The Future of Westminster Post Covid-19: Planning for Recovery

Foreword by Professor Tony Travers

WPA
Westminster Property Association

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1. Introduction by Olivia Harris, WPA Chair

All city centres have seen their once bustling streets deserted and many businesses, particularly in hospitality and leisure, fighting for their survival as a result of lockdowns and ongoing restrictions imposed to help defeat Covid-19.

But nowhere has been hit harder than the country's most iconic area, the West End, which pre-Covid welcomed more than 1 million visitors a day alongside more than 600,000 workers. By the end of 2020 this economic powerhouse will have lost 63% of its locally produced output, the equivalent to a £49.3 billion loss.

We commissioned Arup research to try and understand the full economic impact for Westminster of this crisis, and more importantly, use it to explore solutions to rebuild the economy and help safeguard jobs. Recent news of a successful vaccine trial gives us all fresh optimism that the end of the pandemic may be in sight. But we cannot take future success for granted, and now is the time to plan for recovery.

We have proposed a ten-point plan, aimed at local and national government, to support this economic and societal recovery. It is not just economic output that successful business districts bring, but also tangible community benefits and jobs.

For every 100 office jobs across the CAZ+ (Central Activities Zone) up to 18 jobs in the retail, hospitality and entertainment sectors are supported – many of these on relatively modest incomes. The vast majority of the workers at risk of losing jobs from the Covid crisis live in outer London boroughs and beyond.

WPA's analysis includes the first detailed forecast of how Westminster's economy could recover from the crisis. However, even with a vaccine and return to 'normality of sorts' there could still be a cumulative £192 billion loss in local economic output to 2024, unless policymakers help businesses in the face-to-face economy 'bridge the gap', and implement ambitious plans to accelerate the return of office workers and tourists.

Our report shows that work conducted remotely does not simply move GVA to other areas. Any demise of London, far from supporting the 'levelling-up' agenda, would also make the country poorer. There are 'agglomeration effects', created through the co-location of businesses, which generate a highly valuable increase in worker productivity and social capital. This is London's competitive advantage and the basis of its global city status. The energy and excitement of the West End's unique offer, with its layers of history and multitude of leisure, retail and cultural experiences, cannot be found online or in the broader urban area.

Policymakers should act with urgency to support city-centre businesses and drive forward a bold vision for the future, where active travel, activated streets and longer trading hours form part of UK city life in the 2020s. No city centre is immune from the pandemic and the country needs to come together in the face of the greatest threat to its prosperity and the welfare of future generations.

I am confident that Westminster will come back stronger and become an even greater world city, once people can safely return to urban centres. This research is a wake-up call that we cannot take economic success for granted. It needs to be nurtured, not just locally but nationally.

Now is the time for national unity, public and private sector collaboration, innovation and investment. I believe that out of this crisis, we can rebuild Westminster as a heathier, greener and more economically prosperous City for all.

Olivia Harris
WPA Chair

1 Good Growth for Central London report
2 https://www.centreforlondon.org/wp-content/uploads/2020/02/Core-Values-The-Future-of-Central-London.pdf

2. Foreword
by Professor Tony Travers, London School of Economics

Pandemics hit dense and internationally connected metropolitan areas hardest. Plagues, epidemics and other crises have a long history of shaping urban life and, indeed, stimulating innovation to address the challenges that emerge from living and working in densely populated conurbations. London cholera outbreaks in the mid-19th century incentivised public authorities to create and fund institutions which allowed the development of the capital's modern sewage system, thus radically reducing the risk of disease and death.

The Yards, Covent Garden
Photography: Ricky Darko Photography

London's history provides a prime example of the changing fortunes of urbanisation over time. Having become 'the biggest city the world had ever known' in the early years of the 20th century, London's population declined during the second world war because of evacuations, the Blitz and people leaving for safer locations. This fall continued in the years after 1945. Population gradually declined from 8.6m in 1939 to 6.6m in 1986. The post-war decline was in part caused by policy efforts to replace poor quality housing, partly by the decline of established industries and also because mass car use encouraged different residential patterns. Decreasing population levels suggested that individuals and businesses considered that the costs of density outweighed the benefits, at least until the 1980s. The wider south east prospered while the city at its heart declined.

London's fortunes changed again with the economic reforms of the 1980s, deregulation of financial services and the emergence of a sophisticated post-industrial economy based on high value-added activities concentrated at the heart of major cities. Financial and business services, property development, cultural industries, education, healthcare and, latterly, tech were seen to benefit from agglomeration in cities such as London, New York and Paris. Steady urban population growth resumed, a sign that the benefits of being in a major city outweighed the costs.

London's economy proved surprisingly resilient to the economic aftershock caused by the 2008-09 financial crisis. The city demonstrated an ability to adapt, shifting part of its economic structure away from traditional banking and finance, thus recovering fast and continuing to outpace other UK regions. Indeed, by the end of the 2010s, the capital's economic success had been such that national politicians began to develop policies to 'level up' other parts of the country towards London's GVA per head.

Then Covid-19 struck. The government imposed a lockdown and by the end March 2020, London's Tube and commuter rail journeys were down 95 per cent, while bus use fell by 85 per cent. Central London, which was more dependent on public transport than any other part of the country, saw economic activity stop almost entirely. As a result, the pandemic has attacked the most creative and sophisticated attributes of London: the dense mix of people, skills and sectors that together comprised the city centre's vibrant ecosystem. Something very similar has happened in Manhattan.

In a post-lockdown pre-vaccine metropolis, the central London economy's dependence on density and productivity has become a threat to its ability to function. One of the most important benefits of increasing population and workplace density is agglomeration. Being close to other people and other firms makes everyone more productive as they can share inputs and outputs, find a job that better matches their skills, network with each other and create new ideas. In economists' jargon, labour markets are wider and deeper.

Amenities are also important: shops, restaurants, theatres, opera houses, bars and sports events need a minimum level of density to be profitable. Their presence together enhances the quality of life cities have to offer and provide jobs for (often higher value-added) service industries. Energy efficiency is also gaining momentum: as climate change is becoming one of the most pressing problems of the century, low energy use per worker had become an important driving force towards densification. Compared with the rest of the country, central London produces high levels of output with low carbon inputs.

Of course, the Covid-19 pandemic may accelerate trends which were already changing the central London economy. Evidence was emerging prior to the pandemic of a reduction in commuting trips per person (when measured across all modes of transport) and of structural changes in employment because of growth in the 'gig' economy, plus more part-time and people home working for some days of the week. Such trends were already leading to change in the traditional central London commercial real estate market.

2. Foreword by Professor Tony Travers, London School of Economics

Continued.

