

# ULI Urban Investment Network Workshop Report 2012

## Business-Friendly Cities

The Urban Land Institute in partnership with the City of Turin

NH Santo Stefano, Turin, Italy | **20-21 November 2012**



[www.urbaninvestmentnetwork.com](http://www.urbaninvestmentnetwork.com)

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ULI brings together leaders with a common commitment to improving professional standards, seeking the best use of land and following excellent practices.

We are a think tank, providing advice and best practices in a neutral setting – valuable for practical learning, involving public officials and engaging urban leaders who may not have a real estate background. By engaging experts from various disciplines we can arrive at advanced answers to problems which would be difficult to achieve independently.

ULI shares knowledge through discussion forums, research, publications and electronic media. All these activities are aimed at providing information that is practical, down to earth and useful so that on-the-ground changes can be made. By building and sustaining a diverse network of local experts, we are able to address the challenges facing Europe's cities.

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### Urban Land Institute

29 Gloucester Place  
London  
W1U 8HX  
United Kingdom

Tel: +44 (0)20 7487 9570  
Fax: +44 (0)20 7486 8652  
Email: [ulieurope@uli.org](mailto:ulieurope@uli.org)  
Web: [www.uli-europe.org](http://www.uli-europe.org)

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# ULI Urban Investment Network

## What is the ULI Urban Investment Network?

The ULI Urban Investment Network exists to promote and facilitate world class investment in European urban development. The initiative has been developed by the Urban Land Institute in collaboration with a group of leading cities, European institutions and private sector organisations.

This independent Network is facilitating a continuous dialogue between those public and private sector leaders seeking to improve their ability to collaborate. Its premise is that public - private relationships with a high level of collaborative working provide more opportunities to bridge investment gaps and overcome city development challenges.

## Why is the ULI Urban Investment Network needed?

Effective collaboration is essential if Europe is to meet the 21st century challenges of being globally competitive in a knowledge-led economy, reducing carbon emissions and making the most effective use of land for urban development. The 'investment gap' is broader than capital, as opportunities also exist to improve knowledge and skills, institutional frameworks and techniques for collaborative working.

## Who is engaged with the ULI Urban Investment Network?

- Corporate and institutional investors, developers and advisors
- Specialised urban, property and infrastructure fund-managers or financiers
- City and metropolitan leaders and development executives
- European financial institutions and National development bodies

The ULI Urban Investment Network is continually growing with Partners who meet regularly to develop trusted relationships and deliver a high level of knowledge exchange. Following a series of successful workshops and conferences, the Network has increased not only in its number of Partners, but also in its body of research.

For further information on the Network, publications and upcoming events see: [www.urbaninvestmentnetwork.com](http://www.urbaninvestmentnetwork.com) or contact the UIN Project Manager at [gesine.kippenberg@uli.org](mailto:gesine.kippenberg@uli.org)

## Founding Partners:



## Knowledge Partners:



## Partners:

City of Dublin | City of Glasgow | Glasgow Chamber of Commerce | City of Lisbon | NCC | Places for People | Segro | City of Turin

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## Welcome address – Ilda Curti, Deputy Mayor of Turin

The Workshop opened with an address by Ilda Curti, Deputy Mayor for Urban Planning, Regeneration and Integration of the City of Turin. She suggested that hosting the event reflected Turin's ambition to become an active member of the ULI network of leading European cities and to learn more about what it means for a city to be business-friendly.

The Deputy Mayor described Turin's remarkable transformation from a de-industrialising, 'one-company' town in the early 1990s to the revived city of knowledge, culture and modern manufacturing that it is today. Importantly, the significant physical regeneration was accompanied by an identity transformation, a culture change embracing diversity and a wider economic base.

Building on this earlier success, Turin is now entering a new phase and is adopting an approach that pursues wider economic development beyond physical measures, Curti explained. The city must: 'create a toolbox for working with the productive elements of the urban economy'. Specifically, the Deputy Mayor argued that new relationships could be activated between businesses and the city through an international vision that captures the imagination of both public and private sector partners.

Curti recognized the long term nature of this development process and welcomed the unique opportunity to learn from the international city and business leaders, who had come to share their experience.



## Introduction

### Purpose of the Event

On the 21<sup>st</sup> November 2012, the City of Turin hosted the ULI Urban Investment Network Workshop on the subject of business-friendly cities.

The agenda was carefully designed to encourage discussion between senior business and city leaders on the question of what makes a city business-friendly, and what concrete steps cities can take to deliver an attractive business environment.

**“Turin’s ambition is to become an active member of the ULI network of leading European cities and to learn more about what it means for a city to be business-friendly.”**

- Ilda Curti, City of Turin

### Premise

Cities are increasingly recognised as the business and employment hubs of national economies, and the infrastructure and logistics platforms that support business development, trade, labour markets, innovation and corporate investment. Whilst macro-economic frameworks are recognised as the shapers of national economic performance, local and regional ingredients are also recognised as important to sub-national and national business success.

