

ANNEX

Selected supporting quotations from interviews for the GaWC London-Frankfurt* and Corporation of London Business Clusters** research projects

London's International Role in Europe

"London leads Europe in relation to corporate finance thinking in the accounting and professional community. It's more sophisticated in the UK and London has driven this kind of work ... Usually, Germany will go to London for skills, so the movement is more Frankfurt into London" (UK Accountancy 1, Frankfurt)

"This is a very international firm. It has a large London office but very international business, global business, based there. London is the base for international operations, it is the largest office but lawyers are working globally from that base ... The markets have chosen London and are continuing to invest here ... they're all homing in on London and not just the City, but more widely." (UK Law 1, Frankfurt)

"The Swiss started off very national and then they reached the next stage and they were in the UK and global and then they had a matrix." (German Bank 1, Frankfurt)

"I call this 'Finanzplatz London' - that's a definition for all of the central London cluster. The cluster is getting better over time. It has met the challenge of other European centres successfully – Frankfurt and Paris have not succeeded. It's spectacular what cultures and expertise are here, there's a pursuit of excellence in the City talent – excellent staff. ..." (Swiss Bank, London)

"London is very important in the international banking system. That's an area in which Frankfurt won't be able to catch up. Because of the enormous concentration of banks in London, the City plays a special role for loan syndication which is in no way related to the economy of the UK ... I don't see any reason why that should change in the future. Our network is organised regionally ... we are part of the Western European region which has its head office in London." (French Bank 1, Frankfurt)

The production of these products, the creation of new products can't be done in a thousand places around the world, that would be much too expensive and there are not that many intelligent people. Intelligent people who create something new are concentrated in a few special places. These are places that are multi-cultural, where all kinds of different cultures can feel at home, because it's easy to communicate, because they can follow their hobbies, because it's an open, liberal society. That is all true for London but less for Frankfurt – we still don't have such a creative milieu." (German Bank 4, Frankfurt)

"We are thinking about moving part of our back office functions to London, simply because there are not enough specialists for support functions like IT and settlement on the market here ... Our know-how in securities and corporate finance business is no longer in Frankfurt, but mainly in London. This is related to the availability of people ... we have to rely massively on investment bankers with an Anglo-American background, who feel more comfortable in a cosmopolitan city like London and find better general conditions there as well ... we have expanded massively during the last two years, much more in London than in Frankfurt ... London is more international ... the really international flair of the bank comes from London ... If I had the choice between London and Frankfurt – everything being equal – then I would also go to London because of its cosmopolitanism." (German Bank 2, Frankfurt)

"European regional leadership is still concentrated in London." (US Management Consulting 1, Frankfurt)

"The international business is very important for us as an international agency and it is no accident that American, or British or Dutch companies very often have their, if not world-wide, European HQ in London ... even today we report to the European HQ in London We are led very strongly from London in our international business." (US Advertising 1, Frankfurt)

"Frankfurt has advanced a lot, but in relation to London a big gap remains. This won't change, partly for simple reasons such as language, taxation system, tradition, attractiveness of the City, financial infrastructure. People from Germany, France, Spain or Portugal rather go to London than to Frankfurt ... people prefer London and this won't change suddenly." (US Bank 1, Frankfurt)

"We have a subsidiary in London, they are responsible for our investment banking, investment management, M&A, merchant banking ... [London] that's where things are happening, where the markets are ... the majority of the staff is in London.. The business language in Frankfurt is English because many of the colleagues who work here are British. There are some departments in which nobody speaks German." (German Bank 3, Frankfurt)

"London is still as attractive as ever and will have the better long-term position. I think that Frankfurt has a good chance to succeed against Paris, but London ... I don't think so! ... It's a consequence of London having been the focus for European activities of, for example, American banks. ... If you look at our board member who is responsible for investment banking, then he is less often in London than the colleague at the Dresdner Bank, not to talk about the Deutsche Bank – there are several people who don't even attend board meetings in Frankfurt regularly." (German Bank 2, Frankfurt)

"The attractiveness of London as a city is just higher than Frankfurt's. that's an important factor in a business that depends on its employees. I can say that from my own experience – it wasn't an easy decision for me to move from London to Frankfurt and I am German. There are just so many more options in London because of the size of the city, culturally etc - people are more international." (US Management Consultancy 2, Frankfurt)

"London is in charge of all the departments here in Frankfurt, that's clearly the case ... our business travel is always to London, a lot and very often. It's the European headquarter and that's where you have to be despite all the electronics and video conferences. ... Trading is more and more shifted to London, transactions like clearing, securities etc can be either here or there." (US Bank 2, Frankfurt)