Having said this, in aggregate terms, central London employment was growing apace in recent years; commuting by public transport was gaining market share, even though the overall number of commuting trips per capita were falling. Depending on how long an effective vaccine takes to be used widely (or some other solution is found), these recent developments, together with prolonged social distancing measures during a transition period may fundamentally change how the central London economy operates at least in the medium term.

The path to a new normality will not be easy. Government at all levels will need to co-operate on policies and programmes which must be radical and innovative. Some change may occur before policy can stop it. Policies could include the encouragement of clusters of business activity outside of the centre (a connected series of mini 'central business districts') and/or permitting much more office space in the centre, thus to allow more space in workplaces. Residential development may need to expand in and around the city centre so as to allow more people to walk or cycle to work. There may be a case for a rapid and major expansion of public transport provision to reduce overcrowding, or for rationing its use to achieve an analogous aim. Longer opening hours for retail and entertainment could help shops, leisure businesses, the travel sector and the creative industries survive, although residential areas would need sophisticated protection from disturbance. Transport for London and the government-run commuter railways face existential financial challenges because of the precipitous collapse in their fare box revenues. The business rate system will have to be modified both now and for the coming three to five years. New taxes and charges may need to be found to avoid the need to mothball public services, particularly transport.

London policymakers need to get employees back to work as fast and as safely as possible, as soon as conditions allow. Rigorous assessment of the impacts each of the measures outlined above would have on central London's economic recovery over the short, medium and longer term should be used to help to prioritise and coordinate action.

This report analyses the estimated economic impact of Covid-19 on Westminster 's economy, and thus on a major part of central London, in 2020. It then explores what recovery to 2024 might be like and considers the impact of a range of policy interventions in helping to return the area's economy to growth as soon as possible.

Nothing like the Covid-19 pandemic has happened in Britain since 1945, or arguably since the epidemics of earlier centuries. Unless government can deliver policy outcomes which return city centres to economic health there will be permanent, bad, consequences for export-generating tourism, the theatre, music, civil aviation, public transport, higher education, museums and the legal sector.

All of these sectors play a role in the United Kingdom's capacity to have 'soft power' within an increasingly challenging world order. This report makes a rigorous, early, contribution to the understanding of the impact of the Covid-19 pandemic on a large part of the central London economy and at what might be done to restore its unique brilliance.

Professor Tony Travers
London School of Economics & Political Science

3. Executive summary

Background and introduction

Arup was commissioned by the Westminster Property Association (WPA) to undertake an assessment of the impact of the Covid-19 pandemic on the economy of the City of Westminster and what might be done to assist in its recovery. The scope of this work included the following:

- Estimating the full 2020 (calendar) year impact of Covid-19 on place-based Gross Value Added (GVA) within Westminster, on a sector basis.
- Developing a recovery scenario and economic projections for the period to the end of 2024 to work out potential gaps in output.
- Identifying and quantifying in occupancy terms by sector the impact a range of initiatives designed to facilitate the recovery of employment in Westminster faster than would otherwise be the case.

To generate projections for the Westminster economy, Arup explored a number of different economic scenarios over the Summer and early Autumn of 2020, prior to the second wave. Since then, given the advances of vaccine research and improved testing and medical treatment, we are focusing this report on ‘a return to normality of sorts’. This scenario, in which a vaccine provides lasting protection and there is no need for social distancing, also see large advances in digitalisation and a nascent recovery in the world economy.

A summary of the principal findings of each of the study outputs follows.

Oxford Circus, New West End Company

Estimating the impact of Covid-19 on place-based Gross Value Added (GVA) in 2020

Prior to Covid-19, professional services and office based work generated the largest elements of both employment and output in the Westminster council area. At 728,000 jobs, this represented nearly 40% of all employment in the London Central Activities Zone + (CAZ+) area. The whole of the City of Westminster produced a GVA of £78.6bn (2019 prices), which represents just over 37% of the £211 billion per annum CAZ+ economy.

Office based employment and output accounts for the lion’s share of economic activity in Westminster. Furthermore there is a high degree of interdependency between the different sectors. At the CAZ+ level, for every 100 office jobs, up to 18 are supported in the retail, hospitality and entertainment sectors – alongside the contribution made from tourism and visitors.

We estimate that there has been a profound impact on the output generated in Westminster for 2020. In overall terms, we estimate GVA has fallen by 63% to just under £30bn from £78.6 bn. For some sectors we estimate the impact on place based GVA might be as high as 74% in the case of the hotel industry.

To some extent, these placed based estimates of Westminster GVA loss are offset by the fact that output will have continued to have been produced in other parts of London or indeed elsewhere – for example through home working. And we note that recent Greater London Authority (GLA) estimates for London’s GVA in 2020 are lower, at minus 16.8% for 2020. But Arup has stated it would be wrong to assume that GVA lost from Westminster has largely been reproduced elsewhere – even for those activities that can in theory be performed on-line and or from workers’ homes.

This is because of the loss of productivity associated with the so called spill-over and agglomeration effects that occur when businesses co-locate. In some sectors such as professional services, the productivity bonus associated

3. Executive summary

with these factors could be as high as 20% over the longer term. There is a significant risk that individuals who have been working away from central London during the pandemic have been running off their existing relationships and connections (known as social capital), and the longer this goes on for, the more less likely it is for agglomeration benefits to materialise. In addition, for certain sectors – such as hotels, entertainment and many tourism related activities, it is not possible for them to be consumed (nor produced) on-line. There is therefore likely to be very significant loss of output in these forms of economic activity.

Identifying and quantifying recovery initiatives up to 2024

A loss of 24% of GVA compared to business as usual is a significant reduction in output, and is one that demands urgent action by the public and private sectors. The WPA has set out a 10 point plan for the recovery of Westminster, which applies to all major cities, none of which are immune to the impact of the pandemic. We believe with the right policy intervention and support at local, London and national level Westminster can seize the opportunity to transform for the better, which we are confident would help reverse the economic fortunes of the area.

In addition, Arup has considered a range of different types of recovery measures, and those with the greatest potential to increase workplace occupancy in Westminster were: an e-bike revolution; Covid-19 passporting; free public transport; and a pop-up revolution. It estimates that the impact of these measures had the potential to increase footfall/occupancy levels by between 9% and 40% depending on the measure and sector in question.

Conclusions

If left unaddressed, a sustained period of home working in a dispersed manner will eventually lead to a loss of productivity and output overall, and particularly in Westminster, which drives so much of central London's (and in turn the UK's) economy. In addition to this, there is the prospective loss of the hotel and entertainment sectors that cannot realistically be produced or consumed elsewhere.