City and metropolitan factors play a role in the extent to which the platform for business performance is enabling, they provide ‘a business platform’. City and metropolitan economies are seen as more or less open to corporate investment, more or less efficient in their dealings with business, more or less able to foster and promote entrepreneurship. Cities that are seen to do these things well become recognised as being ‘business friendly’.



The Workshop audience of politicians, high-level city employees, developers, investors and economic development advisors heard from an impressive diversity and calibre of speakers. The speakers ranged from city leaders such as **Ilda Curti** (Deputy Mayor of the City of Turin), **Graça Fonseca** (Deputy Mayor of the City of Lisbon) and **Mike Emmerich** (Chief Executive of New Economy Manchester); business leaders such as **Pietro Guindani** (Chairman of Vodafone Italy), **Gerard Groener** (Chief Executive of Corio NV, Netherlands) and **Stuart Patrick** (Chief Executive of the Glasgow Chamber of Commerce); to economic development experts such as **Martin Eichler** (Deputy Chief Economist of BAK Basel Economics) and **Debra Mountford** (Senior Policy Analyst at the OECD). The day was chaired by **Greg Clark** (ULI Senior Fellow for EMEA/India).

### Purpose of the Report

This report summarises the key contributions made by the workshop speakers and captures the main elements of the discussion with the audience. It aims to provide greater conceptual clarity on the subject matter and to illustrate business-friendly practices by reviewing real-world examples in the participating cities.

The final section of this report provides summary remarks and preliminary conclusions. The appendix contains the contact details of the workshop speakers as well as ULI staff members should readers wish to follow up.

## Guest Keynote

**Speaker:**

**Graça Fonseca**

*Deputy Mayor for Economy and Innovation, City of Lisbon*

Graça Fonseca, Deputy Mayor for Economy and Innovation, showed convincingly that business friendliness lies at the heart of Lisbon's new economic development strategy, which, she said, aimed at 'isolating [Lisbon's economy] from the national context'.

The city is following a two-fold vision: promoting international competitiveness and 'working inside the city' to foster bottom-up growth and strengthening the business identity. The pursuit of this vision is built around a set of clearly defined phases. Fonseca emphasised that a strategy for business-friendliness needs to start with what is there – by profiling a city's 'economic DNA'. Lisbon is doing this by mapping local businesses every six months. This allows the city to identify strategic business clusters, develop tailored public support, and monitor the impact of its measures. While the Portuguese economy is clearly suffering, the downturn has opened unprecedented opportunities for local entrepreneurs, able to take advantage of low business costs, the availability of highly skilled labour and the high quality of living. The city is tapping into this potential with its Start-up Lisboa initiative, which aims at creating an entrepreneurship ecosystem that provides SMEs with support at each stage of their development.

**“A strategy for business-friendliness needs to start with what is there – by profiling a city's 'economic DNA'”**

- Graça Fonseca, City of Lisbon

Complementing the local scale, 'going global' involves positioning Lisbon as an Atlantic business hub and a gateway between Europe, the Americas, and Africa. Invest Lisboa, Study in Lisbon and Work in Lisbon are set up to promote the city to overseas investors, students and workers. Importantly, membership in international organisations such as the World Class Cities Partnership (WCCP) and bilateral agreements with other cities allow the sharing of best practice and the fostering of innovation networks.

The Deputy Mayor suggested that Lisbon's local economic strategy did not explicitly refer to business-friendliness. She argued, however, that creating an attractive environment to businesses of all sizes and sectors, and for businesses located within and beyond Lisbon is fundamental to the plan's success.



## The role of business-friendliness for local economic development

Keynote speaker:

**Martin Eichler**

Deputy Chief Economist,  
BAK Basel Economics

Martin Eichler of BAK Basel Economics, an independent Swiss economic research institute renowned for structural economic analysis and international benchmarking, gave an excellent conceptual overview of business-friendliness in cities. He argued that though challenging to define, city leaders must address business-friendliness since it contributes to economic growth, poverty reduction, SME development and FDI attraction.

### What does business-friendliness mean?

Eichler suggested that there are two competing definitions of business-friendliness. The narrow definition focuses on the quality of legal and regulatory frameworks, whilst an alternative concept takes a wider view of incentives and framework conditions. To anchor his discussion, Eichler reviewed a series of business-friendly indexes such as the Doing Business Index by the World Bank and the Global Competitiveness Index by the World Economic Forum. By examining their methodologies, he isolated individual indicators such as the cost of doing business, the level of workforce education, access to capital, physical connectivity, tax rates and quality of life to build up a picture of how business-friendliness cuts across a broad set of issues.

The economist added a note of caution: the significant variance between indexes in relation to both the indicators used and the ranking results they produce, illustrates that 'business-friendliness is not one definition or concept' and is therefore hard to measure conclusively. Instead, city leaders can benefit from reviewing a variety of indexes to gain a more comprehensive understanding of the elements involved and the actions they can take, independently or in collaboration with national government and the business community.

