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New Catalysts for Change
THE CITY AS A GLOBAL GROWTH ENGINE
Panel

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Moderator:

John Thornhill, Deputy Editor, The Financial Times

Panellists:

Nicole Bricq, Minister for Foreign Trade of France

Ron Huldai, Mayor of Tel-Aviv

Leonid Kazinets, Chairman of the Board, Barkli Corporation

Andrei Sharonov, Deputy Mayor for Economic Policy, Moscow

Edward Skyler, Executive Vice-President, Citi

Front row participants:

Jean Francois Cirelli, Deputy Chief Executive Officer, President for Europe,
GDFSUEZ

David Gray, Managing Partner, PwC Russia

J. Thornhill:

Good morning. My name is John Thornhill. I am the Deputy Editor of *The Financial Times* and it is a great pleasure to be here and to host this seminar on 'The City as a Global Growth Engine'. We have a very talented and a seemingly ever-changing panel of speakers this morning and we also have some very distinguished guests in the audience who I would like to invite to participate as well. Half the world's population now lives in cities, generating more than 80% of the world's gross domestic product (GDP). The 300 largest urban economies contain about 19% of the world's population and about 48% of global output. There is huge regional variation in the world and the success of cities however. Some 75% of the fastest-growing cities are in Asia, Latin America, and the Middle East, while 90% of the slowest-growing metropolitan economies are in Europe and North America. Urbanization is continuing at an astonishing rate, most notably in China and India. Over the next decade, it is forecast that there will be another 250 million people who will move into cities in China. McKinsey forecasts that the top 23 megacities, which contribute 14% of global GDP today, will only contribute 10% by 2025. In other words, these new cities are going to be incredibly competitive places to do business and will generate a lot of economic growth; they will be a big challenge for the existing cities of the world today.

We are going to start with Edward Skyler who is Executive Vice President of Citigroup and was a former top official in New York City in Mayor Bloomberg's administration. While I was doing my homework on Mr. Skyler, I came across a quote in *The New York Times*, from one of his colleagues, Kevin Sheekey, who said, "Ed is literally Batman, but most of Gotham does not know how much he does as Bruce Wayne because he is so purposefully inconspicuous." And with that, Ed, could you open the discussion please?

E. Skyler:

Good morning. I left my cape at home, back in New York. To us at Citigroup, what is very interesting, and to echo some of John's points, it is not so much what is

happening today. What we instead spend time at Citigroup trying to figure out is what will happen tomorrow and in the next few decades. To that end we commissioned a report by The Economist's Intelligence Unit to talk about where cities will be and what cities will be most competitive in the year 2025, because the trends, as John pointed out, are quite staggering. The urbanization trend is really phenomenally overwhelming when you look at the numbers. In 1990, 43% of the world's population lived in a city. Today it is about 52%. In 2030 we project it will be 60%, by 2050, 70%. Now, to put that in context if it is possible, if the United Nations is right and there will be about 9.5 billion people in the world in 2050, we will have between 6 and 7 billion people living in cities. That is essentially equivalent to the total world population today. That is one way to look at it. In what cities will growth come? We believe the top hundred cities in the year 2025 will account for one third of the gross domestic product (GDP) growth in the world. If you look at emerging markets, 440 cities in emerging markets will account for about half of GDP growth. But growth in that size really is not everything. What is really important, as John alluded to, is to figure out what cities will be most competitive drivers of growth. The Economist study looked at eight factors: (1) economic strength, the economic output of the city; (2) financial maturity, how strong the central bank is, how effective it is; (3) physical infrastructure such as telecommunications; (4) human capital, the education systems in the city and the allure of that city for young people; (5) institutional strength, the government's ability to tax, the corruption levels; (6) social and cultural strength, quality of life, human rights; (7) sustainability; and (8) global appeal, the brand of the city and what it stands for. The study showed that a lot of the top cities are the ones we would think of today: New York; London; Paris; Stockholm; and Chicago. The top movers, however, the ones becoming the most competitive the fastest, are the ones in emerging markets, be they Mumbai or São Paulo. With this move comes the need for tremendous financial investment. If you look at New York City, they are spending USD 20 billion over a ten year period on one type of transportation: rail – commuter rail and mass transit – in the island of Manhattan alone, over four projects. That is USD 20 billion over four projects. That

figure does not include spending on airports and so on. They are spending USD 10 billion on housing, several billion dollars to upgrade the electric grid. They are spending USD 6 billion to take fresh water from upstate reservoirs to the city through the construction of a new water tunnel. And it is not just New York. If you look between now and 2025, we think Mexico City, London, São Paulo, will all spend USD 1 trillion investing in their infrastructure. Beijing will invest USD 2 trillion. If you take all of the cities globally, McKinsey estimates that USD 40 trillion will be spent over the next 20 years investing in infrastructure. It is these investments that will make the cities competitive, not just the amount of people that move there.