Even in a such a scenario where the economy returns to some degree of normality over the next three or so years - a significant range of measures to allow Westminster's economy to recover are required. None are necessarily straightforward to implement and all will require a significant degree of political leadership to succeed.   In time, some may require tailoring to ensure that they are compatible with prevailing safety requirements and government public health guidance. Nevertheless, as with so much of the Covid-19 response, to not act swiftly and proportionately would be even more damaging.

We hope this report makes a valid contribution to the collective understanding of the impact of Covid-19 on Westminster's hugely important economy and that it stimulates debate as to how to assist it on its way to long term recovery for the benefit of all Westminster residents, businesses, Londoners and the wider UK economy.

Carnaby Christmas lights
Photography: Dave Parry

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4. Assessing the Impact of Covid-19 on the City of Westminster Economy

4. Assessing the impact of Covid-19 on the City of Westminster economy

2020 Full Year Impact

Arup's estimation of the 2020 full calendar year impact of Covid-19 on Westminster's economy has been informed by a range of projections and benchmarks for the whole of London (notably from GLA Economics; London Future Economic Outlook – Spring 2020).
2020 forecasts include:

- London's real GVA growth rate: -16.8%.
- Number of workforce jobs: -7%.
- Household expenditure: -11.9%.
- Household income: -5.5%.

The impact on Westminster's economy in 2020 has considered for the full calendar year which it has assumed is going to be made of four phases, broadly applicable to each quarter:

1. Business as usual.
2. Strict lockdown.
3. Softer lockdown.
4. Beginning of recovery.

We have considered two categories of economic outputs associated with Covid-19 impacts:

- PRODUCTIVITY: Gross value added (GVA) per worker in Westminster.
- WORKSPACE OCCUPANCY: the amount of workers working in Westminster.

The estimates of impacts are then expressed in terms of locally produced gross value added, in so far as economic activity may have shifted away from Westminster, it may be generated elsewhere in the country (for example by working from home). We express results in two ways:

- GROSS GVA LOSS: the place-based level of output that is not generated within Westminster boundaries.
- NET GVA LOSS: the level of output lost at a national level – so after taking into account home working and other displaced activity.

For face to face sectors, e.g. retail, F&B hotel and entertainment, we assume that work cannot take place from home and therefore show no difference between gross and net GVA losses for these sectors.

In the office sector, GVA can be generated remotely to some extent: gross and net GVA losses will differ based on the assumption that 17% of office jobs displaced from Westminster are also accounted as lost national output (from GLA analysis of the increase in unemployment in London for office related employment).

Furthermore, three main non-public health drivers will determine the scale of impact from Covid-19 on productivity and workspace occupancy:

- COMMUTING: impacts associated with essential travel and social distancing measures.
- DIGITALISATION: acceleration of trends in firms' digital transformation programmes (e.g. 5 year leap in 5 months).
- WORLD ECONOMY: fallback in tourism and business trips.

Figure 1. Mobility trends in London
(indicators used to measure changing effective densities for different economic sectors in WCC)

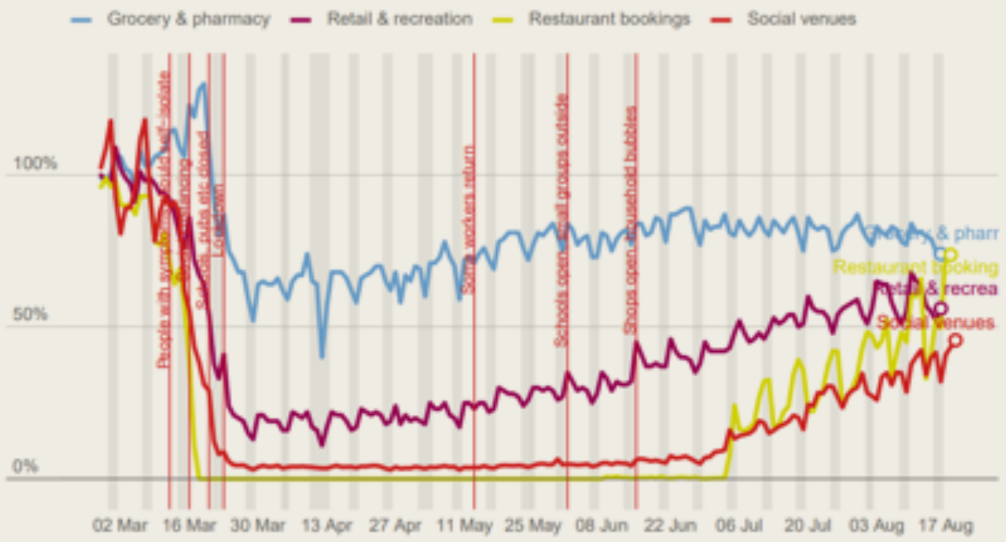
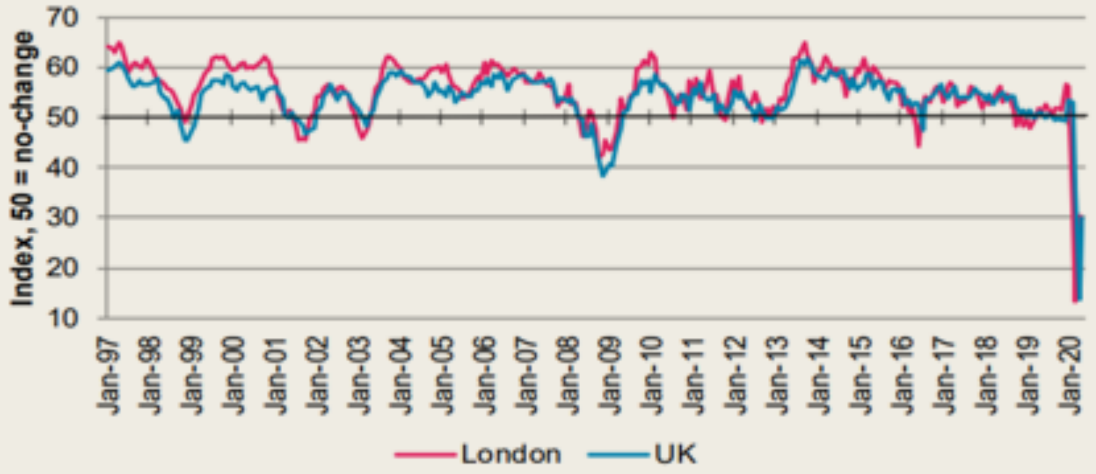


Figure 2. PMI business activity index
(50 indicates no change on previous month)



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4. Assessing the impact of Covid-19 on the City of Westminster economy

Pre-Covid-19 Economic Baseline

Below we provide a snapshot of what the Westminster economy looked like prior to the pandemic. Professional services and office based work generates the largest elements of both employment and output in the council area. At 728,000 jobs, this represents nearly 40% of all employment in the London Central Activities Zone + (CAZ+) area. In overall output terms Westminster produced GVA of £78.6bn (2019 prices) which represents just over 37% of the £211billion per annum CAZ+ economy*.