**“Business-friendliness is not one definition or concept and is therefore hard to measure conclusively.”**

- Martin Eichler, BAK Basel Economics



### Can cities influence the local business environment?

Eichler used the BAK Basel Taxation Index for companies to make the point that localities can indeed influence their business climate. This index provides an analysis of the effective average tax rate on profitable investments in cities around the world. The ranking difference between cities within the same country points to the local leverage in influencing the effective tax rate.

Eichler believes that a 'one size fit all' strategy cannot work. Rather, different aspects of business-friendliness are of varying importance to firms, depending on sector, geography and stage of development. Cities therefore need to understand that they cannot be business-friendly for all companies all the time, they need to focus their strategy.

In conclusion, Eichler suggested that rather than one definition or concept, business-friendliness might be conceived as an idea about how to operate, which may manifest itself in many areas. Despite the breadth of the concept and the fact that several of its elements are managed by national government, city leaders should address business-friendliness as a priority. Not only can they influence national government policy, cities: 'set the stage for many business-friendliness elements themselves.'



## Developing a strategy for business-friendliness

### Panellists:

#### Valentino Castellani

Vice President of Torino Internazionale

#### Per Justesen

International & Economic Development Coordinator, Grand Lyon

#### Dominique Mariani

CEO, Agence pour la Promotion Internationale de Lille Métropole

#### Stuart Patrick

CEO, Glasgow Chamber of Commerce

The first panel session examined the experience of four cities in developing their business-friendliness strategy. The delegates from Glasgow, Lille, Lyon and Turin focused in particular on issues such as stakeholder engagement, effective leadership and the alignment of local interests with higher tiers of government.

#### Glasgow - Stuart Patrick, Chief Executive, Glasgow Chamber of Commerce

Stuart Patrick began by highlighting two key tensions that city leaders in Glasgow have had to address: First, private sector and public sector do not always share the same ambitions. Second, a tension exists between: 'what the city can do and what it requires the national government to do.' Consequently, Glasgow has had to think carefully about how it can develop a strategy that creates a win-win scenario for the city and its businesses, but also for the city and national government.

The committee proposed that the criteria be applied to Glasgow's economic clusters according to the greatest anticipated impact. Priority was assigned to some of the following areas of action:

- a) graduate supply – Glasgow's manufacturing and engineering sector must secure a local supply of high quality graduates;
- b) academic and scientific success of the country and cities – Glasgow's life science sector will require the support of a strong academic community;
- c) cost effectiveness – Glasgow must present itself as a competitive alternative to Edinburgh for financial services;
- d) track record – Glasgow's higher education sector must build a reputation for attracting Indian and Chinese students;
- e) quality of life – Glasgow's low carbon and renewables sector requires centres of excellence and high living standards to attract companies.

Patrick also underlined the importance of connectivity, in particular to emerging markets. He emphasised that building airport capacity in itself was not a sufficient measure. Airlines need to see the value in establishing connections with important business destinations, a challenge which can only be met through effective branding and positioning across all business sectors.

Finally, the committee recommended that a new 'Economic Leadership Group' be set up. Business-led but supported by key public organisations, this body should co-ordinate business-friendly interventions across the city's main economic sectors.

#### Lille - Dominique Mariani, Chief Executive, Agence pour la Promotion Internationale de Lille Métropole

Dominique Mariani made the important point that business-friendliness is a heterogeneous concept. It means different things to businesses, citizens and city authorities. It also means different things to businesses in various sectors and stages of development. Therefore, Mariani suggested that Lille is being careful to develop a tailored approach.

Mariani emphasised that strong inclusive leadership is critical. He argued that a city: 'cannot form an effective strategy without business leaders working closely with local leaders.' Cities should build a shared vision with business through collaborative meetings, by forming new networks, and by benchmarking with other cities.

**“Don't go too far in throwing away your old cultures because they are what make you distinctive.”**

- Stuart Patrick, Glasgow Chamber of Commerce

Patrick then laid out the national government framework for business friendliness within which Glasgow is encouraged to operate. It defines the five criteria of: a) graduate supply, b) academic and scientific success of the country and cities, c) cost effectiveness, d) track record (e.g. FDI), and e) quality of life.

In response, Glasgow established a small commission composed of local business leaders. The committee was asked to apply each of the five national government criteria for business-friendliness to the Glasgow context and to make specific recommendations for action.





It is of great importance to focus on concrete interventions to demonstrate visible progress and win the trust of the business community, Mariani believes.

**Turin - Valentino Castellani, Vice President of Torino Strategica**

As Mayor of Turin between 1993 and 2001, Valentino Castellani oversaw a major transformation of the city's physical environment and identity. During this period, Turin outperformed the Italian average. Castellani explained that Turin is now entering a new phase in which it must build on earlier success by creating a metropolitan development agenda that has business-friendliness at its core. This agenda looks beyond the central city and encompasses the wider metro region.

The city has begun by re-launching its development agency 'Torino Internazionale' as 'Torino Strategica.' It has commissioned research to identify the requirements of local entrepreneurs to inform its strategic approach. Castellani suggested that it was crucial to target not only new investment, but equally to support business retention. The former Mayor strongly believes in the need to foster higher services in Turin and aspires to creating linkages between services and the local manufacturing industries. He further emphasised the importance of investing in a high quality research environment.