J. Thornhill:

Fantastic. Thank you very much, Ed. Now I would like to ask Ron Huldai, the Mayor of Tel Aviv-Yafo Municipality who, I believe, has a slideshow presentation for us.

R. Huldai:

Good morning everybody. Hello, my name is Ron Huldai and I am the Mayor of Tel Aviv. Naturally, I cannot speak about these numbers in trillions and these issues. With your permission, I will speak in English, but since it is not so perfect, I have written down my remarks. And since most of you have probably not been to Tel Aviv – at least not yet – I have some images to put us in context. In my city, the most unique economic phenomenon is the start-up industry. We have 700 start-ups, and research and development centres, and many multinational technology companies. Just last week another great local start up, Waze, was sold to Google for more than a billion dollars. Unfortunately for me, in Israel, income tax goes to the State not to the city. What is the secret? Where does all this creativity come from? Perhaps I do not have the answers, but I think the most important word for us is ‘ecosystem’. Tel Aviv has some wonderful natural advantages. We, as a municipality, develop platforms to leverage them. One advantage is our size, only 52 square kilometres; it is very easy to get around. Another advantage is our wonderful weather. We have very nice beaches and very nice people on the beaches as you see. We invest a lot

in public space. For instance, there are 220,000 trees and every two hours we plant a new one. We invest a lot in art and culture; over the past decade we have invested USD 500 billion in 20 cultural projects. We also invest a lot in promoting pluralism and tolerance, with, as the previous speaker said, the freedom of society being important for developing cities. We embrace everyone. As the result of this investment, young people in Israel all want to live in Tel Aviv. Tel Aviv is one of the youngest cities in the world with 33% of Tel Avivians being between the age of 18 and 35. This is a dramatic figure. Young people create fun cities. We have 1,740 youth bars and clubs, one for every 220 residents. Young people also create growth and mainly young people create an atmosphere of creativity and innovation. This is perfect for start-ups. Tel Aviv's connection to the start-up culture began the day the city was built. Actually, Tel Aviv is a start-up in itself. It was founded 100 years ago when 66 families of entrepreneurs decided to build a city on empty sand dunes. They dreamed of a garden city in a place with no water. They dreamed of a city of the future in the homeland of the past. In short, it was a classic start-up – big dreams but small chances. Surprisingly, they succeeded. The founders of Tel Aviv had a vision and did not care about reality. Ladies and gentlemen, I was also born in a family of entrepreneurs. My parents had an innovative dream of creating a utopian society. They built a kibbutz – a collective farm – and were teachers. As a young man, I enlisted in the Israeli Air Force. I served for 26 years as a combat pilot and always dreamed of following in my parents' footsteps. When I retired as a general, I went to the board of education and asked to be a teacher, but I did not have the right qualifications. So what do they do in a city of innovation when you are not qualified to be a teacher? They appoint you as a headmaster instead. After a few years as headmaster, I decided to run for Mayor. The city was on the verge of bankruptcy, but today we are rated AAA stable by Standard & Poor's. One of the most important things we did to create economic growth was to focus on innovation and creativity. Our strategy for promoting innovation is based on two main pillars: one to create platforms for our residents to be innovative, and, two, to use innovation to serve our residents. I will explain. As I said, we are the centre of Israeli

innovation and now we want to be a start-up city for international entrepreneurs as well, a kind of Silicon Valley outside of the United States of America. Consequently, we are cultivating our start-up ecosystem. We have free wi-fi in our public areas, streets, boulevards, parks, and beaches. We are opening co-working spaces for entrepreneurs in public buildings. We are developing more academic programmes, more conferences and events and more international promotion. Most importantly, we are working with our government to establish something very important: start-up visas for foreigner entrepreneurs. This is why I am here today, to encourage international entrepreneurs and international students to come to our city. At the same time, we are adapting technology to serve the municipality. We want to be innovative in everything we do. We have challenges with our public transportation system so we are looking for innovative ways to move people from place to place. We are creating innovative schools without books. We are opening municipal databases to create open applications. We want all of our municipal services to be innovative. The only thing we do not want to change is the Mayor; things run best when they are around for a long time. This, in short, is how we developed our start-up city, and this is how we will continue to grow in the coming years.

I would briefly like to list what you will need for your trip to Tel Aviv: one pair of shorts for the beach; another pair of shorts for your business meetings; your laptop of course; and do not eat for a week before you come – our restaurants are amazing. Do not bring your umbrella, you will not need it. I hope to see you soon in our city. Thank you.

J. Thornhill:

Thank you very much, Mr. Huldai, for your fine advertisement for the wide vibrancy and political stability of Tel Aviv. I wonder if I could now call upon Leonid Kazinets, who is the Chairman of the Board of Barkli Corporation, to speak. He has indeed built large chunks of some of Russia's biggest cities.

L. Kazinets:

Thank you, colleagues.

