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Модератор:

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Выступающие:

Дэвид Ла Рос, Вице-президент, генеральный директор в Центральной и Восточной Европе, IBM

Джо Макри, Вице-президент по работе с государственными организациями по странам EMEA, Microsoft

Марк Отти, Член совета директоров, управляющий партнер по региону EMEA (Европа, Ближний Восток, Индия и Африка), компания EY

Максим Решетников, Министр Правительства Москвы, руководитель Департамента экономической политики и развития города Москвы

A. Smale:

Good morning, everybody. It is lovely to be in this beautiful city of St. Petersburg, actually Europe's third-largest city, which very rarely gets discussed as such. I think it is one of the most beautiful cities in Europe, if not the world, so they must be doing plenty of things right. Today we are supposed to be examining what has happened to the mega city, I think, assuming that there are so many mega cities, and the shifting fortunes of whatever growth engines those cities have. It seems to me, in fact, that the main growth engine is people, and maybe that is what we can discuss: how do we make these cities places where people do not just come to begin their scramble up the urban social ladder or try to find a place to sleep or try to find a place to raise their children, but make it somewhere they can really identify with?

We have assembled a pretty powerful round of people to discuss these topics. To my left is David La Rose. He is general manager in Central and Eastern Europe for all of IBM. He lives in Prague; he has lived in Shanghai, I believe, and Japan. Shanghai, to me, is almost the definition of the Asian mega city. So it would be great if you can draw on some of your experiences.

Maxim Reshetnikov is the Minister, and Head of the Department of Economic Policy and Development, in the Moscow Government, and as I have just been teasing him, I am going to finally get the answer to the question of how many people actually do live in Moscow, and how many people are there in the famous surroundings of Moscow, and why is it that when all of them come together, like just before New Year's, you cannot move in Moscow?

Mark Otty was born, I believe, in South Africa, and has worked for Ernst & Young, for a long time, right? And he is a member of the Ernst & Young Global Executive Committee and the Area Managing Partner for Europe, the Middle East, India and Africa.

And last but very much not least is Joe Macri, who works for Microsoft. He is the Vice President for Europe, the Middle East, and Africa. So, we have people who

have lived in lots of places and bring a wealth of experience to this question about how we make the mega city grow – how we make it grow in a humane sort of way.

I am kind of cheating here, but the other day I went to a lecture by a man called Charles Landry, who wrote a book called *The Creative City*. He very much wants to make spaces, residential areas, and workplaces not just functional but also spaces that encourage human dialogue and creativity, because that is really what makes a city thrive; it is what makes people who live there feel as if they have an identity. I think I can speak very personally about that, because my husband and I moved to Berlin not quite a year ago. Berlin is just the most amazing place at the moment. It really has an energy from the influx of young people who party there every weekend, partly because there are lots of run-down factories and power plants and detritus left over from Communism, which young people have swiftly adapted into the grooviest party places in Europe. But it is a little bit more than that. It is also a very spread-out city, a very green city. It is a place where people can ride bikes very easily, and it is somewhere where you have a great many places where you can congregate and have a quiet but productive conversation. And I often think about the protests in Turkey for the preservation of Gezi Park. It is not surprising, because that part of Istanbul has become more and more built up. There is less and less of the opportunity to sort of sit down and relax, which I think the original residents of Istanbul are extremely used to doing as part of the cafe culture there. You are supposed to sort of sit and take your time. Those are the kinds of conversations that produce culture, new invention, some different way of doing things, or just make your life more pleasant.

I think it would be great if David could start us off. Charles Landry wrote about five things that he thinks can help a city be a creative place:

A sense of anchorage, of truly belonging there.

A sense of possibility, a sort of can-do spirit.

A sense of connectivity, which is both literal and figurative. I mean, obviously, you have to have good communications, transport, and functioning city hardware like power grids and water supplies; but you also have to feel bound to your street and to your quarter, to your city, country, and eventually the world.

A sense of self-improvement, because people move to cities, especially in the very quickly developing countries in Asia, because they really want to get one notch farther up the ladder, and as they move more and more to cities, they will want to feel fulfilled. I think it is going to be very interesting in India, for instance, whether Modi can really fulfil the promises, or the expectations, that he has awoken.

A sense of inspiration that takes city dwellers beyond merely feeling comfortable and connected and encourages them to strive for a bigger sense of change, of trying to alter their context, so that the city is really a platform for something new, and that that is what distinguishes it from the village or the small town.

So, with all those things in mind, I will kick off by asking David to give us his thoughts.

D. La Rose:

Well, thanks, Alison. Thanks for the invitation. I am delighted to be here with my colleagues and those in the audience, and delighted to be in St. Petersburg. We were just saying earlier that it is a beautiful city. I always think that a city with water surrounding it or intertwined within it offers such a different feeling.

I have had the great fortune of living in five different cities in my life. I started off in Australia, and Joe will know this, but I was brought up in Adelaide, which is a very small city of less than a million people; a lot of parklands, a very open city, and to your point, a lot of cafe culture and academic culture. I then moved to Sydney for my professional career, and then had the opportunity to move to Tokyo, then Shanghai, and now Prague in Europe. I am in Europe for the first

time. There are very different and diverse elements in the cities that I have seen examples of.