**“A city cannot form an effective strategy without business leaders working closely with local leaders.”**

- Dominique Mariani, Agence pour la Promotion Internationale de Lille Métropole

Finally, Castellani is convinced of the overarching importance of culture: “investment in all aspects of culture is required to achieve long-term results.”

**Lyon - Per Justesen, International & Economic Development Coordinator, Grand Lyon**

Justesen provided a clear explanation of Lyon's priorities during the preparation of the city's business-friendliness strategy.

First, Lyon works closely with each of its major economic clusters to understand their concerns and target the city's support to their requirements. Second, the city helps improve and develop the performance of its research and education institutions. Third, entrepreneurship policy receives dedicated attention to facilitate the development of SMEs at each stage of their growth. Furthermore, the city's quality of life offer remains a priority to boost overall attractiveness to businesses, their employees and their families. Finally, Lyon's FDI agency 'Only in Lyon' has helped to build a clear city brand that targets not only prospective visitors but also potential business investors.

Justesen concluded with the argument that: 'cities cannot always define the framework conditions for business-friendliness,' but through their own activity and in collaboration with national government can: 'try and make framework conditions work better.'



## Implementing a local strategy for business-friendliness

### Panellists:

**Mike Emmerich**  
CEO, New Economy  
Manchester

**Robert Maury**  
Managing Director,  
Provence Promotion

**Rijk van Ark**  
Director, Economic Affairs  
Department, City of  
Amsterdam

The second panel session of the morning moved from the development to the implementation of business-friendly strategies. The contributions from Amsterdam, Manchester and Provence focussed on the role of events, the need to take a long-term view and the requirement to continuously adapt leadership skills to changing economic and business dynamics.

**Amsterdam - Rijk van Ark, Director, Economic Affairs Department, City of Amsterdam**

Throughout his presentation, Rijk Van Ark argued that it is critical to identify not only one's strengths but also one's weaknesses, and to be seen to be proactive, to work on implementing practical solutions. He explained that the Amsterdam approach addresses both the retention and growth of local businesses as well as the attraction of international investment.

**“It is critical to identify not only one's strengths but also one's weaknesses, and to be seen to be proactive, to work on implementing practical solutions”**

- Rijk van Ark, City of Amsterdam



Van Ark explained that Amsterdam's approach to delivery is highly inclusive. It involves a unified 'triple helix' of city government, business and citizen stakeholders through the activity of the city's Economic Development Board.

The Board takes a comprehensive approach to the delivery of a business-friendly climate, working on identifying strengths and weaknesses, problem resolution as well as international marketing. For example, it is quick to identify the reasons why companies choose to locate in Amsterdam and promotes these strengths internationally. It does this not only through marketing campaigns, but also by leveraging the attraction of major cultural events to address a business audience. At the same time, through dialogue with local businesses, the Board identifies the challenges they are facing in Amsterdam. Once weaknesses are identified, such as a lack of quality international schools in the city, the Board works hard to provide concrete solutions. In doing so, it builds the trust of the business community and can: 'turn constraints into strengths.'

**Manchester - Mike Emmerich, Chief Executive, New Economy Manchester**

Mike Emmerich explained how business leadership has been fundamental to Manchester's regeneration strategy over the last 30 years. It has helped to reform the delivery infrastructure, to create a can-do approach and to raise levels of ambition across the city.

Beginning with the production of the first city centre plan in 1984, the city has embedded private sector leadership across its key delivery agencies. From Olympic bids to transport development, city centre regeneration and the delivery of the Commonwealth Games in 2002, Emmerich stated that: 'the Manchester journey has been undertaken from the outset with business leaders.'



Emmerich went on to suggest that the new phase of Manchester's development will rely less on physical regeneration but on a series of wider economic development interventions. To this end, new expertise will be needed. For example, Manchester wishes to increase trade with emerging economies and to boost the performance of sectors such as bioscience, new materials and creative industries. Yet business leaders that grew up understanding property may not understand the requirements of these sectors. Emmerich believes that the city will therefore have to refresh its business leadership approach to address these new priorities.

Emmerich concluded by addressing the relationship between local and national government. To ensure that a vision for business-friendliness becomes a reality, he suggested that a city must: 'not rely on national policy to do the work,' but instead: 'rely on its own instincts.'

**“Cities must not rely on national policy to do the work for them.”**

- Mike Emmerich, New Economy Manchester

#### **Provence - Robert Maury, Managing Director, Provence Promotion**

According to Robert Maury, a delivery focus is essential. 'Everyone agrees about the main goals,' he said. The question remains 'how to solve the implementation challenges', taking into account the complexity of existing governance vehicles.