Office based employment and output accounts for the lion's share of economic activity in Westminster. Furthermore there is a high degree of interdependency between the different sectors. At the CAZ+ level, for every 100 office jobs, up to 18 are supported in the retail hospitality and entertainment sectors – alongside the contribution made from tourism and visitors.

Horseferry House, Derwent London

Figure 3. Westminster jobs in 2020
(SIC classification) – pre-Covid-19

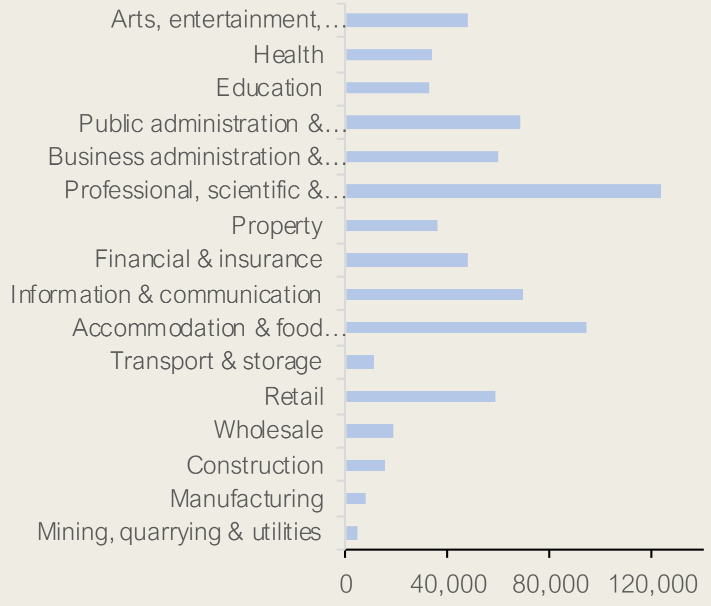


Figure 4. Westminster jobs in 2020
pre-Covid-19

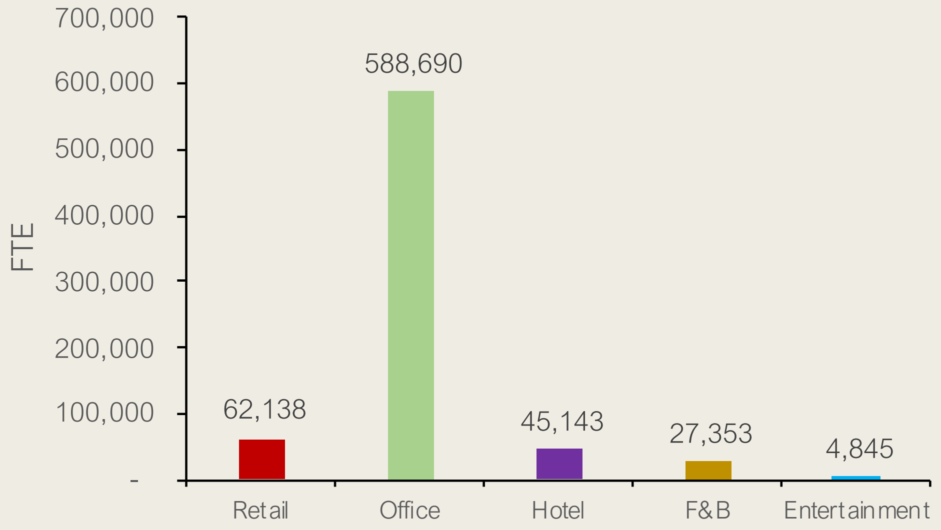
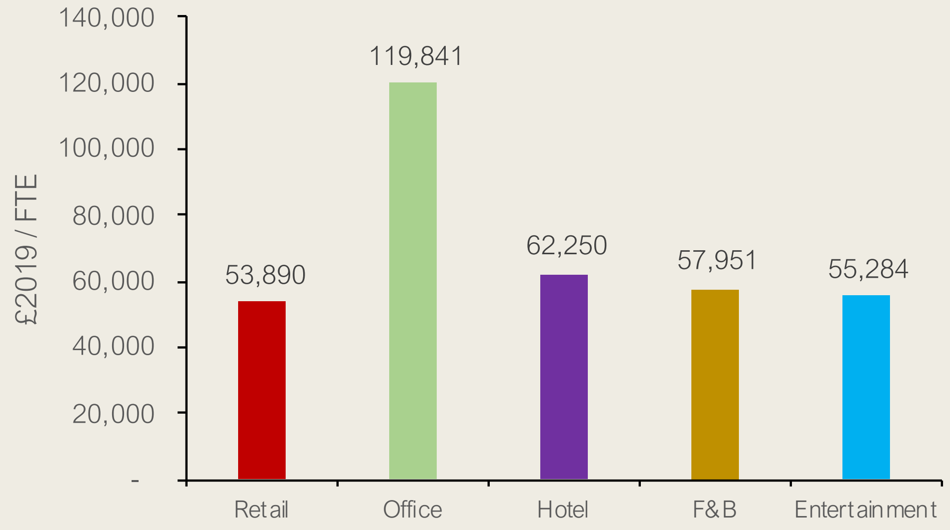


Figure 5. Productivity in 2020
(GVA per worker) - pre-Covid-19



*Technically not all of Westminster's economy is in the CAZ+ area but the vast majority (82%) is included within it

4. Assessing the impact of Covid-19 on the City of Westminster economy

2020 Full Year Effect

The impact on Westminster's economy has been estimated through analysing workspace occupancy and productivity levels.

1. Workspace Occupancy

The timing of future waves of infections, the length and severity of social distancing measures, the uptake levels in digital technologies, and the timing at which international businesses and tourists may return will determine how quickly Westminster workers may be able to go back to their workplaces.

The lockdown has forced employees in Westminster to work from home and consequently encouraged a faster uptake of digital technologies supporting them working at a distance. Technological conditions have been improving steadily for years, yet the proportion of employees working from home (especially on a full time basis) has remained relatively modest. As Covid-19 has now forced many companies and organisations to pay a part of the fixed cost of transition to remote working, it seems reasonable to expect that the trend may accelerate depending in part on how the virus and potential vaccines will develop in the near future.

2. Productivity levels

The measure used to describe the concentration of labour is called effective density of population; measured by the equation:

$$Effective\ density = \frac{Pi}{r} + \sum_{j}^{i \neq j} (Pj \bullet d^{DD})$$

Where P is total employment in a location, r is the radius of an area and d the distance between two areas e.g. Westminster and outer London or the South East region.