But I wanted to start with Charles Landry's perspective. I wanted to pick up on self-improvement. And I think a great example, at least for me and for those that I have been associated with, is Rio de Janeiro. Eduardo Paes, mayor of Rio de Janeiro, in his first year as mayor (in fact, I think it was within his first six months) had to go on national television and tell people to stay at home, not to come in to work, because the roads and the city were effectively flooded. It was a natural catastrophe that impacted the city and all of the citizens in it immediately. He then decided, in working with a number of different people, including us, IBM, to look at how to get ahead of that. How does he get to a point where he is able to identify the problems and deal with them as opposed to dealing with the consequences? And I think that goes to this point of self-improvement, and I will come back to that in a minute, but effectively what he did, working with us, was to look at integrating a lot of the public services and facilities that they had, and using analytics and technology and the data that they already had to try to look at how they could improve. He basically was asking how to run his city differently and get innovation. Asking what he needs to do to get ahead of this rather than dealing with consequences. He really looked at working with us and others to provide prediction of problems and improve the quality of life. So, together we developed, I think, one of the first effective operating control centres in Rio de Janeiro, which takes 32 of the services that the city provides and integrates them. It integrates weather forecasting with emergency services so they can have a look at what is happening in the weather, what things are potentially going to occur, and therefore get early indicators to the emergency services group, which obviously provides a level of safety and comfort to the individuals. Traffic congestion is now connected with public safety, so there are 400 cameras centred around the city which take data and monitor things that are going on, and then can redirect traffic and adjust traffic. It is also now being integrated into the

public transport system. And now it uses that information to give back to the city using a social network. There are 150 Facebook posts every day on which trains to use, which trains not to use, which way to go to work, etcetera.

I think, at least, that encompasses a couple of things. One is great leadership. Cities need this concept of a great leader and innovation around leadership, thereby creating the identity of the city. It obviously needs skilled people, and by skilled I mean educated people. Alison, to your point about people, Shanghai is a good example of people moving from farms, effectively, into a major city, just to get ahead, just to move forward. There is also another population of skilled workers who are saying, "I am moving for a specific job; there is a specific reason I want to go, and therefore I want to make decisions around where I want to live." That goes to your point on quality of life. I think that is an important element of creating and attracting skilled citizens, who then provide productivity, innovation, etcetera.

The third element I think is important is that the cities themselves have to become smarter, and I am sure Joe will give some examples as well, but I mean using technology with the data that is already available, that we are extracting. We get all of this data every day. Singapore is another great example. Singapore has a transportation card that allows a citizen to pay for public transport, to pay for parking, to integrate toll roads all through one card, which then allows, through another sort of operating central environment, integrating all of these data points. There are 20 million data points that are collected on a daily basis, so they can then adjust train schedules, they can adjust traffic information, they can improve availability of trains, they can look at monitoring of pricing to get more people on trains during certain times. It all goes to a better quality of life. For me, at least, that was a good example of self-improvement and even inspirational leadership in the cities.

A. Smale:

Football fans will be dying to know: Is this going to hold up during the World Cup?

D. La Rose:

That is the intent. I mean, public safety is going to be a critical element around the World Cup, as well as movement of people. There will be millions of people coming in. All of this was to build towards that as well. So we are doing a lot of work with them on that side, getting ready for that as well.

A. Smale:

Thank you. So, Mark, if you could share some of your experiences. All of us around this table are people who have lived in lots of different places as well, so feel free to throw in your personal experience.

M. Otty:

Right. Thanks, Alison. Yes, I have had the privilege and opportunity to live in some wonderful cities. I grew up in Johannesburg and lived and worked in the city of Johannesburg for a long time. I will come back to that in a moment to share a really interesting story of something that we experienced in the city of Johannesburg, which speaks very clearly today to this point about leadership. Then I moved to Toronto and lived there for a couple of years. Now I have a home in London, which is my primary base, but I also have a home in Cape Town, which I think is one of the most beautiful cities in the world. So I am able to combine Northern and Southern Hemisphere living when it appeals, and at certain times of the year it really does appeal.

Just to share with you a little story about my own experience in Johannesburg. One of the things that I find fascinating about cities is how quickly they can change, and change really significantly. We as EY owned a 17-storey building in downtown Johannesburg. When we bought that building, it was right in the heart

of the business district. The stock exchange was literally right across the street, all of the major banks were around us, and many of our clients were within walking distance of the building. By the mid-1990s, we took a decision that we needed to move out of the city of Johannesburg, for two reasons: One was safety and security, which is something that presumably everybody has read about in the newspapers, but the second reason was that there was just this continual stream of major organizations leaving the city. At that time, we were unable to find a buyer for the building, and even at USD 1 million, the building would have cost us significantly more to maintain and we could not find a buyer. I forget exactly what the bill was, but I think we actually had to pay somebody to take the building from us. A few years later, you were unable to buy an apartment in the same building for USD 1 million, and that would be a one-bedroom apartment. And so what is it that changed? There was no significant change to infrastructure at all. Safety and security, to be brutally honest, was maybe a little better but not significantly better, and even today you would not wander around the streets of Johannesburg at night. And yet, all of a sudden, it became a really popular residential area. For some reason, it had become a cool place to live. It is interesting – you spoke, Allison, about how abandoned buildings all of a sudden become a cool place to party, and so attract people. And so what I think happened is, through some pretty creative, smart leadership, a group of people had managed to attract trendy individuals, trendy stores, shops, restaurants, bars, clubs, back into the city, and people followed. And so, for me, it is just a wonderful case study. The actual organization of the city did not really change. The infrastructure did not change. But all of the sudden, the city's fortunes were completely turned around.

A. Smale:

Was there a different leadership, a different mayor, a particular bureaucrat in the system?

M. Otty:

Absolutely. The leadership changed, and some very creative, well-communicating, smart people took over responsibility of the city, and actually had very little money to spend.

This is just an anecdote, but here are the things that I think are really important in the context of a great city and that will provide attraction to people, in no particular order. Connectivity, I think, is really, really essential in the world that we live in today – and connectivity can mean many things. Transport is really, really important. I mentioned that I live in London today. We actually have our head office as a global organization in London. Interestingly, we have chosen not to have any of our board meetings in London anymore, and the reason for that, quite simply, is that it takes so long for people to get from the airport into the city of London to attend meetings. We can have the meeting in Amsterdam, where people can get from the airport to the office in 20 minutes, and there is never a problem. So, transport infrastructure is really, really important. Also technology, I think, is becoming increasingly important; does the city actually have the bandwidth from a technological perspective to support the developments that businesses are looking for?