Maury outlined a number of ways in which Provence is creating momentum behind delivery. The European Capital of Culture event in 2013 provides a unique opportunity to unite public and private stakeholders behind a programme of activities aimed at delivering cultural as well as economic benefits. The ambition is to strengthen connections within the territory and to the outside world by staging events across the whole region. The merger of two universities has further provided an excellent opportunity for private sector engagement and created a new centre of excellence for 80,000 students. Finally, the upgrading of port and airport facilities has enhanced the attractiveness of the business environment.

Maury ended by suggesting that work to enhance business-friendliness is ongoing. Deepening international engagement, reducing red tape and developing a clear international brand all support the delivery of an attractive business environment.



## Morning Panel Questions

**Q. If a sector has been strong in the past, is it wise to remain loyal to it into the future?**

**Stuart Patrick** – Glasgow experienced a shift away from engineering when the sector collapsed in the 1980s. However, this restructuring took place too rapidly. There are numerous opportunities for today's engineering sector, such as the low carbon challenge. Therefore: 'don't go too far in throwing away your old cultures because they are what make you distinctive.'

**Q. What relevance do airlines have for business friendliness?**

**Stuart Patrick** – The number and quality of airlines flying to a city are an indicator of its business friendliness and wider success. You have to fight for airlines and persuade them that you are a growing city. Being savvy and evidence-based is essential to airline attraction and retention.

**Q. How do you ensure the metropolitan-wide co-ordination of a business-friendliness strategy?**

**Dominique Mariani** – Change management skills are essential in the preparation of business-friendly strategies. To foster stakeholder engagement careful planning and strong joint-leadership between the public and private sectors is required. 'You cannot have everyone behind it,' but you need to 'create spaces where people can express their views' such as public workshops and meetings.

**Q. How do you avoid unnecessary bureaucracy in your dealing with businesses?**

**Per Justesen** – The operating environment in Lyon can be complicated. To avoid bureaucracy the city has established close ties with the largest 20-25 companies in the city to meet their requirements effectively.

**Q. How do you develop a city brand that appeals to both business and visitors?**

**Per Justesen** – Lyon has worked in close collaboration with business and the public to develop a city brand that appeals to a broad audience. The city has also created an ambassador network that every businessperson can participate in. This broadly based brand custodianship is many times more effective than a brand promoted solely by a single organisation. It also creates an opportunity for networking: around 3,500 people attended our recent events.

**Q. How can a local strategy address the competing needs of different business types and sectors?**

**Stuart Patrick** – Certain interventions can support some businesses but harm others. As a result, city leaders could create different spaces for different sectors in order to address their particular needs. If an issue is difficult to resolve, it may be necessary to prioritise support to the business type or sector which is thought will deliver the greatest impact.

**Q. Does fostering an effective local higher research and education system require national reform or local leadership?**

**Valentino Castellani** – The current economic situation does not seem to allow enough investment in education and research institutions. Therefore, there is a requirement for national government to provide resources. None the less, creating strong connections at the local level between businesses and the private sector through incubators and finance is essential.

**Q. How can cities lobby effectively to influence national policy on business-friendliness?**

**Mike Emmerich** – Cities 'must not play their game.' Cities must instead have a clear view about what they want, and then align this with the desires of Government Ministers. This is often best done in private, alongside the private sector and with support from local political leaders from the same party as national government. Sharing the credit for any successes builds a strong platform for future negotiations.



## Business Testimonials

### Panellists:

**Paolo Giovine**

*Partner, H-farm*

**Gerard Groener**

*CEO, Corio N.V.*

**Pietro Guindani**

*Chairman, Vodafone Italy*

This panel provided the private sector perspective to business-friendliness in cities. In doing so, it offered city leaders the opportunity to understand the investment considerations of particular firms.

### **Gerard Groener, Chief Executive, Corio N.V.**

Corio is one of the largest listed retail property investors and managers in Europe, and currently undertaking the renovation and redevelopment of the Palazzo del Lavoro in Turin, a modernist exhibition hall dating back to the 1960s. The message of its Chief Executive, Gerard Groener, was clear: cities are at the heart of the business-friendliness agenda but they cannot do it alone.

**“Ensuring that there is a single point of reference between the city and an individual business is vital.”**

- Gerard Groener, Corio N.V.

**“We do not invest in countries. We invest in cities.”**

- Gerard Groener, Corio N.V.



Groener was unambiguous about the importance of the local scale: ‘We do not invest in countries. We invest in cities’. Therefore, it is important to his firm that business-friendliness is addressed at the local level. Of critical importance, according to Groener, is for local management and leadership to be embodied by one person on both the public and private sector side in order to facilitate communication and build trust.

However, not only local administrations, but businesses themselves should be proactive, he emphasised. Companies should not wait for cities to improve the business environment, but should approach and work alongside local leaders to create win-win outcomes. The Corio approach is to: ‘tap into the needs of a city and see what we can add.’

Groener gave examples of how the private sector can contribute to business-friendliness itself. Corio’s objective is to ‘Create Favourite Meeting Places.’ By giving back previously dilapidated locations through masterplanning and investment, the company is contributing to the attractiveness of cities like Turin.



