

Club of Three Meeting on Smart Cities

Association of Chartered Certified Accountants
(ACCA) UK, London

19 March 2018



The meeting on smart cities that took place at the offices of ACCA UK in London on 19 March followed on from a Working Session on digitalisation organised by the Club of Three in Berlin in November 2017. It was the first of two events planned in 2018 to explore the opportunities and challenges of the digital transformation from a city-level perspective, looking at how major cities in France, Germany and the UK are adapting to new technology and what steps they are taking to build smart and highly connected infrastructures.

The March meeting, which was sponsored by ENGIE UK, focused specifically on the role of technology in creating attractive living spaces in Europe's cities. It began with a keynote speech by Valérie Pécresse, President of the Ile-de-France region, outlining some of the main components of the Smart Region Initiative that she launched at the end of last year. Mrs Pécresse is also President of the region's transport authority – Ile-de-France Mobilités – and one of the leading figures in the development of the Grand Paris project. She was previously Budget Minister then Minister for Higher Education under François Fillon's government.

Her ambition was to make the Ile-de-France region, which already concentrated 40% of French research, a European leader in the fields of smart technology and connectivity. The strategy relied on the establishment of high-speed broadband networks across the region, innovation hubs and open data systems. For instance, a regional data sharing platform would be launched in late 2018 and used to develop smart urban development projects. Supporting local solutions in a range of areas including cybersecurity, artificial intelligence, nanotechnologies and connected devices was also a key aspect of this strategy in terms of sovereignty vis-à-vis Chinese and American tech giants. In relation to this, the southern campus of Paris-Saclay had



Valérie Péresse outlines her plans for the Ile-de-France region



Wilfrid Petrie (ENGIE UK) and Joan MacNaughton (Climate Group)

very successfully become a major scientific and technological cluster, bringing together France's top mathematicians and engineers.

The second main speaker, Lord Kerslake, gave the UK perspective on delivering large infrastructure projects and regenerating urban spaces. As former Permanent Secretary at the Department for Communities and Local Government, Chief Executive of the London Borough of Hounslow and Sheffield City Council as well as Chief Executive of the Homes and Communities Agency and now Chairman of the Peabody Trust, he had significant experience in this area.

Lord Kerslake first talked about the difficulty of defining smart cities. The definitions available were often either too academic or too simplistic. His own interpretation was that smart cities combined digital technology and use of data to improve the way urban areas worked (better infrastructures, environment, connectivity and economic prosperity). For him, this was all an absolute necessity and not just an opportunity, especially in a city like London that was undergoing rapid changes and was set to join the ranks of megacities by around 2024 with over 10 million inhabitants. London had no choice but to become "smart" otherwise it would quickly become a very impractical and much less enjoyable city.

He laid out five conditions for smart cities to thrive: clear political leadership at the local level; the necessary powers to shape transport, housing, environmental, education and healthcare services; a long term infrastructure plan; the presence of a vibrant start-up market; and openness – both in terms of open data systems and the willingness to learn from best practices in other cities.

The megacities in China and other parts of the emerging worlds were not meeting all five conditions at present, one of the participants noted. Although many of them had very advanced technology markets, local governance tended to be rather poor and this was a major obstacle to improving the quality of life in these cities.

Questions were asked about what public authorities could do to drive change. In France for example there was resistance to charging for local services because these



Lord Kerslake: becoming 'smart' is a necessity for fast-growing cities like London, not just an opportunity



Making a point: Pascal Boris CBE during the debate

were traditionally free. But one of the British participants pointed out that the London congestion charge – now part of everyday life for road users – had also met fierce opposition when it was introduced. The same was true for the smoking ban in public spaces. A lot of these changes were down to political will and foresight.

An important part of the discussion was dedicated to the role of Public-Private Partnerships (PPPs). Club of Three President Lord Simon of Highbury, who chaired the discussion, noted that in the UK a staggering £250bn of public money was spent on external suppliers (National Audit Office, 2015-16 figures). A participant from business highlighted how partnerships with the private sector could contribute to what was now commonly known a good placemaking. In the energy sector in particular, the anticipated switch to electric vehicles in urban areas and development of power storage facilities was going to require huge investments. Energy was increasingly more decentralised, data-driven and embedded in the fabric of buildings, and in that sense was becoming more a service than a product. But there were also concerns about a loss of trust between the public and private sectors.

Valérie Pécresse said that France had had mixed experiences with PPPs but she personally had no preconceptions. It very much depended on the sector of activity in question. PPPs in road transport for instance had been successful but not so much in public transport. What she was very keen to do in her region was developing relationships between public bodies and start-ups. Open data systems had made it less risky to work with start-ups than in the past as everything was backed up and easily transferable to the next contractor in case of a bankruptcy. Start-ups were also more innovative and cheaper than large IT firms.