I would like to talk about cities: they are undoubtedly hubs of growth and capitalization, but not in the literal, geographical sense. Russia is an example of this. I find it easy to speak on this subject, because I have closely studied Russia's macroeconomy. We are facing a paradox: our country and its regions are built along a radial structure, and all of the connections between different regions are channelled through the centre. We see this at the federal and at the regional level. It is especially easy to see at the federal level: when people fly from the Urals to Siberia via Moscow, or when cargo from, say, St. Petersburg travelling to Nizhny Novgorod also has to pass through Moscow. This historically established system of connections and money flows is the main obstacle to economic growth in Russia. I will try to explain using examples.

Russia has one-company towns that grew up around very attractive companies: people would move there, work at the factories, receive high wages; and when the company that created the town closed down, they would leave. Today, these towns have entire blocks of deserted high-quality housing that may be in need of minor repairs, but is otherwise ready to be lived in. These places are empty, however; no one lives there. These towns have no traffic jams and no environmental issues. The environmental situation is especially good in places where the core company has closed down. There are no people living in these towns.

People move to cities with populations in the millions – to the northern capital of St. Petersburg, or to the federal capital of Moscow – although the environmental situation in these cities is much worse, and they face transportation issues. People come for the wages. An opportunity to make money; an opportunity to build a career, to get an education for yourself, for your family and your children: that is what compels people to live in cities. Russia's regions will not grow until their cities can offer good opportunities and high wages.

Cities must understand that the transport issues facing major urban centres cannot be solved until we approach them from another direction. No matter how much we widen streets or how many interchanges we build, we will still have more cars: the

number of cars is growing faster than our ability to invest in existing infrastructure projects. To fight traffic jams, people will either stop coming to cities, or they will stop coming to cities in their cars. The second means of combatting traffic is more interesting: it requires the development of public transport systems and various transport routes. If people stop coming to cities altogether, on the one hand, it sounds terrifying; but on the other hand, it is possible, and this is the direction in which we have to move: we must move the information, transportation, and wages that attract people, out of the cities.

Today, Russia has a great opportunity to use cities as centres between which connections foster growth. We are saying that it makes no sense to build transport routes around Moscow or St. Petersburg. We must build them directly, for example, between the Baltic Sea and developed areas such as the Volga Region. We must link the Volga Region with Siberia and the Urals with high-capacity transport routes. These highways will become the centres of growth, because concentrations of traffic and people will always give rise to economic activity and drive growth. Cities must make an effort to lighten their load and to move all functions that are not currently essential to their operations outside city limits.

Additional circular transport routes that are being built some distance outside Moscow and St. Petersburg are especially interesting. We are not talking about the Moscow Ring Road: I mean the highway being constructed some distance away from Moscow. It is already giving rise to new centres of growth. Land prices are going up; new towns are being built. The infrastructure is not fully operational yet, but we are already seeing interest.

It is my understanding that cities serve as pivot points for growth: by moving various functions outside city limits and organizing traffic between them, we can drive development of our regions. Attractive cities will spring up on their own. But what will the municipal governments of these cities do, and how will their residents live, when they are flooded with people wishing to move there?

J. Thornhill:

I would now like to turn to Andrei Sharonov, who is the Deputy Mayor of Economic Policy in Moscow, and Moscow is the theme of this debate, as it counts for about 25% of all of Russia's GDP. So, Mr. Sharonov.

A. Sharonov:

Good afternoon, ladies and gentlemen.

The esteemed Mayor of Tel Aviv gave us a lesson in marketing: that was an excellent introduction to your city.

I will approach this from a different angle. I would like to use the example of Moscow to shed light on the subject of the urban periphery. This will be the key topic of the Moscow Urban Forum, which is held in Moscow every December. I will take this opportunity to invite you to the Moscow Urban Forum. Its agenda for this year is focused on the urban periphery, under the heading 'Megacities: Success Beyond the Centre'.

Various aspects of this issue are critical for every developing or developed city that is larger than a certain size. New York, Paris, London, Istanbul, Sao Paulo, Shanghai, Moscow – these cities are all tackling the issue of the urban periphery. The agenda differs from city to city, but the issue is always a vital one.

Here are some photos of the outskirts of three cities: Mexico City, Moscow, and London. In the first case, we see slums; in the second case, we see socialist industrial developments; and in the third case, we see townhouses. These issues are pressing to different degrees, but in all three cases they present questions that concern residents and touch upon serious issues of municipal finance and sources of suburban development.

I must note that the urban periphery issue has attracted the public's attention. Over the last few years, cities like Berlin, Paris, and London have gone through what the media has dubbed a 'suburban uprising': surges of criminal activity driven by the lack of social integration of residents and social groups which find themselves on the periphery, or in the most disadvantaged neighbourhoods on the outskirts of major cities. In 2003, the United Nations prepared a report entitled 'The Challenge

of Slums', which focuses on the most marginal cases: one in six people alive today lives in a slum on the outskirts of a city.