**Pietro Guindani, Chairman, Vodafone Italy**

Pietro Guindani's presentation underlined the importance of flexibility and cooperation by local leaders in the successful creation of the Vodafone Village in Milan – a major 67,000 square foot development with 3,000 work places that opened in March 2012.

Guindani suggested that a 'convergence of interest between Vodafone, land owners and the municipality' was essential to the realisation of the project. The development benefitted the city by creating jobs and beginning the regeneration of a run-down area of the city; land owners by raising land values and increasing rents, and finally Vodafone itself because the city provided the company with an accessible, well-served and secure site for development. In particular the provision of public transport and energy infrastructure was seen to be critical.

For Guindani, business-friendliness is about the willingness of the public sector to provide active urban management. It should be ready to negotiate with the private sector to achieve win-win situations.

**“Business-friendliness is about the willingness of the public sector to provide active urban management.”**

- Pietro Guindani, Vodafone Italy

**“The public sector should foster an environment ready for big ideas and be ready to build a common vision with a new generation of entrepreneurs.”**

- Paolo Giovine, H-farm

**Paolo Giovine, Partner, H-Farm**

H-Farm is a Venture Incubator. Its aim is to accelerate the development of internet start-ups via a combination of seed investment and incubation services. Paolo Giovine, a Partner in the H-Farm development near Venice, argued that local authorities should be less risk averse to become more business-friendly.

Despite the aim of the company to create a new digital district with 300+ start-ups, an international school, affordable housing and other amenities, Giovine described how he initially encountered resistance by the city to the idea of the H-Farm.

Giovine suggested that a new phase of economic development will be led, in part, by entrepreneurs in the creative sector. This will require new competencies that the public sector may not yet have. He concluded that the public sector should foster an: 'environment ready for big ideas' and be: 'ready to build a common vision' with a new generation of entrepreneurs.



## What does business-friendliness mean for different types of businesses?

### Panellists:

#### **Guido Bolatto**

Secretary General, Chamber of Commerce of Turin

#### **Mario Calderini**

Senior Advisor to the Minister for Research and Innovation, Italian National Government

#### **Erwin Daalhuisen**

Senior Consultant Area Development, Fakton

#### **Debra Mountford**

Senior Policy Analyst, OECD LEED

Experts from national government, international organisations, business associations and economic consultancies discussed a differentiated approach to business-friendliness in cities to match the diverse needs of a variety of business typologies.

#### **Debra Mountford, Senior Policy Analyst, OECD LEED**

Debra Mountford focussed her intervention on SME support and the responsibility of businesses to act as an equal partner, alongside local leaders.

The policy analyst argued that the economic crisis has created a critical lack of growth capital for SME development and entrepreneurship. She believes that city leaders have a specific challenge to meet this market failure and to improve the business environment through lending activities and other business support programmes.

**“Cities must build trust by being positive but realistic.”**

- Guido Bolatto, Chamber of Commerce of Turin

Yet Mountford was also clear that cities cannot solve these issues alone: they are intimately linked to national government policies and banking strategies. Lending activities and national business support programmes need to support what cities can do locally.

Finally, Mountford suggested that businesses also have a key role to play. The private sector must develop long-term partnerships with cities that are built on transparency, trust and a shared vision for the future. She made the point that this included contributing to the tax base, without which many aspects of business-friendliness could not be implemented.

#### **Guido Bolatto, Secretary General, Chamber of Commerce of Turin**

Guido Bolatto used the Turin context to describe how the needs of individual firms, their employees and their families are critical to business-friendliness. He underlined the significance of a quality urban environment, which required a series of both hard and soft interventions.

Bolatto explained that Turin had worked hard to improve its quality of life offer. In response to the particular needs of international firms, the city recently built a new international school, which had previously been lacking.

**“Cities cannot solve these issues alone: they are intimately linked to national government policies and banking strategies”**

- Debra Mountford, OECD LEED





**“City leaders must prioritise their support (..) for those sectors that are likely to deliver the greatest employment growth and improvements to quality of life.”**

- Mario Calderini, Senior Advisor to the Italian National Government



If a city does not offer an attractive social, cultural and educational environment for a decision maker's family or international talent, it might jeopardise other efforts made to attract firms and investment, Bolatto suggested.

**Erwin Daalhuisen, Senior Consultant Area Development, Fakton**

Erwin Daalhuisen reinforced the requirement of cities to develop a business-friendly strategy that takes into account the particular needs of different businesses.

It is important to develop an approach that is differentiated, he suggested. For example, area and real estate development firms are capital intensive, and require stability and predictability to realise profits over relatively long periods of time. Consequently, public sector dynamism that accentuates instability in the market environment is not desirable.

Instead, Daalhuisen argued, cities should stick to their development strategies and avoid the unnecessary turnover of staff in order to maintain a stable operating environment for developers. Daalhuisen suggested that stability was also in the best interest of the public sector in that it provides the conditions for delivering the most profound change processes.

