated this as £2,529 in 2010.

2) This was converted to direct GVA using different GVA/turnover conversion factors to the different components of spend (62% for education, 44% for living and 54% for leisure spend) to give total direct GVA of £1,340m

3) This was apportioned to undergraduates and post-graduates by dividing the total impact by the 104,000 overseas students to give an average GVA impact of £9,400 per student per year

4) We assumed that the average period of study was 1 year for postgraduates and 3 years for undergraduates (so a total GVA impact of £28,200)

5) The estimate the number of extra international students to generate a one-off impact of £5m or £20m in direct GVA was then calculated.

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