You can see here – I apologize to English-speaking members of the audience – examples of population growth rates over the last ten years in a number of cities. Paris has the lowest rate, with 7.2%, while Bangkok saw the most dramatic growth: the population of this Asian megalopolis has grown by 45%.

In Moscow – you can see Moscow's borders as of one year ago, based on the city expansion project – the issue of the city's periphery has a unique face and a unique set of issues. Moscow has no slums. That is wonderful. We inherited outlying districts equipped with amenities, with a relatively high standard of living. But a number of major issues remain.

The first of these is the issue of Moscow's expansion. Moscow has grown by 150%, compared with its historical confines. Today, it covers 2,500 square kilometres. The new Moscow Master Plan, scheduled to be approved in 2015, must focus specifically on the issue of developing new areas, which is to say, the outskirts. This issue did not exist in the past.

The second reason this subject is so vital is that Moscow is an extremely concentrated city. In the 100 years since the beginning of the twentieth century, Moscow has grown tenfold. You can see the small area in the centre: only 7% of residents live here permanently, but it contains over 40% of the city's jobs. This creates additional problems for the city centre as well as for the outlying districts, which mostly serve as residential areas or industrial zones.

Moscow is, first and foremost, the Kremlin, Red Square, boulevards, and parks. But it is also Bibirevo, Zhulebino, Zyuzino – neighbourhoods known only to Moscow residents. This nondescript area houses 85% of the city's population. The challenge facing Moscow, and not only Moscow, is to give these areas a face and a personality, both for their residents and for others. The question of suburban identity is also extremely vital.

The third problem is not unique to Moscow, but one that is faced by all major cities: the issue of unequal development. This gives rise to affluent neighbourhoods and

neighbourhoods with poor social and economic reputations. When looking at outlying areas, municipal administrations must take measures to decrease, to curtail, this unequal development, which, as we have learned from recent European developments, leads to waves of violence and anti-social behaviour.

In Moscow, the problem of the periphery, or, if you prefer, the typology of the periphery, is primarily residential and industrial. Industrial areas must be remodelled to take on different functions. Residential areas are approaching the point when the massive volume of second generation industrial housing will have to be upgraded. We have to do something about it. There is a great deal more of this type of housing than there is of the type that has already been rebuilt. The model we used to demolish five-storey buildings constructed during the first industrial era, in the early years of industrial housing, is unlikely to be useful here: these are high-rise buildings in high-density areas, so we will not be able to move in the direction of increased density.

We are starting major projects in these districts: the ZIL automobile manufacturing plant is not quite the periphery, but it is definitely not in the city centre; Skolkovo is part of the new Moscow periphery and promises to drive a high volume of urban development and bring important new innovations to the city. Each city must determine whether it wants to actively develop its periphery, or focus on conservation and, when necessary, keep existing areas at their present density.

I would also like to touch upon a potential issue that is directly related to suburban development and one that is very relevant for Moscow.

It is the subject of migration. Moscow will need at least one million migrants over the next five years. Global experience has shown that in some cases, this level of rapid migration leads to the formation of ghettos. We cannot solve one problem by creating another.

As I mentioned before, this is a housing development model. We have inherited primarily residential neighbourhoods, many of which have nearly exhausted their resources. This is a very expensive story. So far, we have not looked for solutions at

the expense of residents. At this time, the issue reaches beyond the city's budgetary capacities; so we have to look for solutions.

On to the next point. Tax policy is a federal issue. We have very low property taxes. Property, land – this is Moscow's 'oil'. As we clarify our policies, we must gradually shift the focus of our revenue structure from taxes on economic activity, or income taxes and taxes on profits, to property taxes. This primarily means land and property taxes: there is plenty of land and property, it is expensive, and it can be considered a significant source of revenue.

I will close with one more issue: the value of housing. We analysed the difference between property prices in the centres and on the outskirts of various cities, and we realized that in Moscow, this difference is much higher than the average. We looked at London and Singapore, which are listed here, as well as at other cities. The price of property available on the periphery has great potential for growth. We have to take certain steps. It is a very useful and interesting economic exercise: to use various urban development and social measures to increase the value of existing infrastructure, thereby increasing the appeal of Moscow's periphery, which has already been built and now needs to be transformed along these lines.

Thank you.

J. Thornhill:

Thank you very much. That is a very interesting presentation about how rapid expansion of some of these big capital cities also creates many problems and challenges for the people who must manage them. For the final formal part of the session, I would like to welcome Ms. Nicole Bricq, France's Minister for Foreign Trade, who has a very busy schedule negotiating the EU-US trade pact but has found time to talk to us today. Welcome. I look forward to your presentation.

N. Bricq:

I will be speaking in French. Thank you.

We are talking about various regions of the world, but I see Russia as our next-door neighbour here in Europe. Cities are truly the engine of progress, the engine of growth. In my travels, I have learned that urban growth must reconcile economic growth and quality of life. This is a universal issue; we see it everywhere. You presented numbers and graphs: urban growth is a phenomenon of the late twentieth–early twenty-first century, and a high priority for governments, delegates, and elected officials at various levels. Andrei spoke about this.

