Delivering Thames Gateway doesn't have to be this way

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Lessons should be learned from the development of the Great Estates and of the New Towns if Thames Gateway is to be the success it needs to be, says Michael Edwards.

The Thames Gateway project poses daunting choices for those with the power to decide on the future development of South East England. Government and the Mayor of London both agree that much of the wider South East's growth should be concentrated in the Thames estuary.

They share the intention that London will expand to the East, not to the West, and that the rationality of capitalist growth is the unquestionable way forward. Yet, if we try to develop the region using the prevailing orthodoxy all the signs are that Thames Gateway will be UK regeneration plc's biggest debacle so far. It does not have to be this way. The new city/region could be a laboratory for innovation in ways of living, ways of building and transforming ecological relationships. The reality may be somewhere in between the best and worst of cases but, if the Thames Gateway project goes ahead by way of the present development mechanisms, pessimistic foresight suggests the following outcomes.

The cost of making it happen at all—building transport and social infrastructure as well as subsidies for clean-up of land and for flood protection—is an endless drain on state investment. The 2012 Olympic and Paralympic Games helps a bit in this respect because the sheer imperative of being ready on time for the Games permits normal decision making and consultation to be compressed and ensures that budgets will be diverted to do roadworks and other bits of infrastructure in the 'national interest'. Even that is not enough, however, and much of the infrastructure lags years behind the need.

The growth of the region's population and income in turn boosts growth of property values in the south of England, leaving some of the more peripheral parts of Britain to struggle. Government statements about regional policy, already very feeble, become even less convincing as state expenditure on the Olympics, and then on urban infrastructure and housing, further overheats the South East. As house prices (and rents) are driven up in this way, low- and middle-income people suffer worsening housing conditions, more overcrowding and greater dependence on housing benefits. The bill for housing benefits becomes astronomical.

Private house building firms are cajoled into building thousands of houses a year but each development serves just a single market segment and income group. The higher ground and fine landscapes get the 'executive' homes; the marshes and degraded areas get denser blocks of apartments, euphemistically called 'starter homes', and 'affordable' housing. The house building industry remains profitable, though this is largely because selling prices are growing year after year: housing in Britain remains poor value for money in European terms and more than half of what you pay for a dwelling is payment for the scarcity of land, not for the dwelling. Building continues much as before and a steady influx of workers from eastern Europe cushions the construction sector from the need to modernise itself through training and technical innovation.

Apart from jobs in construction, the economy of the Thames Gateway grows only slowly, so its population remains dependent on long-distance commuting, mainly to Central London. There are more trains running, but they still have cattle truck conditions. Stratford, Ebbsfleet (adjoining Bluewater) and Ashford have high speed, and expensive services to St. Pancras but many areas are only served, at best, by ludicrous extensions of the Docklands Light Railway – in truth just a tram –with dozens of stops between home and work. Anyone who has sat for an hour on the Athens tramway to the southern suburbs (built for their 2004 Olympics) or even commuted from Beckton to Bank will understand the problem.

Some prestige architecture will decorate this messy picture, with flagship projects here and there. But these are fragments lost in a sea of mediocrity, dominated by routine architectural firms commissioned by big development companies and by the 'Registered Social Landlords' who have already shown that they often do no better.

A lot of money will be made, even in a low-grade development of Thames Gateway. Pressure of demand for space in London is so strong that everything sells sooner or later and property values grow through speculative investment in pursuit of the never-ending boom, through the agglomeration of activity and because of the new infrastructure. But the profits from this are all private because successive governments have not had the nerve to hold any long-term land ownerships or equity shares. Governments insist on getting 'planning gain' contributions out of private developers for social housing, infrastructure and so on, although the yield from this source is reduced because the Treasury has also imposed a blanket 'Planning Gain Supplement' or 'tariff'. These charges are all levied when a

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development takes place, just when the developers can least afford to pay, long before the trees have grown and before the serious land values have build up. With continuing real growth in property prices, an even higher proportion of the potentially available revenue is foregone for this reason. In this worst case scenario it is always the state and public bodies that come to the rescue, firefighting on service provision and patching the infrastructure. There may be some exemplary water-management and local energy generation schemes; these were being promoted hard in 2007 by the Deputy Mayor and Mayor and figured strongly in the London Plans of the following decade. But such schemes need continuing management to work and if most of the profits have been given away—some to initial developers and the rest to individual owner-occupiers—these costs are hard to cover.