Effective density seeks to measure the impact of changes in population locations on the strength of an agglomeration. The lower number of workers that came to work in Westminster during the spring 2020 strict lockdown changed the effective density of local population in Westminster and therefore impacted the productivity of its workers. The following assumptions have been used to measure changing effective density levels under digitally-enabled social distancing scenarios:

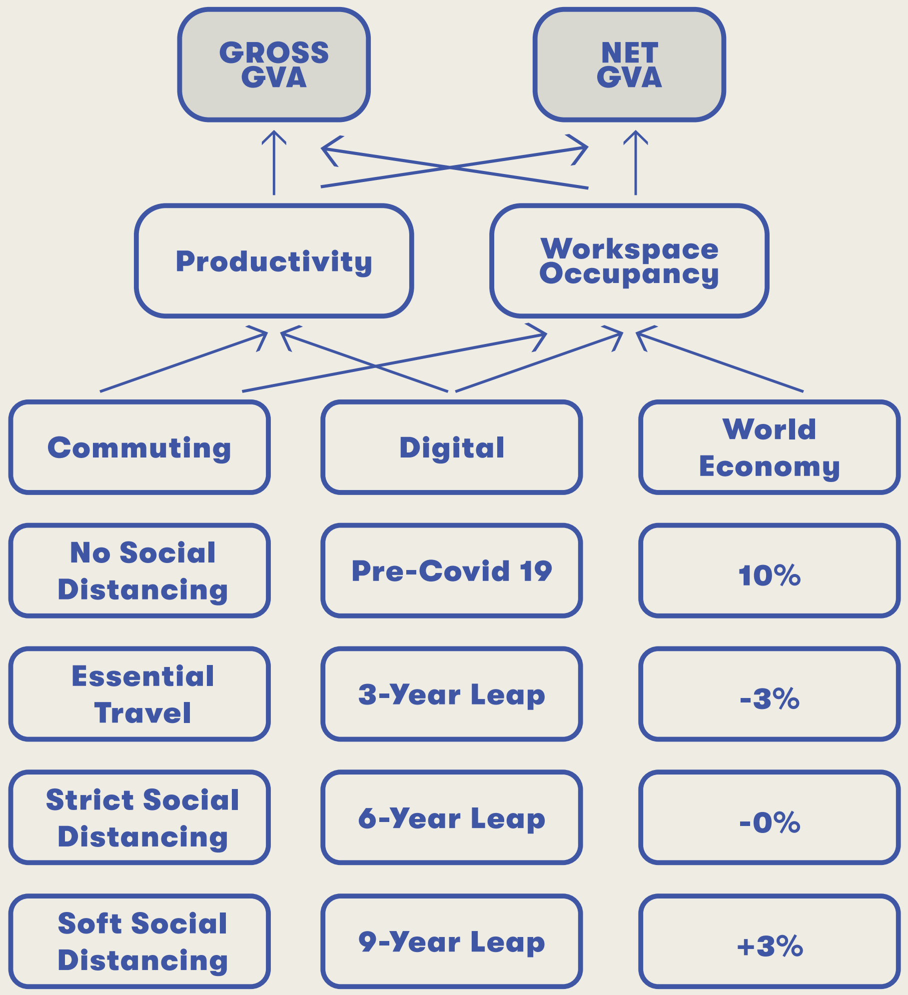
Elasticities (e)	Elasticity	Distance Decay (DD)
Office sectors	0.097	1.746
High density face to face	0.194	1.818

Radius – employment catchment area (own calculation)	
Westminster	2km
Inner London	8km
Outer London	15km
South East	80km

Population (ONS for 2019)	
Westminster	728k
Inner London	2.9m
Outer London	5.5m
South East	9m

The results of applying these factors and a selection of the 2020 scenario variable shown in Figure 6 (to the right) are shown overleaf.

Figure 6 . Methodology to estimate 2020 impacts
(full calendar year effect)



Elasticity and Distance Decay parameters were taken from Graham & Gibbons, 2018: This report calculates elasticity estimates for the whole of the UK; however, both effective density and productivity in Westminster are more than double (based on ONS and ONS) than the national average (we are not aware of any report which calculated agglomeration elasticity separately for London). This also implies that elasticity is higher than the national average, especially for high-density face to face sectors. Therefore, we used the upper bar elasticity for business services from Table 5, and have assumed that the elasticity for the face to face sector is the double of this elasticity. The distance decay parameters are taken from Table 3.

4. Assessing the impact of Covid-19 on the City of Westminster economy

We estimate that there has been a profound impact on the output generated in Westminster for 2020.
In overall terms, we estimate GVA has fallen by 63% to just under £30bn from £78.6 bn.
For some sectors we estimate the impact on place based GVA might be as high as 74% for the whole year.

Figure 7. Estimated GVA by sector for Westminster's economy for 2020 including the Covid-19 effect

	PRODUCTIVITY			WORKSPACE OCCUPANCY			GROSS GVA (LOCAL)		
	2019	2020	Impact	2019	2020	Impact	2019	2020	Impact
Retail	53,890	46,374	-14%	62,138	24,855	-60%	3,349	1,153	-66%
Office	119,841	113,699	-5%	588,690	235,476	-60%	70,549	26,773	-62%
Hotel	62,250	53,568	-14%	45,143	13,543	-70%	2,810	725	-74%
F&B	57,951	49,868	-14%	27,353	10,941	-60%	1,585	546	-66%
Entertainment	55,284	47,573	-14%	4,845	1,938	-60%	268	92	-66%
						Total	£78.6bn	£29.3bn	-63%

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4. Assessing the impact of Covid-19 on the City of Westminster economy

Scenario development Westminster economy in 2024

Return to normality of sorts - baseline

- An effective and cheap vaccine provides lasting protection.
- No social distancing anymore.
- Large advances in digitalisation.
- World economy is recovering.

Productivity impacts

- Retail: 7% increase in 2024 compared to 2019. This compares to a growth of 4% in productivity in a pre-Covid-19 scenario.
- Office: 7% increase in 2024 compared to 2019. This compares to a growth of 8% in productivity in a pre-Covid-19 scenario.
- Hotel: 4% increase in 2024 compared to 2019. This compares to a growth of 4% in productivity in a pre-Covid-19 scenario.
- F&B: 4% increase in 2024 compared to 2019. This compares to a growth of 4% in productivity in a pre-Covid-19 scenario.
- Entertainment:4% increase in 2024 compared to 2019. This compares to a growth of 4% in productivity in a pre-Covid-19 scenario.