I had a meeting with him in Moscow a few months ago. I know he came to Paris and visited the *Le Grand Paris* exhibition. France has a very specific experience with urban development as we understand it today. I visited the countries of Southeast Asia and met with my ministerial colleagues. One of the ministers also handles economic development and related financing. While this was not the main topic of that press conference, he closed it by telling journalists in his native language (someone translated this for me, since I do not speak the language), “When I talk about urban engineering, I am thinking of France.” I consider this a compliment. It felt very nice to hear him say this about my country, because we have a very rich experience going back a long way.

Let us return to *Le Grand Paris*. The Mayor of Tel Aviv spoke about his city’s achievements: it is a truly lively, dynamic, growing city that is a joy to live in. Paris and the Paris region is home to 12.5 million residents, which is about the same as St. Petersburg and its region. I believe we all recognize the issues Andrei mentioned in connection with his city. We launched a major project called *Le Grand Paris*, focused on lessening the load on the city centre: too often, to go from one suburb of Paris to another, you have to travel via the city centre, because we also have a radial layout. This project will require an investment of EUR 30 billion. To let the city centre breathe, we will need to boost suburban development. The mayor’s policy of limiting car traffic creates problems, because it does nothing to lower the number of cars: few people are ready to get rid of their wheels. We must develop alternative modes of transport. I believe this major project will be very mobilizing. It

also involves architects, who have been working very hard to solve our housing problem. This is one of the lessons we will have to learn.

Municipal services, water supply, and sanitation – these are all also extremely important. We must not forget about the quality of services provided to the public, and about what we can do well.

French cities traditionally have very dense cores. We must take care not to turn the historical areas of our cities into museums: they must continue to be alive. We need a transport system which is adapted to the city centre. I have worked with French companies as part of this important Forum. They come here regularly. This year, representatives of Alstom-Citadis are attending the Forum. No one is more suited to working in the core areas of major cities.

We understand the importance of protecting our environment. We are creating green areas in Lyon, Nantes, and Nice: in other words, in all of our major cities. I think you should visit us and see what we are doing in this regard. Government and business delegations come to us from all over the world to study our models. We are working on creating environmentally friendly neighbourhoods – or rather, ‘green’ cities. These neighbourhoods are home to more than mere thousands or tens of thousands people: they are home to hundreds of thousands, up to a million residents! This work began in the 1960s–1970s, at the initiative of General de Gaulle.

We have built new cities. I see new cities being built all over the world. I saw Astana in Kazakhstan: a brand new, modern city. We made our mistakes; and we have learned from them, clocking them up to experience. We have built six new cities. Four of them have been successful; one was a complete failure; and one is a source of mixed feelings.

This experience has taught us a very important lesson I want to mention today. I do not want to spend a lot of time on it, but it really is extremely important. We must have an integrated vision of mobility within the city: in other words, the city’s transportation grid, its link to the suburbs, urbanism, housing, and public services. Some cities start with transportation, and at a certain point run into the issue of

housing. This problem cannot be solved without moving people between work and home, or between work and recreation: work and home are not the only two places where people spend their time. Public transport is a key issue that requires new technological solutions.

All cities are short of money, just as all cities face the issue of energy efficiency. We must ensure that the housing we are building will not become a bottomless pit for energy. We must not allow low-quality construction. Technological solutions and technological advances are extremely important. Large cities, large population hubs will host major international exhibitions. They also want to host, say, the Olympic Games or other major sporting events. Many French companies are at the forefront of energy conservation, and on a larger scale, in the field of green technologies in general. Organizers of the London Olympic Games called the event the “greenest Games ever”. Many French companies had a hand in implementing this approach, contributing their technologies, designs, and cutting-edge energy efficiency solutions.

The ability to adopt innovations is an important factor in a city’s development. I spoke about public transport and historical neighbourhoods. I know a great many other cities are considering less traditional forms of transportation, such as light rail or monorail. One French company is currently involved in developing this type of project for Nizhny Novgorod. Accessible, fast, and environmentally friendly transport is not just part of the infrastructure: it has an important social function by conveniently linking the city centre with the suburbs.

In conclusion, I would like to say that we have the ability to compile the entire French experience. I know other countries are also doing this: I know our competitors well. Our Japanese friends have selected ten cities throughout the world in which they will build green neighbourhoods, sometimes in cooperation with domestic companies. They will be doing this in places like Lyon. This is normal: everyone is looking for a niche in the market. I hope France, with all its experience and mistakes, can offer its achievements and the lessons it has learned to the global community. To implement these global projects, we need very careful

management. We need good engineers – the world has plenty of them. We also need professionals capable of managing projects on a global scale. This applies, for example, to *Le Grand Paris*. And it is related to the issues you mentioned. It is related to taxation, which is also important. We also need arbitration bodies with the ability to settle disputes between companies taking part in these projects. We cannot rush into this work, and we cannot look for unwarranted ways to cut costs. In some instances, we built fast and cheap, and now, ten years later, I can see that we have to start again from the ground up. That was the choice we made. But as you are aware, the state budget, like private funding, is not limitless. We must use it effectively.