Connectivity with the rest of the world, I think, is becoming increasingly important, and when I look at some of the major cities in Europe, connectivity is a big part of what they offer. Connectivity with capital markets. It is interesting that if you look at some of the major cities of the world today, many of them have well-functioning capital markets that are well connected with financial markets around the world. There is also connectivity from a research and development perspective. I think, as we enter into the current economic cycle and hopefully see some recovery, research and development from many, many countries is becoming a key part of the recovery. The reality is that that does not happen in single locations; it is all about connectivity with other people around the world.

Education is something that I think is becoming more and more important, and as we look to move people in our own organization around the world, and look at locations where we find that we can attract and build up a really good base of skill, we find that education is an absolutely critical driver. I think it is interesting that you mentioned the Indian example. I see this in the extreme in our own organization with our clients – what people will do to educate their children. There is nothing more important for many, many people today than the education of their kids. And you know, I am often asked, what is it that makes London so attractive? Why is it that there is so much capital flowing through London? Why are there so many people moving to London? I think one of the things is the education system.

A. Smale:

Albeit mostly the private education system.

M. Otty:

I think that is right, absolutely right. But when you are talking about mobility, the sort of people that we would be attracting into our organization, you are looking at people who are prepared to spend a lot of money on education. I have two sons in school in the UK, and we have so many pupils from China that they actually have a parents' association meeting in Hong Kong once a year, which is something that I could never have thought about only a few years ago.

And then there is something for me about a city that continues to evolve, and I think this plays again to David's point around leadership. I took my family on a boat trip on the Thames just a couple of months ago, and we were going down looking at the South Bank in London on the River Thames, and just in the time that we have lived there, which is 10 years, it is just amazing what has changed. Many, many old warehouses that were standing empty have become the most attractive, trendy places to live. And I think that that comes down to some really

smart, creative leadership that is always looking for where the opportunity is to actually improve a particular area.

A. Smale:

About the South Bank: I grew up in London myself, and I am so ancient that I can remember when they first built the Southbank Centre. It looks kind of dated and a little bit 'concretey', 1970s-style clunky now, but at the time it was very adventurous, and that light sculpture on the Hayward Gallery was kind of emblematic of something. So I think that is also an interesting example of evolution, as you say, where you build on something that was known as a big centre. Despite the fact that it was not very attractive, it does contain the National Theatre, one of the finest English-language theatres in the world, and so it managed to attract more and more people. I think that is interesting going forward in a place like Moscow, for instance.

I did not mean to cut you off. Anyway, I will turn to Joe. We are quite an international group, as I pointed out during the introduction, so please do share of your experiences if you can.

J. Macri:

Like other members, I have lived and worked in a couple of cities; originally Sydney is where I started my career and experiences. I moved to London and lived there for a number of years, and now, while I say I live in Dublin, I fly in and out of Dublin, because I have an international role. My family is based there. What I think is more interesting than where I have lived is also where I have visited, and the experience you get when you visit a city. In my role I meet with government officials from across Europe, the Middle East, and Africa, and what is really interesting is that when you arrive in the country, you will get some sort of briefing document, and then when you are in the car you get the other briefing that does not happen in the document. The thing that people typically focus on is

how bad the traffic is, like, “We have got the world’s worst traffic!” It is almost like a badge of honour that my city has the worst traffic or the worst this or the worst that. I think that probably in Egypt, in Cairo, was probably my most interesting traffic experience.

Anyway, coming back to the discussion, I actually want to build on David’s comments around self-improvement. I think the role of the citizen taking control, and then how we in the technology sector can enable that, is a really interesting discussion. The first thing that I think is worth reflecting on is the question of why people move to cities. If they are not born there, why do they move there? And typically – I think this has already been mentioned – it is because of the employment opportunities.

There is also this notion of community, societal belonging, that comes into play. But in my experience, when I talk to people, it is not just about the image of a city; it is also the practicalities of a city. I think we have touched on many of those. I would summarize them in terms of the transportation systems that I have just commented on, but also the legal and regulatory framework that is not directly visible to the citizen but indirectly impacts the life of the citizen. And also some other things that are mostly social and cultural that are really important. Thinking about that context, at Microsoft we ask ourselves a question: What role does technology play? And we automatically jump to the answer that it is an economic role. That is a good place to start, and I will come back to some social examples in a moment. But there is a strong, growing body of evidence, research, that has been conducted in many cities across Northern Europe, across the United States and other countries as well, that really does show that technology has a direct role to play in economic development. I think that is well understood. In the case of Microsoft, what is really interesting is that we actually track, and the independent research company IDC showed, that for every dollar of revenue that we did, our partners would do about nine times that in revenue,

and that would create ancillary services, local taxes, and employment opportunities. So there is this ecosystem of processes going on.

Here in Russia, you know, we have been working with Skolkovo specifically, and we actually have, I think, about six innovation centres across the country to really focus on economic development as a theme.

As I mentioned, there is also the social aspect and the cultural aspect that are worth mentioning. Here in St. Petersburg, in the Presidential Library, actually, we have been working with them since 2009 to digitize all of the artefacts, all of the content, and make it much more broadly available to the citizens.

These examples are very good in that they are from a local context, but I want to choose three cities that we have really engaged with over the years. Just to give some examples, coming back to this notion of self-improvement and how the citizens can take control. There is an initiative called 'Love Clean Street.' Love Clean Street is an initiative that started in the city of London but now has been replicated in many other cities. And it is a very basic idea. You know, the citizens walk across the road, and they see a pothole, or they see some obstruction, or they see something going wrong in their experience of the city. They take out their mobile phone, they take a photo; because of the GPS on the phone (it is a nice Nokia device, by the way), they can then send that information to their local council. They are then given back a registration number, and they can track online the progress of that specific problem. So it is a really good example, very pragmatic, very basic, and very local, but again, the key is giving a citizen the opportunity to make a difference.