Workspace occupancy impacts

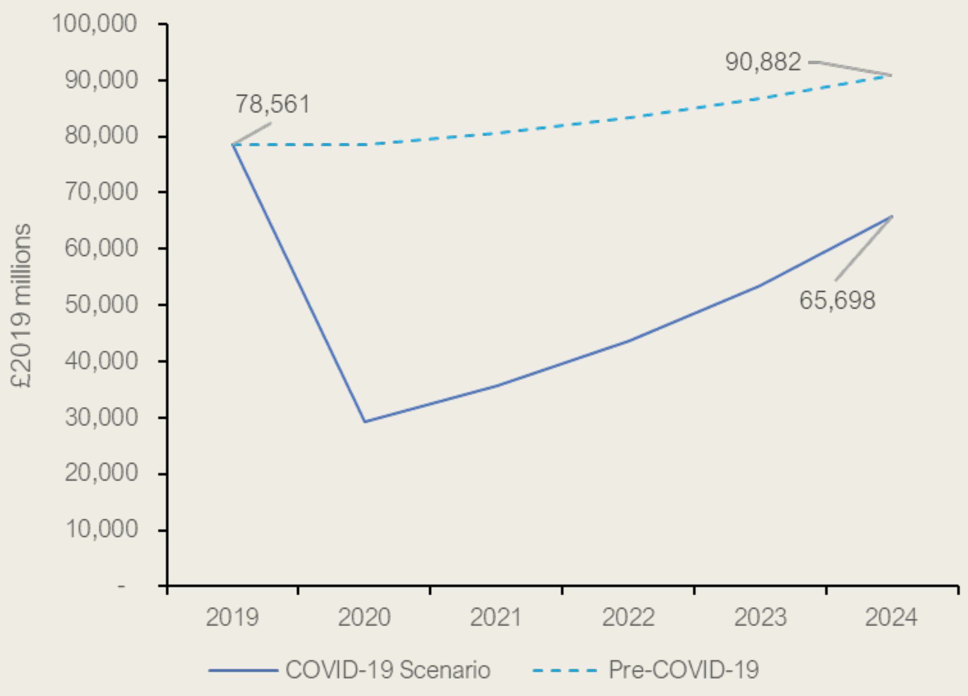
- Retail: 7% decrease in the amount of workers going to work in Westminster in 2024, compared to a 4% increase in a pre-Covid-19 scenario.
- Office: 24% decrease in the amount of workers going to work in Westminster in 2024, compared to a 8% increase in a pre-Covid-19 scenario.
- Hotel: 4% increase in the amount of workers going to work in Westminster in 2024, compared to a 4% increase in a pre-Covid-19 scenario.
- F&B: 4% increase in the amount of workers going to work in Westminster in 2024, compared to a 8% increase in a pre-Covid-19 scenario.
- Entertainment: 4% increase in the amount of workers going to work in Westminster in 2024, compared to a 8% increase in a pre-Covid-19 scenario.

Gross GVA generation (locally produced) impacts.
Overall impact – output ends up 28% lower than it would have otherwise have been without Covid-19 (£65.7bn vs £90.9bn) by year end 2024

- Retail: 0.5% decrease in gross GVA generation, compared to an 8% increase in a pre-Covid-19 scenario.
- Office: 19% decrease in gross GVA generation, compared to a 16% increase in a pre-Covid-19 scenario.
- Hotel: 7% increase in gross GVA generation, compared to an 8% increase in a pre-Covid-19 scenario.
- F&B: 7% increase in gross GVA generation, compared to a 13% increase in a pre-Covid-19 scenario.
- Entertainment: 7% increase in gross GVA generation, compared to a 12% increase in a pre-Covid-19 scenario.

Commuting	**Digitalisation**	**World Economy**
No social distancing	**6-year leap**	**+3%**

Figure 11. Scenario 4.
Gross GVA (locally produced) | all sectors



Source: Arup analysis

Westminster Property Association

5. Identifying and Quantifying Recovery Initiatives

5. Westminster Property Association's 10 Point Recovery Plan

WPA is calling on collaboration from public and private sectors to establish radical and forward-looking policies that restore confidence, enable workers to return and futureproof Central London's economy. As one of the areas worst affected by the economic impact of the pandemic, WPA is calling for public and private stakeholders in Westminster to show leadership in the national response to coronavirus, and bring together central and local government in a united effort to ensure urban centres can adapt and recover.

Brunel Building, Derwent London
Photography: Dirk Lindner

The WPA argues the response requires a 10-point plan.

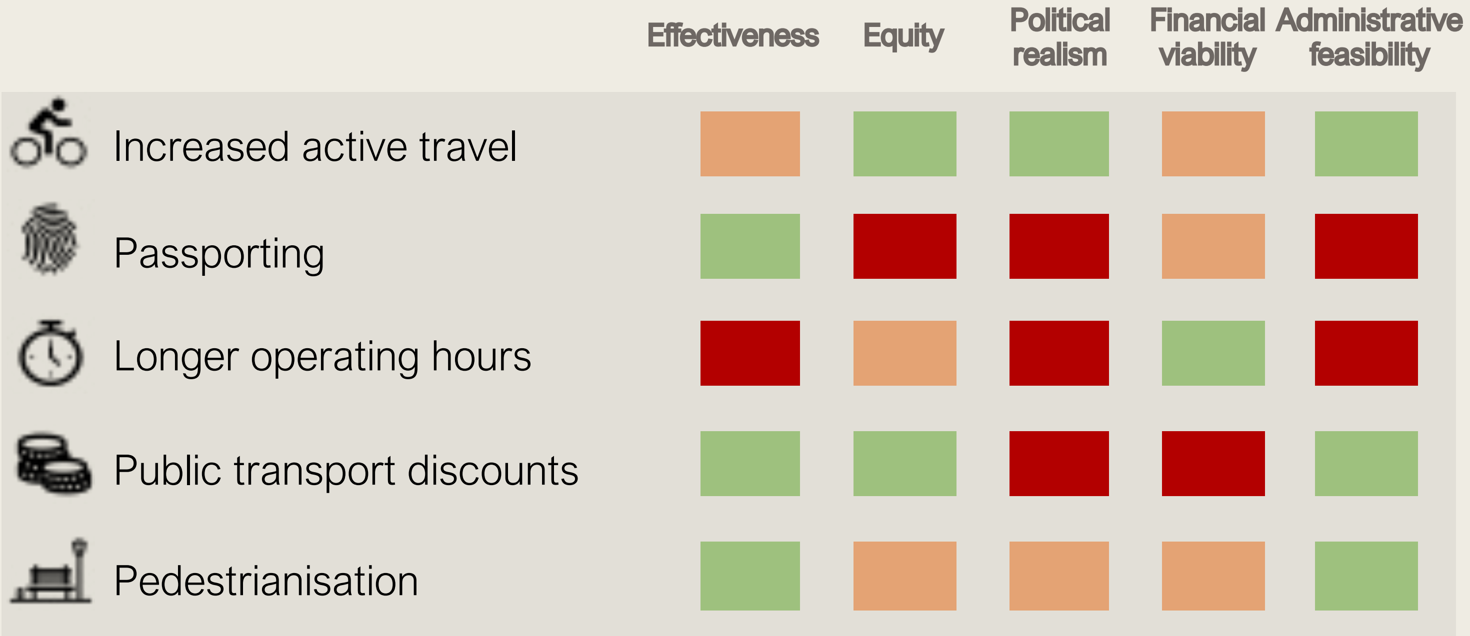
1. **Activation of the Streetscape** through the creation of more open spaces for pedestrians and a reduction of traffic, alongside measures to attract innovative pop-up retail and leisure uses.
2. **Comprehensive support for active travel** in city centres, including dedicated infrastructure and e-bike and cycle incentive schemes.
3. **Business support at local and national level** targeted at businesses and sectors which need the most help, including extension to the business rates holiday in 2021.
4. **High street reforms** including an extension to traditional trading hours, such as Sunday trading, and a fairer business rates system taxing online sales.
5. **Greater support for sustainable office development** to help drive revival of commercial centres, with 18 jobs in retail, leisure and hospitality sustained by every 100 office workers.
6. **Focus on attracting visitors to commercial centres.** Visitors should be fundamental to city planning and vision documents, alongside a reversal of the Government's plans to end tax free shopping for tourists.
7. **A clear route map to the resumption of international travel** to support the return of tourism in London, and other UK cities and regions.
8. **Infrastructure investment** to boost digital and transport connectivity within cities and across all parts of the UK.
9. **Financial flexibility and freedoms** enabling cities to innovate and invest in their areas, particularly the leading commercial centres which need to drive recovery and create jobs.
10. **An alliance of cities** across the UK to end regional hostility and the undermining of national unity. No city has been immune to the pandemic. Now is the time to work together.