There had been some misjudged PPPs in Britain too but it was felt that overall these partnerships had been successful. The National Audit Office was going to publish a report on PPPs and this was likely to lead to a code of practice. There was a feeling that too much attention had been paid to numbers and margins and not enough on quality and incentives to get good project outcomes.



Tim Jackson (RATP Dev UK)



Victoire de Margerie (Rondol)

One of the participants noted that many start-ups such as Uber were successfully introducing new services without any public sector involvement and asked whether smart cities were making local authorities less relevant. Many believed that this was not the case. There was a lot that local authorities could do as a facilitator for example, as shown in a recent a case study on Copenhagen conducted by Hitachi Consulting. Like in Ile-de-France, the city had created a body of data on commuting patterns, traffic flows and other types of urban behaviours that all citizens could contribute to anonymously. This had led to identifying key pressure points for the tram system. Furthermore, large infrastructure projects that are crucial to delivering smart cities would always need government support.

CONCLUSION

Strong local governance was perhaps one of the best assets that European cities had compared with the megacities of Asia and other parts of the world. The Paris region had a very clear vision of what it intended to achieve under Valérie Pécresse's leadership. Although it had come out second after Singapore in a recent global smart cities ranking, London was under tremendous pressure as its infrastructure was struggling to cope with a rapidly increasing population. Becoming "smart" was therefore a necessity for Britain's capital city.

Partnerships with the private sector had a key role to play in building tomorrow's cities. They had not always delivered value for money in the past but lessons were being learnt and there were signs that the issue of trust was being addressed. The fundamental changes in the way energy was going to be produced, distributed and consumed in urban areas represented new opportunities for private companies to provide innovative services. Thanks to open data systems, start-ups now also had a foot in the public procurement market.



Think Ahead

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List of participants

Edmond	ALPHANDÉRY	Founder and Chairman, Euro50 Group; Board Member and President of the Strategic Committee, ENGIE
James	ASHTON	Business journalist and former Executive Editor, London Evening Standard
Jacques	BELTRAN	Deputy Director General for International Affairs, Ile de France Region
Pascal	BORIS	Non-Executive Director, Bankable; Former CEO, BNP Paribas UK; Honorary President, French Chamber in Great Britain
John	BURTON	Development Director, Westfield
Victoire	DE MARGERIE	Executive Chairman, Rondol; Board Director, Arkema, Babcock International and Eurazeo
Jean-Christophe	DONNELIER	Minister-Counsellor for Economic Affairs, French embassy in London
Andrew	FRASER	Senior Adviser and Director, Mitsubishi; Former CEO, Invest UK

Lionel	GROTTO	Advisor for economic development and large projects, Ile-de-France region
Ernest-Uwe	HANNECK	Vice Chairman, German Industry UK
Tim	JACKSON	CEO, RATP Dev UK & Ireland
Lisa	JARRETT-KERR	Associate, Tulchan Communications LLP
John	KAVANAGH	UK Public Affairs Manager, Association of Chartered Certified Accountants (ACCA)
Lord Robert	KERSLAKE	Chairman, Peabody Trust; Former Head of the Home Civil Service and Permanent Secretary, Department for Communities and Local Government
François	LE GOFF	General Secretary, Club of Three; Former Editor, ENDS Europe
Michael	MACLAY	Chairman, Club of Three; Executive Chairman, Montrose Associates
Joan	MACNAUGHTON	Chair, Climate Group and Energy Academy of Europe
Eman	MARTIN-VIGNERTE	Director, Political Affairs and Government Relations, Bosch UK
Anne-Elisabeth	MOUTET	Columnist, Daily and Sunday Telegraph; Member of the Board of Directors, Gatestone Institute Europe
Valérie	PÉCRESSE	President, Ile-de-France region; Former Head Minister of the budget and Minister for Higher Education and Research
Wilfrid	PETRIE	CEO, ENGIE UK & Ireland

Sir Mike	RAKE	Former Chairman of BT and President of Confederation of British Industry
Frédéric	ROMBAUT	Non-Executive Chairman, FR Development; Former Head of Corporate Development International, Cisco
Susanna	RUSHTON	Associate Director, Portland Communications
Oliver	SCHRAMM	Head of Economic and financial affairs, German embassy in London
Niel	SCOTT	Head of Corporate Communications, ENGIE UK & Ireland
Lord David	SIMON	President, Club of Three; Former UK Minister for Trade and Competitiveness in Europe; Former CEO and Chairman, BP
John	WILLIAMS	Head of Employer Engagement, ACCA UK (Association of Chartered Certified Accountants)