Another great city, and this, I think, builds on the theme of inspirational leadership, is the city of Barcelona. A beautiful city as well, also a city with water nearby, though actually most of the city was built away from the water. It is only more recently that they have taken advantage of the waterfront. The mayor there is a wonderful man, an incredible leader, very visionary, and very frustrated with getting pieces of paper that are three months out of date telling him what is going

on in his city. He said to his team, “I want to know what is going on *now*. I do not want to know about it in three months’ time, nine months’ time, twelve months’ time; I want to know now.” And so his team has built, using open data, basically a dashboard that is on his tablet device, with a number of feeds. It has structured data coming in from management reports, such as financial analysis and economic data. It also gets streaming data and unstructured data. But more importantly, it takes that raw data and turns it into insight, in a very simple red/green/amber system. When the mayor opens up his dashboard in the morning, he can see what is going well in the city and what is not going so well in the city. It is still a work in progress; they are still constantly connecting different systems; it is taking time; it is not perfect. But it is a really, really good example of empowering a leader to then enable impact in a very local and discrete way.

The third example is a really interesting example. We saw the impact of social technology, not to get geopolitical now, in one perspective, which some people will say was negative, which was that the government was reacting to something that it was not controlling. However, the district of Keçiören near Ankara in Turkey went the other way. They said, okay, let us take social media, and they took Yammer, which is a nice little bit of technology, and they made it available to citizens to then proactively engage with the government on policies. So if they heard something they did not like, or if they wanted to react to something, they could then proactively communicate back to the government leaders their thoughts on those policies.

Those are just three examples. I know there are many others. I know of many that Ernst & Young and IBM and many other companies have been involved in. I think it comes back to the fact that there is a real opportunity through technology for us to make not only an economic impact, which I think we have, but also to help make a social impact and give more power back to the citizen.

A. Smale:

Thank you very much. I think the emerging theme here is that you kind of combine clever people with data that you make smart, and that helps us to create better cities. I wonder how much we can really do that in all of these 600 exploding urban centres that we have, especially in countries which do not have such a great infrastructure to start with.

But, let us turn to the only person at this table who actually is involved in running a mega city. Maxim Reshetnikov was born in Perm, which is a long way from Moscow. I think if Russians are used to anything, it is dealing with bigness. They have the biggest country in the world, and they have a lot of big things, and their most famous theatre is called the Bolshoi Theatre. No offense to anybody here in St. Petersburg; the Mariinsky is wonderful. So, Maxim, tell us a little bit about how you make Moscow work or not work. Thank you.

М. Решетников:

Большое спасибо, что я выступаю последним: у меня есть возможность выразить отношение к тому, что уже сказали коллеги.

Изначально я подготовил несколько иное выступление — с графиками, диаграммами, как обычно готовят чиновники. Спасибо вашим вопросам: они концентрируют фокус на ином.

Москва традиционно была самым большим социальным лифтом на постсоветском пространстве и активно привлекала людей из регионов, которые хотели расти, хотели двигаться дальше, у которых были идеи. Вы правильно отметили, что я родился не в Москве. Я родился в Перми, там начинал свою карьеру, трудовую деятельность, потом меня пригласили на федеральный уровень, в федеральное Правительство. Затем мне повезло: три с половиной года назад Сергей Семенович Собянин пригласил меня в новую команду правительства Москвы. Я горд, что причастен к преобразованиям, которые сейчас происходят в городе.

Многие из тех, кто часто бывает в городе, кто приезжает из других мировых столиц, говорят, что город преобразился. Фокусом преобразования стала организация новых общественных пространств. Это связано с темами, о которых вы говорили: молодежь, креативный класс, место для общения. В городе появились новые парки, большие пешеходные пространства, приведены в порядок московские дворы, отремонтированы дороги, фасады, убрана навязчивая реклама. В городе чисто от центра до самых окраин. Я много путешествую и вижу не так много городов, которые вызывают зависть в плане благоустройства. У нас очень большие возможности, мы многое можем себе позволить, мы много вкладываем в город, и мне кажется, что результаты видны.

Мне кажется, главное, чего нам удалось добиться за последние три года, — даже не столько внешний вид города, хотя это очень важно, сколько вовлеченность самих москвичей в эти процессы. Джо привел отличный пример: можно пойти, сфотографировать какую-то городскую проблему и сообщить городским властям. Два года назад мы запустили крупный сайт, вначале он касался благоустройства дворов. Он позволил всем москвичам увидеть работу, которую проводит город, а москвичи могли ее оценить и дать предложения. За два года этот сайт вырос, сейчас москвичи могут сообщить о 100 проблемах: ямах на дорогах, предложениях по дальнейшему благоустройству, могут пожаловаться на работу в поликлиниках и школах, выразить отношение ко всему, что происходит в городе. Это, конечно, вливает и в город, и в городскую власть новую энергию, учитывая, что в Москве живет 12 миллионов человек.

Система власти устроена из трех уровней: есть городская власть, окружная и районная. Это позволяет максимально приблизить власть к москвичам на самом низовом, на самом важном для москвичей уровне, на уровне городских районов, и обеспечить взаимосвязь. Была проведена реформа местного самоуправления, на уровень районов спустили много локальных

вопросов: благоустройство, обустройство, размещение нестационарной торговли. Теперь эти вопросы решают при одобрении местных муниципальных депутатов, которые выбираются в каждом районе. Это тоже большой шаг вперед.

Москвичи чувствуют сопричастность преобразованиям, которые идут в городе. Москвичи их видят и оценивают. Важно, чтобы и бизнес нашел свое предназначение в этой новой модели. Для креативного класса очень важна среда обитания, но важны и высокие социальные стандарты, и качественное образование, и качественное здравоохранение. Наличие конкурентной среды в экономике тоже очень важно для таких людей. Если не будет экономического драйва, то такие люди могут не найти себя в городе и уехать дальше. Этот процесс шел достаточно активно, креативные люди уезжали. После преобразований мы видим, что ситуация сильно меняется. Город проводит экономическую политику, которая максимально способствует развитию конкуренции, конкурентной среды.