5. Identifying and quantifying localised recovery initiatives

Action can be taken to mitigate the negative impacts in the scenario on the previous pages. In this section we provide a quantified view as to how recovery measures may impact Westminster's economy during the transition period (post-lockdown, pre-vaccine) and beyond to 2024. Five recovery measures have been considered, and are qualitatively assessed using the table for their effectiveness, equity, political realism, financial viability and administrative feasibility.

We strongly suggest that further advice is sought before pursuing any of the recommendations, and in particular that they are only pursued when it is safe, and within government guidelines, to do so.

Figure 12. Candidate policy interventions and associated qualitative assessment of their viability



Source: Arup analysis

Increasing active travel modes

- Bike Revolution

Creating more space for people to safely walk or cycle. Temporary cycle lanes and wider pavements as conceptualised in TfL's Streetspace for London.

- E-bike revolution

Incentive programme to promote wider take up of e-bikes for Westminster workers – increasing the catchment of this active (and socially distant) mode of commuting.

Passporting

- ABC-passporting

Individual passporting based on the first letter of an individual. Can spread peaks, improve public transport use and capacity currently available

- PCR-passporting and track-and-trace

Widespread use of PCR-testing can provide individuals with a weekly passport to use public transportation freely.

Longer Operating Hours

- Saturday working and shift-based office work

Promote shift in organisations cultures, encouraging flexible office-based working over 6 working days.

- Sunday trading hours extension

Extending opening hours of the face-to-face economy, on Sundays for retail and later evenings for F&B and entertainment uses.

Pedestrianisation

- Temporary measures

Temporary measures can increase the space available for safe service for the face-to-face economy.

- Pop-up revolution

Giving over space permanently to the face-to-face economy can induce a pop-up revolution where the use of street space is the new normal.

Public transport discounts

- Free weekends
- Completely free

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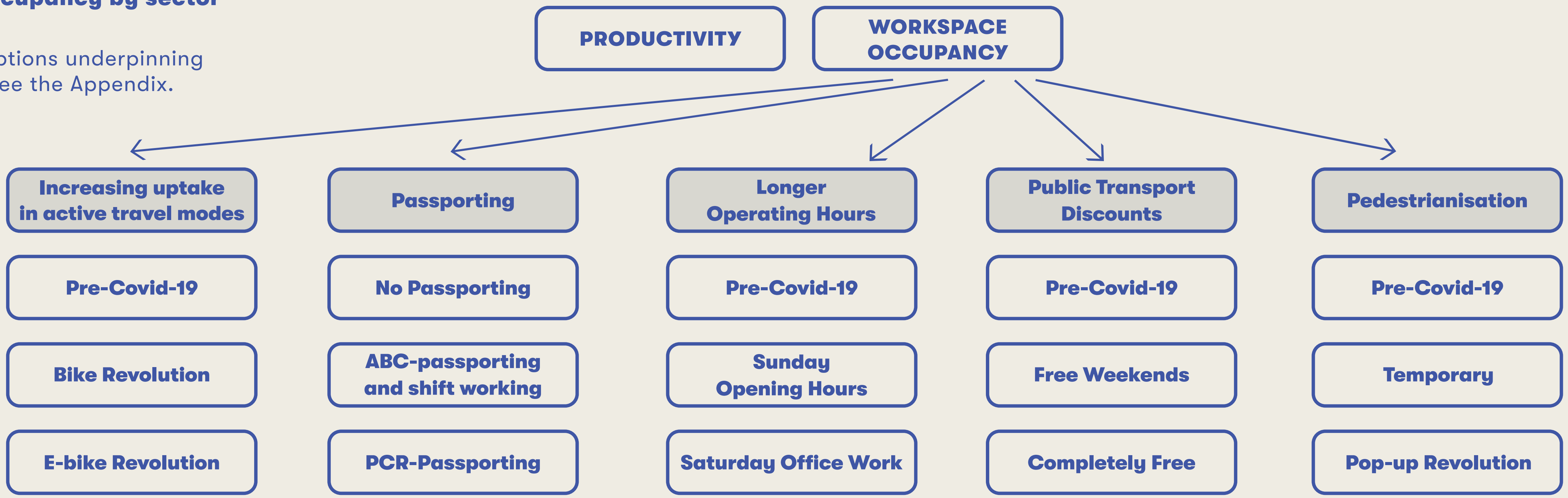
5. Identifying and quantifying localised recovery initiatives

Figure 13 Policy interventions - and estimated range of impacts on employment space occupancy by sector (see table below)

For details of the assumptions underpinning these estimates please see the Appendix.