J. Thornhill:

Thank you very much, Ms. Bricq. I think you are quite right to stress the importance of quality of life for cities and also the necessity of an integrated approach. I wonder if I may continue with this theme and call on some people from the floor, in particular, if we could carry on with Jean-François Cirelli, who is the President of GDF SUEZ, and who I know has some strong views on sustainability of cities.

J.-F. Cirelli:

Thank you. It is true that demographic growth, the fight against climate change, the need to conserve resources, and security reasons as mentioned by Andrei are clearly all factors which require us to reconsider Eurobond forms today. It is also true that ecodistricts, which were launched in Scandinavia 15 years ago, are developing rapidly all across the world. My company is very active in these cities and based on our experience, what I would say is: first, to recommend our leaders to choose a solution-based approach rather than one based on profession or activities, and that solution-based approach should include economic and environmental rationalization of energy, the mix, usually, of network, rationalization and what we call today, the ‘circular economy’, through the reuse of resources. Second, I point I would like to mention is that, by definition, it is a very complex

situation to deal with. Leaders must face a multiplicity of issues: access to basic needs such as energy, waste, and water; environmental constraints, tier 2 pollution; economic development – creating jobs is clearly an issue; and also quality of life as you mentioned. All of these are totally interconnected and there is a need for cautious preparation in order to be sure that we are able to tackle a majority of issues and do not try to address them one by one. Third, is trying to gather all the available forces and all the stakeholders to be used in the preparatory stage for these issues. Business could clearly help to propose solutions to political leaders to optimize economic, social, and environmental aspects. We need utilities, banks, funding institutions, and city planners. We need land developers. We need all kinds of people. The last point is there is no standard solution; it is always a tailor-made solution which is clearly needed. We have this experience of trying to integrate all of these aspects. For instance, we are managing the biggest cooling district in the world in Paris, but trying to put together energy, waste, and water is usually the first thing we have to do. We will be happy to help in the Russian Federation where this issue is already at the top of the agenda, as well as in other parts of the world. Thank you.

J. Thornhill:

Thank you very much for your contribution. Now I would like to call on David Gray the Managing Partner for PricewaterhouseCoopers (PwC) Russia.

D. Gray:

Fascinating observations from a number of the panellists covering a broad range. I think one thing that stood out for me was the point about urbanization as a twenty-first century phenomena. We have passed the 50% mark and, as one speaker pointed out, we are heading to 70% if the predictions are right. One of the other key phenomena that we have seen in the same time frame is around globalization. There is a pull towards a flat earth in terms of how places compete. At PricewaterhouseCoopers (PwC), we do the *Cities of Opportunity* report that looks at

key urban centres around the world. We increasingly see that it is not really competition between countries; it is really competition at the level of how effective your cities are. This poses a problem in that, if globalization is a trend, and the Mayor of Tel Aviv highlighted, particularly around attracting a young, innovative population, it is probably a zero-sum game in that there are a limited number of places that will compete at a global level. There will be an issue of allocation of resources if you think about it at a country level. How do you go about picking your winners? Where do you focus in terms of global competition since you cannot compete globally by having a dozen cities across the Russian Federation, for example? Even in a space as big as the Russian Federation, there is probably going to be one, maybe two, that can compete at that level. If this is the case, if we are not to misallocate resources in terms of urban development resource allocation, there have to be decisions made at a country level that have implications at local level in terms of prioritizing. This comes with a risk, going back to the idea that we pick six cities, but maybe one or two will not make it; there will be winners and losers in this game. This will throw up the challenge of ghost cities or cities which do not quite make the grade and they fail because of an inability to compete at that level. I am interested in the panel's views of whether we see mayors as the key in terms of politics – the effectiveness of mayors. We have a great mayor here today and a great deputy mayor here today. Mayors are going to be the key people that will actually drive success or failure on that global competition level.

J. Thornhill:

Thank you very much for that, David. We must ask the mayors what they think of that. How are you going to defend the competitiveness of your city and your country?

R. Huldai:

We do not have time to discuss all of the issues, but I would like to summarize something on a global level about urbanization, as a strategy for the future. We are

still living in a free market, but with regard to the urbanization issue and the flood of people coming to cities, there are three major issues I think are the most important for cities and governments to address. The first one is to understand that the era of the private car is over. We must do everything in our capacity to develop public transportation systems and car sharing schemes. Sharing is the issue. There is not the space on the Earth for it, it is counter to economic development, and it pollutes. This is very important. The second issue is that we have to improve our city planning and be involved in decentralizing and be aware that the flood is coming to cities across the world. The third issue which is very important – and I told you my story – is education, education, education! These are the three major issues involved in meeting the challenge of the 2030s and 2050s. Thank you.