Отмечу несколько моментов. Первое, что мы делаем: мы проводим очень жесткую бюджетную политику. Мы гарантируем исполнение городом всех взятых на себя обязательств на долгосрочный период. Это обязательства перед москвичами — социальные выплаты и так далее. Москва традиционно поддерживает очень высокий социальный пакет. Это обязательства и перед нашими подрядчиками — обязательства по контрактам, по благоустройству, по строительству, в коммунальной сфере. В существующих экономических условиях это далеко не всегда просто для города, мы постоянно изыскиваем новые возможности.

Второй важный момент: мы проводим стимулирующую налоговую политику. Мы активно внедряем эффективное имущественное налогообложение. В этом отношении Москва несколько отстала от других мировых столиц: в Нью-Йорке и Лондоне около 30% бюджета формируется за счет имущественных налогов, у нас пока — только 10%. С этого года мы ведем

активную реформу, связанную с налогообложением коммерческой недвижимости. С одной стороны, необходимо повысить стабильность наших доходов, с другой стороны, эффективное имущественное налогообложение стимулирует активное использование имеющейся недвижимости, вовлечение ее в оборот.

Наконец, третий очень важный для нас элемент — наша активная инвестиционная политика. Помимо инвестиционного климата, мы продвигаем очень много инвестиционных проектов. Сейчас сложилась уникальная позиция Москвы: по качеству жизни и по качеству возможностей, которые город может предложить, мы вполне развитый западный город, а по возможностям, по прибыльности и по уровню издержек мы еще находимся в зоне развивающихся рынков, предоставляя очень большие и, мне кажется, очень интересные возможности для бизнеса.

Элисон, я согласен с постановкой задачи. Без нормальной креативной среды, без того, чтобы в городе было комфортно людям, которые привыкли всего добиваться сами, которые ищут, производят новые идеи, дальнейшее экономическое развитие мировых городов невозможно. Москва будет делать максимум, чтобы это обеспечить.

A. Smale:

Thank you very much for that. I think, as we go into a more general discussion, it is quite interesting to take up the point of taxes and the dirty word 'money'. Because one of the things that really affects how our city develops and what kind of people it attracts is whether or not it has affordable property. Again, I go back to the city that I live in now, Berlin, where we have an apartment admittedly way too big for two people, which is colossal and costs at least EUR 1,000 less per month than a smaller apartment did in Paris. And that helps to explain a lot of why people are finding Berlin a great place to come, because they can live in a

spacious way that they absolutely cannot afford to do elsewhere. If I think of what has happened to Moscow prices in the last 10 or 15 years, it is unimaginable that a small, centre-city apartment that you have known for many years becomes something incredibly valuable. The same applies to your point about Johannesburg.

I guess one question for the round is, is there a way to sort of keep an eye on property prices? Is there a way to guide things so that you are consciously attracting people who can bring something new, who are not necessarily high earners, particularly when they start out?

And the second question I would like for us to mull over a little bit: I think we all agreed, mega cities are developing incredibly fast in Asia, and although all of us have undoubtedly visited or even lived in Asia, we do not have an Asian at the table. Are there different expectations, for instance? I mean, we are all saying that we need culture, we need this creativity, but maybe that is not such a tremendously huge priority for the peasant who has moved in from Chinese farmland to Shanghai. In which case, what are the priorities? I wonder how people see their city there. I mean, there is such a striking contrast between the amazing hotels in the business centre, and when you look over to the remaining part of Old Shanghai; and then you go over to Old Shanghai and you look across the river to the hotels, and you wonder how it is possible that this is in the same universe, and that all these things have been built in the last 10 years. It has grown unbelievably. I do not know who would like to take up this theme now. Maybe, Joe, you would like to start off?

J. Macri:

Sure. I would probably make a comment on the second question around mega cities. In fact, although there is strong growth in Asian cities, we do have two mega cities in Europe. Actually, Moscow is one of them. So that is well understood from a research point of view. I am mostly not involved with Asia, but

I speak to my colleagues in Asia, and we discuss what is happening in cities across their region as well as what is happening across Europe and the Middle East. The themes are actually still the same in my experience. You could really break them down into two areas. The first is the more typical governmental thinking around what I think we have touched on, but to summarize: the health system in the city is critically important; the education system; the public safety system. Central government behind those three is more about value for money than it is necessarily citizen-based. But those three or four things are very, very common. And then the second category is more infrastructural, which again I think we have touched on, but it concerns transportation.

One that we have not really touched on yet is energy, which is a huge topic for many cities. For example, in Paris, we are involved in their first smart grid initiative. It is called IssyGrid. This is still a pilot in just one district of Paris, but it is giving citizens control with technology, and what they have done there is that they can monitor their energy usage in real time, citizens as well as businesses, and what they have shown in the initial trials is about a 20% savings in energy.

A. Smale:

Just because people can see what they are using as they are using it.

J. Macri:

They can see when their devices have been turned on, and just really understand. That is really important because of something that we have assumed but is worth saying: as we know, about 70% to 80% of the gross domestic product is produced by cities on a global scale. About 80% of energy is consumed in cities. I think energy consumption is a big, big issue, and then there is the social impact of that, which can be quite negative, as was experienced in some cities that have just grown too fast, especially some of the cities in China. There, for example, I heard one executive say that we need to send people into

that particular city for two weeks and have them do some work, then get back out and get some clean oxygen for a couple of weeks, then get better again and go back in. It was an interesting comment. This energy question is a huge one as well. So I would say there are themes in common with the mega cities between Asia and Europe. I defer to the others to see what they say.

A. Smale:

Mark?