**“Public sector dynamism that accentuates instability in the market environment is not desirable.”**

- Erwin Daalhuisen, Fakton

**Mario Calderini, Senior Advisor to the Minister for Research and Innovation, Italian National Government**

Mario Calderini argued that public resources will be in short supply during the next phase of city development. Consequently, city leaders must prioritise their support. Resources should be directed towards creating an enabling environment for those sectors that are likely to deliver the greatest employment growth and improvements to quality of life.

Calderini admitted that anticipating which sectors will deliver the greatest impact is difficult. Often, city leaders and local stakeholders tended to look to the past or at the booming industries of the present, and thereby fail to embrace the future. Instead, Calderini believes, it is vital to take a reasonable amount of risk and support pioneering fields, such as new energies.

To overcome the lack of public finance, he suggested that new rules of engagement are required: business-friendly environments in cities need to be supported by a new generation of public-private and private-private partnerships, as well as better linkages within the public sector.

## Afternoon Panel Questions

### Q. What can a city do to assist the relocation of a firm to another city location?

**Pietro Guindani** – City authorities in Milan were extremely helpful in supporting the relocation of Vodafone from the suburb of Corsico to a new location in the Western area of the city of Milan. They cleared the site for development, forced the removal of undesirable activities, provided new bus routes with sufficient capacity, improved the road network and hastened the speed at which permits were granted.

### Q. From the initial planning stage to the completion and management of a real-estate project, do developers require different things?

**Gerard Groener** – Corio has a six-stage approach to real estate development. The initial stages involve agreement and alignment with city leaders about the over-arching vision for the development. This reduces the risk of challenges and paperwork throughout the project since stakeholders can ‘fall back on’ the agreed vision for the area to maintain momentum.

### Q. How can cities ensure that they communicate effectively with businesses?

**Gerard Groener** - Ensuring that there is a single point of reference between the city and an individual business is vital. It: ‘speeds up the process, makes things more efficient and avoids miscommunication.’ At the same time, the city must take the time to explain their approach to business-friendliness. Pilots and small-scale projects can be helpful tools since they create tangible examples of how the city is supporting the private sector.

**Paolo Giovine** – Clear dialogue is essential. It helps cities to build trust in and knowledge of new business practices that may become vital to economic growth during the next development cycle. As a result, clear dialogue and discussion can create the understanding required for innovative businesses to receive the support that they need.

### Q. To become business-friendly, what should city governments do and not do?

**Guido Bolatto** – Cities must build trust by being positive but realistic. They should be clear about what is possible and what is not in order to avoid disappointing expectations. For example, they could attempt to provide more accurate estimates on the time it may take to process building permits.

**Erwin Daalhuisen** – Cities have to ‘show ambition to attract ambitious businesses,’ but also patience and resolve. Cities must not give up too early, nor must they rush to achieve outcomes that may take time.

**Debra Mountford** – It is essential for cities to understand their economic DNA. Building on this basis, then projecting the city’s offer to businesses is fundamental to success. It is important to remain loyal to a long-term vision. Short-term wins build confidence but staying on track is vital.



## Closing comments – towards conclusions on business-friendliness in cities

Speakers offered a multitude of perspectives and highly valuable insights on the subject of business friendliness in cities. The following summary remarks seek to offer preliminary conclusions on this complex issue.

### Why is business-friendliness important?

The idea of business-friendliness in cities is becoming much more important due to the global economic crisis. Increased competition between cities has been reinforced by stagnant economic growth and a lack of finance within cities.

Much physical transformation has been achieved during the last phase of urban development. The next phase requires careful economic development interventions underpinned by business-friendliness. City and business leaders with expertise that match the challenges of the new development environment should be guiding this process

**Much physical transformation has been achieved during the last phase of urban development. The next phase requires careful economic development interventions underpinned by business-friendliness.**



### What does business-friendliness mean?

Business friendliness means different things to different businesses. A differentiated approach is required that addresses the needs of a range of business types (from SMEs to MNCs); business sectors (from manufacturing to creative industries) and clients (from businesses already located in the city to prospective investors elsewhere).

### What can cities do to be more business-friendly?

To develop a comprehensive, strategic approach it is necessary to codify and categorise the full range of interventions necessary to achieve a business-friendly environment. If resources are relatively scarce, it will be necessary to prioritise interventions based on their cost and potential impact.

The approach of city governments to business-friendliness should be realistic and focussed in the short-term, but should maintain consistency over the longer-term.

Despite the requirement for soft, non-tangible activities such as branding and promotion, concrete steps towards achieving business-friendliness such as reducing red tape and providing international schools for employees' children help to build confidence amongst the business community.

Partnership is vital. Cities cannot control all of the factors that influence business-friendliness. Therefore, city leaders should work to build a shared vision between national government and businesses that will provide mutual benefits. Creating win-win scenarios through negotiation and compromise and sharing the credit for success is critical.

A thorough and independent assessment of a city's offer to business is essential. Strengths should be developed and the challenges should be addressed until they are solved.

It is not possible to be equally business-friendly towards all sectors and types of businesses at all times. City leaders should recognize this and develop priority fields of action.