The British appear to have forgotten the positive aspects of the 20th century new towns programme. One of the great strengths of that programme was that it was financially sustainable in the medium and long term. Large-scale urban development involves heavy initial costs while the benefits are reflected only very slowly in rents and property values as each neighbourhood and city matures. In the new towns of Britain, the government agencies which built them retained ownership of a lot of the land and buildings and could thus recoup the investment and pay off the loans. This is just what we are failing to do in the Thames Gateway: as with Mrs Thatcher's Docklands project in the '80s, all the valuable assets are in private hands and there is no continuing flow of public or collective funds to pay for maintenance or services or to repay the debts incurred in the initial infrastructure.

Thames Gateway is neither bound to succeed nor bound to fail. But it will be hard to make into a great success. It is not the kind of development which the property market, left to itself, would undertake. But in 2007 it looks as though government is determined to impose the project on a reluctant market, aided by its success in securing the Olympic and Paralympic Games for 2012. The gainers under that scenario would be those who have been benefiting during recent decades: speculative developers nimble enough to follow the market and withdraw before each downturn, and established owner-occupiers with low levels of debt. The losers are the rest of us: the users of a decidedly second-best urban environment, the tenants of housing and business space, the employers trying to remain viable in a competitive market and the more indebted owner-occupiers who come to grief when property values take a downward turn or interest rates increase.

We used to do this well in Britain in the private leasehold development of London estates (Bloomsbury, Belgravia etc) and we did it again with the New Towns. We need to do it once again in Thames Gateway.

The alternative requires a composite of policy changes, above all in land policy but also in wider housing, pensions and regional policy. Existing development mechanisms are highly fragmented and seem unlikely to deliver new urbanisation on the scale and with the environmental and social quality we need. The existing house-building industry continues to fail because booming demand does not result in booming supply. The industry is fairly well adapted to profitable production in scarcity conditions, with firms preferring to build for luxury and niche markets rather than to innovate in mass supply for the middle- and low-income demand. Our configuration of regulations, finance, firms and relationships precludes the emergence of an 'EasyJet' or 'IKEA' response to the housing problem. The firms are too busy managing their land development profits to be interested.

With so much of its employment growth in the Centre, London has tended to draw its labour force from ever-further afield (from the more remote places where people can afford to live, and to which many Londoners move at the stage of family-formation). This kind of growth conflicts with the environmental imperative of reducing the need to travel and Thames Gateway will need to be very different from the East London/Kent/Essex of the past: people will need to work there as well as live there if we are to avoid further growth of car-dependence and irresistible demands for yet more long-haul infrastructure like Crossrail: expensive to build and largely used for inefficient tidal flows. The capacity of our current assortment of local authorities, regional development agencies and urban development corporations (UDCs) to create conditions for enough employment growth is probably not strong enough. The area needs to maximise the contribution of existing enterprises and also attract high level employers who demand golf courses and the scope for social mobility as well as the indigenous labour pool if employment is to be truly sustainable, otherwise such employers will prefer to locate their business in West London or beyond the Green Belt.

Another problem with the current governance mechanisms is that the UDCs have 'only strategic' powers: they cannot make plans or directly control design and implementation. This is a mistake, because reducing the need to travel, securing and maintaining green buildings and minimising social segregation all require a rather close attention to detail in the design and implementation of schemes.

Most important of the problems posed by the current institutional structure is the challenge of securing resources in the long run for infrastructure, community development and local environmental management. All three of these elements need sustainable flows of resources, without which there will be nothing exemplary about the Gateway. At present we rely on two inadequate mechanisms: the UDCs' revolving funds and the overburdened 'planning gain' agreements under section 106 of the Planning Acts. Both of these instruments make funds available, but do so only at the start of development. The same is true of the Planning Gain Supplement or 'tariff' which the government is proposing to add.

Planning gain deals are made just when the risks are greatest and developers can least afford to be generous. The UDC revolving funds must, by definition, be repaid quickly in order to be available again. We know, however, that urban development produces major surpluses in the long run and the aim must be to secure some of that long-run uplift in value. Even quite a small share in the growth of development value would be much more use than what we can now secure through planning gain.

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