M. Otty:

Alison, I need to answer the first question. But before I do that, just one reflection as I listened to the conversation we just had this morning. Now all of us have spoken about significant improvement, and as I sat listening to that and thought about the cities that I visit, just in the time that I have been visiting many of these cities, the reality is that there has been enormous improvement in many of the cities around the world. I do not know that I have ever thought as much as maybe I should have thought about that, but that is something that is actually very encouraging, that all of us have lived in or had real experience of cities that have seen significant improvement for their citizens. This is at a time when there has been a lot of negativity around major cities, and I wonder whether that is altogether fair, because there has been some real improvement.

To my first point around cost and what can be done to manage the costs. You are absolutely right; I mean, in many of these cities, we have enormous increases in property costs, lots of talk about bubbles and what have you. I think it is very, very tricky for governments, regulators, and city authorities to introduce mechanisms to control pricing. I mentioned earlier that I lived in Toronto, and when we lived in Toronto in the mid-1990s, there was rent control. The result of that rent control was that there was very, very little property development going on. So actually all the rent control did was make the problem significantly worse.

People were not prepared to invest in buildings, because they could not get a decent return on the investment. I think what would be the best response, the most important response, is provision. And it comes back to the economic equation of supply and demand. I think that is the thing that governments and city regulators really need to focus on: How do we ensure an adequate supply of housing? That is probably the most effective mechanism for managing cost.

A. Smale:

Thank you. I think adequate housing is obviously one of the reasons that people seek out a city as well. But it is very, very difficult, for example, in Moscow, to keep up with enough building. I have watched Moscow grow for the last 30 years or so, and it has grown significantly, and it has changed also from a city that was the capital of a Communist country with a controlled economy into the capital of a space that is scrambling and full of energy and specific problems, about which I will ask you in a minute. I was just wondering if David wanted to make a comment.

D. La Rose:

Sure. Yes, I can give you the example of Asia. I was in Shanghai for seven years, and prior to that in Japan, in Tokyo for four years. You could not find two cities that were more diametrically opposed to each other. You have got Tokyo, which is efficient and clean, with a group of citizens that are interested only in their neighbour and their neighbours' comfort. There is this concept of being polite. In the chaos of Shanghai, which has significant air quality issues and has transportation congestion, it is all about how do I get in front of the next person?

At the same time, people will ask me, well, where would you prefer to live? And I had two small children, so air quality is an issue. Education, to pick up on your point, Mark, was a big question. The education in China for an expat was far better than it was in Tokyo, and in fact, better than what I have experienced so

far in my short period of time in Europe, in the example of Prague. But back to your point, I think the other element is – what is driving people to come to Shanghai? At least 30% of the population that is in Shanghai were not born there, so they are coming for prosperity. They are coming to get ahead.

And you know, even picking up on Charles' other point here around possibility, you know, this can-do attitude; I think it links back to your point, Joe, around investment, and making it easy for organizations to be able to start and therefore attract people, but also keep people employed. The mayor of Beijing is a great example. The mayor of Beijing used to have three numbers in his office: 36, 35, and 6. These were the number of days it took to start a small business in Beijing, Shanghai, and Singapore. So, he was interested in building efficiencies for small businesses to get going, and to then attract people. I have not spent enough time in Europe to give a valid point of view on that, but I think in Asia it is around prosperity. People are driven to cities for prosperity.

A. Smale:

Yes, it is self-improvement, translated into money. Now I have a slightly differently question for Maxim. I hate to dwell on this point, but one of the things that Moscow really is infamous for is its traffic jams. I am wondering if you can speak a little bit about how Moscow is trying to cope with that. In London, for instance, traffic is also bad, but it is also a city where the core of the city has incredibly narrow streets and it is very, very old. One way that it has dealt with this is to make it extremely expensive to drive a private car in the centre of London, and that really did cut down the traffic. I think there is an argument in Moscow that you have had traffic experts in, and you keep making it easier for cars to be used. It is not necessarily easy to move around the city with any other form of transport, so you end up with all forms of transport being clogged. Could you talk a little bit about what Moscow is doing to solve this?

М. Решетников:

Элисон, я думаю, что мы на международном уровне мало рассказываем о том, какие усилия Москва предпринимает для борьбы с пробками. Мы не изобретаем собственный велосипед: мы берем лучшие международные практики, в том числе опыт Лондона. В прошлом году в центре Москвы введена платная парковка, это был большой шаг вперед. Сейчас есть данные, что скорость движения по центру выросла на 20%. Отношение к цифрам разное, но все, кто за рулем, отмечают, что в центре стало проще ездить.

A. Smale:

Sorry, so it was literally just raising the cost of parking that made that difference?

М. Решетников:

Стоимость парковки составляет 80 рублей в час, зависит от времени. Мы исходили из средних европейских цен, ориентировались на них. Безусловно, есть серьезные льготы для резидентов, для тех, кто живет в центре. Это крайне эффективный шаг, но он делается не сам по себе, он увязан с другими нашими мерами, в первую очередь по развитию общественного транспорта. У нас есть большая программа по строительству метро: к 2025 году метро вырастет в полтора раза. Мы осуществляем обустройство выделенных полос для общественного транспорта, закупку нового подвижного состава, приспособление железнодорожных путей, железнодорожной инфраструктуры для целей внутригородского передвижения. Вложения в эти проекты беспрецедентны. С одной стороны, мы рассчитываем повысить комфортность общественного транспорта: город продолжает дотировать общественный транспорт, как и везде в Европе. С другой стороны, мы осуществляем более жесткое и грамотное регулирование транспортного движения. Нарботки IBM и

Microsoft, которые применяют коллеги из других мировых городов, мы тоже применяем и внедряем. Мы идем со своей скоростью, учитывая, как меняется транспортное поведение, как москвичи поддерживают и принимают эти изменения. Я не сказал бы, что мы выдумываем собственный путь. Нет, мы просто внедряем все лучшее, что есть в мировой практике.

A. Smale:

Thank you. Do you want to make a comment?