## Speaker and organiser contact details

### Ilda Curti

Deputy Mayor, Urban Planning, Reservation and Integration  
City of Turin  
[ilda.curti@comune.torino.it](mailto:ilda.curti@comune.torino.it)

### Graça Fonseca

Deputy Mayor, Economy and Innovation  
City of Lisbon  
[graca.fonseca@cm-lisboa.pt](mailto:graca.fonseca@cm-lisboa.pt)

### Martin Eichler

Deputy Chief Economist  
BAK Basel Economics  
[Martin.Eichler@bakbasel.com](mailto:Martin.Eichler@bakbasel.com)

### Valentino Castellani

Vice President  
Torino Strategica  
[Valentino.Castellani@arpnet.it](mailto:Valentino.Castellani@arpnet.it)

### Per Justesen

International and Economic Development Co-ordinator  
Grand Lyon  
[PJUSTESEN@grandlyon.org](mailto:PJUSTESEN@grandlyon.org)

### Dominique Mariani

Chief Executive  
Agence pour la Promotion Internationale de Lille Métropole  
[D.MARIANI@apim.com](mailto:D.MARIANI@apim.com)

### Stuart Patrick

Chief Executive  
Glasgow Chamber of Commerce  
[Stuart.Patrick@glasgowchamberofcommerce.com](mailto:Stuart.Patrick@glasgowchamberofcommerce.com)

### Mike Emmerich

Chief Executive  
New Economy Manchester  
[Mike.Emmerich@neweconomymanchester.com](mailto:Mike.Emmerich@neweconomymanchester.com)

### Robert Maury

Managing Director  
Provence Promotion  
[r.maury@provence-promotion.fr](mailto:r.maury@provence-promotion.fr)

### Rijk van Ark

Director Economic Affairs Department  
City of Amsterdam  
[vanArk@EZ.Amsterdam.nl](mailto:vanArk@EZ.Amsterdam.nl)

### Paolo Giovine

Partner  
H-Farm  
[pgiovine@h-farmventures.com](mailto:pgiovine@h-farmventures.com)

### Gerard Groener

Chief Executive  
Corio N.V.  
[Gerard.Groener@nl.corio-eu.com](mailto:Gerard.Groener@nl.corio-eu.com)

### Pietro Guindani

Chairman  
Vodafone Italy  
[Pietro.Guindani@vodafone.com](mailto:Pietro.Guindani@vodafone.com)

### Guido Bolatto

Secretary General  
Chamber of Commerce of Torino  
[g.bolatto@to.camcom.it](mailto:g.bolatto@to.camcom.it)

### Mario Calderini

Senior Advisor to the Minister for Research and Innovation  
Italian National Government  
[mario.calderini@polito.it](mailto:mario.calderini@polito.it)

### Erwin Daalhuisen

Senior Consultant  
Fakton  
[e.daalhuisen@fakton.com](mailto:e.daalhuisen@fakton.com)

### Debra Mountford

Senior Policy Analyst  
OECD LEED  
[Debra.MOUNTFORD@oecd.org](mailto:Debra.MOUNTFORD@oecd.org)

### Greg Clark (Moderator)

Senior Fellow, EMEA/India  
Urban Land Institute  
[greg.clark@uli-fellow.org](mailto:greg.clark@uli-fellow.org)

### Gesine Kippenberg (Organiser)

Co-ordinator of the Urban Investment Network  
Urban Land Institute  
[gesine.kippenberg@uli.org](mailto:gesine.kippenberg@uli.org)

### Anna Prat (Organiser)

Managing Director  
Torino Strategica  
[anna.prat@comune.torino.it](mailto:anna.prat@comune.torino.it)



### About the Urban Land Institute

ULI – the Urban Land Institute – is a non-profit research and education organisation supported by its members. Founded in Chicago in 1936, the institute now has over 30,000 members in 95 countries worldwide, representing the entire spectrum of land use and real estate development disciplines and working in private enterprise and public service. In Europe, we have over 2,000 members supported by a regional office in London and a small team in Frankfurt.

[www.uli.org](http://www.uli.org)



### About the ULI Urban Investment Network

The ULI Urban Investment Network is an independent European network designed to promote and facilitate world class investment in urban development. The initiative has been developed by the Urban Land Institute in collaboration with a group of leading cities, European Institutions and private sector organisations.

The Network is working to facilitate a continuous dialogue between public and private sector leaders who are seeking to improve their ability to collaborate. Its premise is that public - private relationships with a high level of collaborative working provide more opportunities to bridge investment gaps and overcome city development challenges. For more information on joining the Network, please contact [uin@uli.org](mailto:uin@uli.org)

[www.urbaninvestmentnetwork.com](http://www.urbaninvestmentnetwork.com)

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### Urban Land Institute

29 Gloucester Place  
London  
W1U 8HX  
United Kingdom

Tel: +44 (0)20 7487 9570  
Fax: +44 (0)20 7486 8652  
Email: [ulieurope@uli.org](mailto:ulieurope@uli.org)  
Web: [www.uli-europe.org](http://www.uli-europe.org)