J. Thornhill:

Andrei, if you are going to be competing with Mr Huldai, please give us Moscow's case.

A. Sharonov:

The issue of competition between cities is no longer just an empty phrase: we currently find ourselves in a situation of real competition, which is reflected first and foremost in the issue of migration. One bad joke calls Moscow a layover for migrants en route from the Urals to London. We are not happy about this position. We must change the situation and turn Moscow into a final destination for people coming from the Urals, as well as for people coming from London. This is another indicator of how well we are competing.

In addition, it is important to define your strengths and weaknesses, in order to minimize the weaknesses and take full advantage of the strengths. We think one of Moscow's strengths is its highly-qualified population, its highly-qualified employees. Another strength is Moscow's infrastructure, which allows us, or will allow us after we have fine-tuned it, to provide these highly-qualified residents with work, and to encourage those who have left the city to return. They left because they had no real

opportunity to use their knowledge and to earn the kind of wages, and most importantly, to live the kind of life they can have in other megacities around the world. We believe the key to competition, and our response to the challenges of competition, lies in improving the standard of living, the public space, safety, the environment, transport, education, and healthcare. We are all the same in this respect, but each city faces these issues in its own unique way. In this respect, our strength is the opportunity we have to take advantage of our innovative potential by concentrating it in Moscow.

J. Thornhill:

In London, both of our neighbours are Russians, so at times it does feel like London is an outpost of Moscow. Mr. Leonid Kazinets, and then Ed, if you will.

L. Kazinets:

The idea that some cities win and some cities lose is undoubtedly true, although things are not as bad as they seem. We can examine interesting cases of how roles can be divided between different cities. We can look at America: people who want to be in show business go to Los Angeles; retirees who want to spend their time on leisure activities move to Florida; people who want to work in government go to Washington, DC; those who are interested in the automotive industry head to Chicago; and those who want to be in finance move to New York. We understand that cities will compete with each other, but it is important that each city finds its own niche. Silicon Valley is an excellent example of a single idea giving rise to massive geographical development. Cities must recognize their strengths and weaknesses, undertake a thorough SWOT analysis, and work out where their competitive edge lies, by using the same tools used in any business process and by any company. Each city has its strong points, and each city has a chance to be great.

J. Thornhill:

Thank you. I would like to take some questions from the floor, so if you could use this moment to put your hands up for a microphone while I ask Ed to respond.

E. Skyler:

I think that was very insightful, but as a former deputy mayor, and someone at Citigroup who knows what is going on in the most competitive cities because we have a presence in 130 cities around the globe, one suggestion I would have is that cities should not be afraid to steal. I do not mean rob, I mean steal, which means get the best ideas from other cities and using them. My experience in New York was that they had a great information line in Chicago, 311. We did not try to do something different, we just replicated it and created 311 in New York. From Paris, we now have bike sharing because we saw how well it worked there and in London. In Silicon Valley, which was just mentioned, the mayor is very jealous of the jobs being created in the tech industry, and we know that New York is very reliant on the financial service industry, so we are investing USD 2 billion to build, with Cornell University, an applied sciences university to create engineers to work in New York City and not in San Francisco or the Silicon Valley. We are actually partnering with the great Israeli university, Technion – Israel Institute of Technology, so that we can rival the start-up nation. Maybe New York can become the start-up city. My view is that it is interesting to have niches and to distinguish yourselves, but imitation is the sincerest form of flattery.

J. Thornhill:

Thank you very much for that and the idea that cities should steal good ideas from each other. There is a question over here, please?

From the audience:

It is not a question, just a comment. The Russian Federation expects to get the Expo 2020 in Yekaterinburg. I think this is a wonderful opportunity for the country to build not only an exhibition centre but also something that will come afterwards,

called heritage, which will be the city of tomorrow and which will encompass all the necessary topics and issues being described today. That is all that I wanted to say. Thank you.

J. Thornhill:

Thank you. Are there any other questions? Yes, please.

From the audience:

I have a question for Ms. Bricq. I am from China. I live in Beijing. As you know, our city has very heavy traffic jams and significant environmental problems. How might we resolve these problems in Beijing? How do we ensure stable development in Beijing?

Thank you.

J. Thornhill:

Thank you for your question which is: What can Beijing learn from Paris?

N. Bricq:

When I went to Beijing with the President of France to meet the new Chinese Government, I thought that Beijing's environment was reasonably good. When I returned in January, I noticed that the situation had greatly deteriorated. Your city is experiencing very drastic expansion. Today, only 7% of China's lands are irrigated. This is a sign of extremely intensive urbanization for a country as large as China.

I am not here to lecture you, but this is a subject which my colleague, China's Minister of Commerce, and I have decided to address together. We have highlighted four issues on which to focus. I believe China also faces certain energy issues. That is why we are working on a large number of projects in the energy sphere.