J. Macri:

Yes, I just want to jump in on the point that Maxim was making. There is absolutely the need for cities to build out infrastructure, which is I think where you were going, as well as the cost associated with it. Again, I think there is a role that technology can play to empower the citizen to help alleviate the problem. The problem is not unique to Moscow. I have driven in many cities, as I said, and there have been a couple of others where I have had some other experiences – trust me. I would just like to give a couple of examples.

Firstly, how do we enable workers to be more mobile and not have to go into the office at nine o'clock in the morning and not have to leave the office at whatever time in the afternoon? How do we use communications and collaboration technologies? We have got those technologies, other companies have got those technologies, so I am talking generically about these communication and collaboration technologies using very low-cost webcams that are high definition. I conduct at least a third of my meetings on link using high-definition video. My team is spread across the region. I spend about 40% of my time travelling; of course you have to meet customers. But we have moved all of our internal meetings, barring a couple, to all be on link. That is one example. I think we can encourage business and citizens to change their behaviour.

The second is the real-time monitoring. This again is this theme of big data and turning more data into insight. There are many apps, but there is one that we have worked in partnership with called Inrix. It plugs into open data, so you can just look on your mobile phone, on your tablet, or your PC, and you can see in real time what is happening on that street that you mean to go on. Also, if you project out half an hour later or an hour later, based on historical data and trend analysis, it will tell you when that traffic will die down. These are two really, really interesting examples of how technology can help. Of course, the city of Moscow and other cities have to continue building infrastructure, but I do think the role of technology can help smooth out the demand.

A. Smale:

Anybody can jump in to answer this: is that something that can also apply to a city like, say, Nairobi, which I have been thinking of as a city that is relatively wealthy in Africa but does not have a really organized infrastructure, and has kind of a scenic quality to it that may make it difficult to organize mass transport, but most of all does not have access to a lot of that technology? Is there going to be a useful thing that IBM, Microsoft, and others can do for this city?

J. Macri:

This may prove my point, because I was actually in Nairobi two weeks ago – and then I will let the others speak. What they are doing there in that country and in other parts of Africa is using what is called the TV white space. There are unused bandwidths in TV that are now being opened up by the communications regulators to enable technology companies to provide services, and we are actually involved in a pilot in Nairobi on this very topic.

A. Smale:

How did I know? Mark?

M. Otty:

Yes, I think there is no doubt that the technology in cities like Nairobi can play a huge role, and though perhaps we are not seeing it to the same extent in the area of what Joe was talking about in terms of work practices, we are seeing some leapfrogging as a consequence of technology in Africa. Certainly if you are looking at banking via mobile phones, we are seeing in some parts of Africa a far higher proportion of usage than anywhere else in the world. But I think there is a base infrastructure that is required, and so if I think about cities like Lagos that I have to, in some respects unfortunately, visit from time to time, the infrastructure is so poor that I suspect that even technology is not going to provide all of the solution. Roads and other forms of public transport are going to have to be improved in some of those large cities. There is going to need to be an investment if they are going to take their rightful place on the world stage.

D. La Rose:

I totally agree with that. I think that there is a base level of infrastructure that has to be in place, be it bandwidth in terms of connectivity or be it base infrastructure. One example is Beijing, for the concept of how restrictions only work so far. In Beijing, they had a similar type of transport issue. There was concern around the Olympic time frame in particular, and they wanted to move to a situation where they could reduce the number of cars on the road. One of the strategies they took was to use odd and even licence plates for particular days. So on Monday, Wednesday, and Friday, cars with plates with odd numbers could come in, and vice versa on Tuesdays and Thursdays. What the middle class of China did was to buy a second car. So they significantly *increased* the number of cars on the road. Then there is the concept of base infrastructure around the rail network. I will give you my own example. Prague, you know, is a small city, but highly efficient in terms of the way it moves people around: tram and rail, cheap,

efficient, and there is no congestion on the road. I mean, it is a small city, obviously not comparable to Moscow or anything we are talking about, but it is an example of very efficiently moving people around.

A. Smale:

Yes, and it is also an example of something that was built up during the Communist regime which was precisely engineered by the Czechs and Russians together, and therefore actually an example of how two talented groups of people got together, had a goal, and achieved it.

М. Решетников:

Коллеги, пример Праги — грамотное регулирование. Там есть ограничительные меры: не так много парковок в центре, достаточно дорогая парковка, поэтому есть спрос на общественный транспорт.

Я рассуждаю как экономист и хочу подчеркнуть, что технологии важны, но важна окупаемость технологий. Спрос на технологии появляется тогда, когда в основе — нормальная экономическая модель, когда нужно контролировать движение по выделенным полосам, тогда возникает потребность в камерах, которые выявляют нарушителей, выписывает штраф и так далее. Когда появляется необходимость регулирования парковки, появляется необходимость в паркоматах и так далее. Спрос на грамотное регулирование транспорта появляется, когда начинаешь сравнивать. Нужно решить транспортную проблему, а что для этого делать: строить новые дороги или прилагать управленческие усилия? Получается, что инвестиции в грамотное регулирование и организацию работы транспорта для нас сейчас зачастую более эффективны, чем инвестиции в строительство новых дорог, особенно в центральной части города, где это просто невозможно. Я призываю к тому, что любые управленческие

решения, внедрение технологий должны иметь грамотную экономическую основу.

A. Smale:

Does anyone in the audience have a question? I believe we have some people with microphones there. I cannot see behind me, so shout. Okay, if not, then we will continue to explore our own questions. I would like to go back a little bit to the question of education. I think it might be, for instance, that yes, a lot of people are coming to London to seek out mostly the private system. Lots of other places do not have that feeling, but I do think that one of the aspects of people moving to cities is that they expect that their children will not live what they might think of as the old, poor, rural life that also did not include education, because it just was not there. What are other things that your companies, or, Maxim, the Moscow authorities, can do to encourage good education in cities? Mark?

M. Otty:

I think there is a topic generally that we have not spent a lot of time on but is really important. That is the role of business in supporting development in communities generally. I think it is becoming a far more important role, but also a role that is expected by communities and societies.