	Active travel		Passporting		PT discounts		Operating hours		Pedestrianisation	
	bike and e-scooter revolution	e-bike revolution	ABC-passporting	PCR-passporting	Free weekends	Completely free	Sunday opening	Saturday office worker	Temporary	Pop-up revolution
Retail	7% - 9%	9% - 11%	4% - 6%	20% - 40%	4% - 6%	8% - 10%	4% - 6%	2% - 4%	4% - 6%	9% - 11%
Office	14% - 16%	20%	10%	20% - 40%	0%	17% - 19%	0%	0%	0%	0%
Hotel	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F&B	0%	0%	0%	0%	0%	0%	0%	0%	4% - 6%	6% - 8%
Entertainment	7% - 9%	9% - 11%	4% - 6%	20% - 40%	2% - 4%	7% - 9%	2% - 4%	2% - 4%	9% - 11%	20%

Measures with greatest estimated impacts

Source: Arup analysis

6. Conclusions

6. Conclusions

The impact of Covid-19 on the economy of the City of Westminster (2020) has been profound – Arup estimates that by the end of 2020 Westminster will have lost 63% of its locally produced output, equating to £49.3 billion.

But there is cause for optimism. Based on a "return to normality of sorts" scenario with advances in the roll out of a vaccine, Arup estimates a 7% increase on pre Covid levels of locally produced GVA by 2024 across hotel, food and beverage, and entertainment sectors in Westminster, and an equivalent increase in productivity in retail and office sectors.

Pent-up demand from domestic, and hopefully international in due course, visitors help those businesses which have been most impacted by the pandemic in the retail, leisure and hospitality sectors. But the West End's ongoing success and appeal cannot be taken for granted. A lasting legacy of the pandemic will be fundamental shifts in how people work and play.

But in this challenge there is enormous opportunity for the West End, and other commercial centres, to accelerate the activation of their streets and create more space for visitors, workers and local residents alike to enjoy them. The coordinated and rapid efforts to open up streets around Soho for al fresco dining over the summer period proved a lifeline for many struggling businesses and demonstrated the enormous potential for the West End to adapt and innovate. Working together, the council, property owners, local residents and BIDs have a real opportunity to activate Westminster's streets and shared spaces to speed recovery.

Chinatown
Photography: Haydon Perrier

Arup's modelling around the use of e-bikes, passporting and pedestrianisation amongst other recovery initiatives highlight some of the tools that may help us accelerate this recovery, whilst transforming how we use and imagine our cities. Many of the initiatives tested during the pandemic hook into larger aspirations for creating a greener, healthier Westminster and have prompted conversations about the type of place we want for the future.

Periods of lockdown have shown the importance of coming together in a shared workspace for collaboration, exchanging ideas and building relationships – the intangible benefits of the office that are incredibly difficult to replicate online. As stated in the introduction, cities are driven by agglomerations of talent, and London's competitive advantage is vested in this. Indeed, productivity bonus associated with these factors could be as high as 20% over the longer term. This is a point echoed by the Bank of England's chief economist, Andy Haldane, who has publicly warned that the lack of face-to-face meetings and introductions, alongside the inability for virtual discussions to build trust and strengthen relationships, poses economic risks that "may not yet be fully visible".

And that is the purpose of the 10-point plan set out in this report, alongside Arup's analysis, which shows how a combination of practical measures and policy interventions will be instrumental in driving recovery.

6. Conclusions

At a local level Westminster Council is already exploring radical ideas with other partners and the private sector to attract innovative ground floor uses and investment. Policy also needs to reflect the role of office-based workers in driving the economy given Arup has found that across central London's CAZ+ every 100 office workers sustain 18 jobs in retail, leisure and hospitality.

Progress also needs to be sustainable and zero carbon. Reducing traffic is a priority, and Westminster cannot do this alone. There are areas the Mayor and national Government can help facilitate, such as e-bike incentives, segregated infrastructure, cycle hire extension and the promotion of walking, which Arup states could all increase office occupancy by 20% up to 2024.

Reform of business rates and a fairer system to tax online sales, extended opening hours and greater flexibility for high street uses alongside other local, London and national policies would support recovery.

The West End also has an important role to play in leading the national recovery, and if there's ever a time for London and other great cities across the UK to come together, it has to be now. The economic and human impact of Covid-19 has, and will continue to be, devastating – but we face an important opportunity to build a future which will be greener, healthier and more resilient.

Westminster Property Association
November 2020

Eccleston Yards
Grosvenor Britain & Ireland

7. Appendices

7. Appendix. Identifying and Quantifying Recovery Initiatives

Policy interventions – parameter assumptions

Active travel modes

- Only around 5% of workers cycle to work in Westminster (30,000 of 600,000 jobs)
- Providing more road space for micro-mobility can lead to half the Hackney levels (10%=60,000) and on a much larger geo scale (of 1.4M population within 30 mins biking)
- Scale up of e-bikes can increase the range to 45 mins to 3.6M potential commuters so all workers could potentially commute to work (19.5%*3.6M=702,000). Instead, we assume a conservative increase to Hackney levels: 20%
- We assume half of these impacts for the face-to-face economy, as much of them is high-end industry which may not be impacted by active travel

Passporting

- ABC-Passporting: Individual passporting based on the first letter of an individual can make better use of the 15% tube and bus capacity currently available. 5% has to be kept for key workers. But the remaining 10% could be distributed among interested individuals, increasing potential occupancy by 10%
- PCR-passporting: Widespread use of PCR-testing can provide individuals with a weekly passport to use public transportation freely
- Around half of all office workers work in a company which could afford these tests. This could triple tube capacity from 15% to 45%, which could lead to occupancy benefits of 20-40% and productivity benefits of 3%

Public transport discounts

- free public transportation on weekends can encourage shoppers from outside zones to experience Oxford street shopping on Saturdays, increasing Saturday footfall by 50%
  - leading to a weekly 10% increase in footfall
- free public transportation can encourage low-wage workers (bottom 30%, 60,000 workers) from outside zones to work three days per week (+60%) in the office, leading to a weekly 18% increase in occupancy

Longer operating hours

- Currently Sunday retail opening hours are restricted. Lifting them can create almost Saturday-level footfall in the area. Increasing 15% of per/week share of Sunday footfall to 20%. So this is weekly 5% increase in retail occupancy. Half of this increase for food and entertainment
- Encouraging to have at least half of Friday-level office occupancy (10%) on Saturday could increase overall office occupancy by 5%. This would increase retail, food and entertainment by half of this

Pedestrianisation

- Temporary measures can increase the space available for safe service for the face-to-face economy
- Giving over space temporarily for retail can increase occupancy by 5%, and by 10% for F&B and entertainment

- Giving over space permanently to the face-to-face economy can induce a pop-up revolution where the use of street space is the new normal
- A pop-up revolution could potentially double the impact of temporary measures: retail +10% and +20% for F&B and entertainment

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