I am familiar with the plans to build a major nuclear plant in Guangzhou, in southern China. Serious consideration must be given to environmental protection measures;

however we have an opportunity to address these issues right at the start of the project.

The transport problem is also quite pressing, since the number of cars in China is increasing rapidly. We must provide incentives to encourage the construction and purchase of cars with low levels of harmful emissions. We must put in place tax policies that promote the use of alternative energy. This can be a difficult task for a country that uses primarily fossil fuels. Of course this is a difficult issue – but it can be solved. I believe the Chinese Government has come up with very effective measures to improve the standard of urban living. These measures are included in the so-called Twelfth Guideline.

We must base our plans on what we have today. At the same time, we must develop long-term solutions. We must consider the issue of improving the quality of housing, and adapt solutions to the current situation. It is easier to solve problems at the outset. But we also have to know how to fix the mistakes we have made. As Andrei put it, we must think about which aspects to promote and which aspects to hold back.

Your country is developing at a very fast pace. I want to repeat that we are not here to lecture anyone. We also went through a period of very fast economic growth, and we made grave mistakes, especially in the sphere of urban development. We completely ignored the issue of energy. As a result, today we have to implement a comprehensive plan aimed at improving our energy efficiency. Although these measures require a lot of funding, this plan remains among our government's top priorities. At the European level, we have a corresponding directive: a specific law, under which 27 EU countries have made a commitment to improve their energy efficiency. European countries treat this issue very seriously. We are entirely too dependent on imported fuel and energy resources. Our major energy companies, Gaz de France and Total, undertake a lot of research and innovation in the sphere of energy efficiency. These companies have been tackling energy issues since they were founded.

We spend a lot of time thinking about alternative energy sources: solar, wind, and biomass energy, which are still underused today.

This is part of our innovative approach towards supporting growth. But to implement this approach, we need very significant investment. I think that government and the private sector must address this issue together. Private companies should also seek to improve the standard of urban living, and should make this one of their priorities. The standard of living in the city, the region, or the country, is a political issue, and a very important one at that.

J. Thornhill:

I think we just had a perfect example of Ed's point about how cities can learn from each other. Final question here.

J.-F. Decaux:

Thank you. This is not a question. My name is Jean-François Decaux. I am Chairman and Co-Chief Executive Office of JCDecaux. I would like to make two remarks to what Mr. Skyler said. Our company pioneered and invented the bike sharing system. We operate 25,000 bikes in Paris. Given New York City' population of eight million, in comparison to Paris' two million, excluding its suburban areas, you should have 100,000 bikes in New York, and not 10,000. I am happy to discuss with you how to get from 10,000 to 100,000. That is my first remark. If I may, my second remark to Mr. Skyler is that it is four times more expensive for a New Yorker to enrol to your bike sharing system. It is about USD 100 a year versus USD 25 in Paris. The reason is that you have chosen a different business model that is based on sponsorship and registration fees, whereas the mayor of Paris chose to use advertising on street furniture to fund the bike system. I think that Paris is the better system because it is free of charge for the public and you can provide a lot more bikes than with your scheme. As I mentioned, I am happy to discuss it at any time. Thank you.

J. Thornhill:

That was the most inventive corporate pitch I have heard in a long time. One final question for the panel about the politics of cities. We are in Saint Petersburg where we saw in 1917 that if you have a disaffected urban population there are some dramatic consequences that can result. If you turn on the television today you see urban riots in Istanbul and across Brazil at the moment. Many of the issues that spark this unrest are concrete daily issues, be they transport fare increases or plans to bulldoze a park. Does anyone want to comment on how to deal with disaffection with mismanagement of cities? How is it possible to maintain the political stability in a city?

A. Sharonov:

Problems with municipal management, failures, and mistakes always happen, and are always accompanied by public protests. These processes are interlinked, though not in direct ways. We should not be saying, "Now that public protests are happening, we will get down to municipal management." Cities are always involved in management. We have seen various forms of public protests, actions, and riots in Berlin, Paris, and London. We are still seeing them today. I think that municipal administrations and the state must learn to channel discontent so that it is expressed in more civilized ways, and to create more opportunities to address this discontent at an earlier stage, transforming it into cooperation between civil society and government focused on fixing the situation. The government must find alternative forms of dialogue between the state and the public.

J. Thornhill:

Okay thank you very much. I think it has been a fascinating debate. I would like to thank all of the panellists for contributing. I think there are several things to take away. One is that we lived, in much of the world anyway, with the belief that markets were right, that they solved everything. I think we have heard from all of the speakers in different ways that markets are not sufficient. Planning is really very

necessary when dealing with cities, and that an integrated approach concentrating on the quality of life in cities is incredibly important. Secondly, that cities may be competing with each other but that they can also cooperate, they can steal good ideas from one another. Some cities have cracked particular problems and people can learn from them and benefit. The third lesson is that you must not forget to take your swimming trunks when you go to visit Tel Aviv. Thank you very much to all of our panellists for a great debate.