In the context of education, just to focus on that, Ernst & Young, like many organizations, is very, very involved. In fact, we have three pillars to our responsibilities around our communities, and one of those is education. It varies by market. So, for example, in India, we are very involved in a program of providing education to young women who otherwise would not have an opportunity for education as a consequence of their status in life. Interestingly, with both Joe and David at the table from technology companies, this program is very technologically based. It is in some respects provided in classrooms but very often not provided in classrooms. What we are doing is providing web-based

learning, and alongside that we are providing mentoring to teachers. We do that across Africa, where all of our partners and senior staff are involved in providing mentoring to students and to teachers, at both the school and the university training level.

Then in major cities like London, we are involved in some inner-city education, and not private education, since you mentioned it, Alison. We see that in many, many cities around the world education is taking place in classes that are far too large with teachers that are poorly equipped for the task. We have our people going in and actually mentoring the teachers and the students. So, I think it is something that all of us as business leaders should be involved in, and I think actually the business community generally speaking is doing a really good job.

A. Smale:

Yes, I know. I think we are all aware, too, that in cities like London or New York or many others that we could name, there is this incredible gap between the kind of education that frankly we expect for our children and the kind of education that is being offered to recent immigrant arrivals or people who have traditionally been at the bottom of the social ladder. Joe?

J. Macri:

Yes, I just want to give two examples, and they are technology examples again, because that is the industry we are in. The first concerns how we can empower young people around the world to leverage technology and just use technology. We have made a commitment as a company to train 300 million young people. We have done 100 million in our first year. In Russia, our target is 1.7 million young people. I know other companies are doing similar things, but we are absolutely committed to this, at the grassroots level. We have this initiative in Russia called IT for Youth as part of that. But then there is a second side, which is how do you take broad training and go after innovation, meaning taking

science, technology, engineering, and math students and getting them to innovate. We have a global competition called Imagine Cup. Basically we get students from universities to compete on a global stage, including a very strong team from Russia last year as well; they compete and get a prize. So we work to get the technology grassroots going, to get innovation going, and then we go after the most important 'STEM', as we call it, science, technology, engineering, and math students, to really get them focused on innovation. We do stuff after that to then help nurture startups, but in education that is our key focus.

A. Smale:

David?

D. La Rose:

From an education perspective, the thing that we are most involved in is the provision of education to citizens through the interconnection of public services. If I go back to the example of Rio de Janeiro, a number of the schools, both private and public, are connected into safety systems. So rather than the educational element of it, this is getting students to and from their schools safely. That was a significant element of the control centre that was developed around not just local students, but international students. As expats living in cities that are not necessarily as safe as our home cities, we are very concerned about how to get the children there. There is a whole element around providing parents, through mobile devices, access to where their students are at any point in time, and how to actually get them to the institution in a safe environment. That is one area.

A. Smale:

And it is a very important one. Maxim?

М. Решетников:

В системе разграничения полномочий, которые действуют в Российской Федерации, город отвечает за среднее общее образование — не высшее, а школьное. Работа по этому направлению является приоритетом для нас. Финансирование школ увеличилось за три года на 60%. Мы дополнительно вложили в систему общего образования 100 миллиардов рублей, почти три миллиарда долларов. Более того, сменился сам принцип финансирования: мы перешли к подушевому финансированию. Школа получает деньги в зависимости от того, сколько детишек туда ходит. Одновременно было проведено укрупнение школ, к эффективным учреждениям были присоединены менее эффективные. Укрупнив, мы сократили число единиц в управлении, и сейчас школы — это достаточно крупные организации с экономической точки зрения, которые могут позволить себе эффективный менеджмент. Это касается организационных основ.

Мы расширили участие родителей в образовательном процессе, создали условия для конкуренции. Мы говорили про построение в городе конкурентной экономики: конкуренция должна пронизывать всё, в том числе социальную сферу. Сейчас у ребенка значительно больше возможностей выбрать школу, у родителей значительно больше возможностей проконтролировать качество обучения. Произошла определенная децентрализация системы. Мы видим: реформа дает эффекты в качестве образования, в числе олимпиад, в показателях государственных экзаменов и так далее.

Что еще мы считаем важным? Мы считаем важным при обеспечении эффективной государственной системы одновременно развивать дополняющую ее частную систему образования. За последние два года мы предоставили бизнесу много объектов недвижимости в льготную аренду, чтобы бизнес, вложив туда средства, организовал школы, детские сады или еще что-то. Это хорошая возможность, в том числе для государственного сектора: теперь он конкурирует с частным. Куда придут детишки: в

государственные школы или в частные? Частные школы тоже получают определенное финансирование из бюджета. Мы поддерживаем уровень конкуренции.

Коснусь образовательного процесса и его влияния на экономику. Для города крайне важно наличие вузов. В Москве миллион студентов. Кластер вузов у нас очень широкий.

A. Smale:

You mean students at the level of college education?

М. Решетников:

Уровня университета, потому что колледжи у нас дают среднее профессиональное образование, относящееся к предметам ведения города. Вузовское образование — это федеральный уровень. Для нас важно качество преподавания в этих вузах, потому что это основа нашей будущей экономики.

A. Smale:

I think that we can sum up now. In a way that is a very good point to sum up with, because what we have been talking about here is the development of the individual in the biggest space that people can live in, which is a mega city. How do we combine commercial and personal interests and those of the society at large, and also, especially, how can we bring technology in or out, expand it to meet the growing needs of people in mega cities? I am not sure that we actually identified, you know, points one, two, three, and four, how can business respond, how can people run mega cities better, what makes them successful engines of global growth. But I hope that we did have a stimulating conversation for you and for the audience. I would like to thank you really very much for bringing your expertise to bear so profoundly on this conversation. I hope that the organizers of

the Forum continue to pay attention to these issues in future, because what kind of cities are we making, actually, will determine if there is a successful St. Petersburg Forum in five or ten years. Thank you very much to all of you. A round of applause, please, for the panellists.