"I spend a lot of my time in London – most business trips within Europe are to London." (US Accountancy 1, Frankfurt)

"If you want to bring specialised know-how from the USA to Europe, then people come to London. We have shifted some activities that used to be done in Paris to London and there are many French employees who are commuters, who go to London on the Eurostar on Monday and return on Friday. The German banks are also in London or in New York. Frankfurt is not a centre for specialised know-how. There is no product that is really at home in Germany. We were present all over Germany until 18 months ago ... but we don't have an operative presence any more in Düsseldorf, in Frankfurt, Munich, Hamburg etc ... the offices in these cities are not branches any more, just discrete locations ... London is where the business is being done." (French Bank 3, Frankfurt)

Benefits of Concentration in London

The Frankfurt Perspective:

"London is leading in almost every aspect – it is THE metropolis. That's determined in a way by the language, its got to be somewhere in the Anglo-Saxon area ... I don't think Edinburgh or Glasgow can become that ... London is our regional HQ now ... most of our international clients in Europe go to our London office when they want us to develop an international project ... the leading role, the claims to leadership and the leading functions for Europe are all concentrated in London. It's about 80% London." (US Advertising 1, Frankfurt)

"Advertising from England is regarded as exceptionally creative, challenging, intelligent funny; they get awards and additional image. There are different structures in England historically, it's not decentralised, there is only one 'City' and all advertising agencies are in London. ... London is a completely different, a bigger, more colourful scene ... London is our strategic HQ ... strategic planning is situated in London." (French Advertising, Frankfurt)

"We have reduced trading, all institutional trading in Frankfurt ... everything that's not needed locally is better put into one central location, if it can be managed there as well. Our headquarters are in New York but not all decisions are taken in New York. One of our colleagues who was on the board in New York will be responsible for business in Europe and for investment banking world-wide and he will be based in London. So key decisions will be taken outside of New York ... The trend to concentrate as much as possible at the location of the headquarter is a general trend. In Paris, even if it's a French bank, in London – even German banks concentrate important parts of their business in London because of the competence there, because of the workforce and because of the costs. The more international the business and the less European the banks, the more this is true. London is the giant compared to the dwarf Frankfurt and that relation will remain despite the big successes that Frankfurt

has had. ... the division of labour is acquisition here [Frankfurt] and execution in London, specialised know-how in London, product related know-how often Europe-wide." (US Bank 1, Frankfurt)

"Great Britain IS London, in Germany that's different – the market in Germany is much more segmented than in the UK." (US Law 1, Frankfurt)

"London is a different type of city, with a size of 8.9 million inhabitants, and we have 650,000 – it is difficult to compare that. Even when you add the region here, you'll get about two, two and a half million people, but then you have to take the region around London into consideration, so somehow its comparing apples and pears. ... the London part of our office is a law firm, a small office where we do interesting business. We realise that we can get interesting business in London, some of it related to Germany, which we wouldn't be able to get in Germany. And that's very interesting, where these business flows are, the decision centre for many things is London." (German Accountancy 1, Frankfurt)

"When the euro was introduced, I used to be at Deutsche Bank, people had to make a political statement and say 'yes, this kind of business will be done in Frankfurt, and that's our centre for trading in the euro' but a lot has been shifted to London in the meantime ... Human capital, resources, especially young people are available in London in a much higher quantity, a much higher flexibility and it is incredibly difficult to relocate the really intelligent people, those who create new products, those who change things ... Frankfurt will keep a good position in relation to Amsterdam, or Rome, or Paris, but I can't imagine it to catch up significantly to London. ... Frankfurt is not a production place for financial services, it is just a sales office of financial services." (German Bank 4, Frankfurt)

"Perhaps Paris will swallow the London stock exchange and then they also will be in London ... London is an American city ... there is a critical mass of instructors in one place – London ... the critical mass for training is London ... more and more we come to the conclusion that we put them in one place ... if we have five here [Germany] and the best are in London, we said, let's do it from London ... there's a lot more pressure to move to the critical mass ... if you ask me 'Is Frankfurt part of London?' I would be happy to say yes." (French Bank 2, Frankfurt)

"London is the only centre in the UK, we don't have this in Germany – the region around Frankfurt is quite strong, but it doesn't have the central functions that Greater London has in the UK, so we have big disadvantages ... in London there is no other important place except London." (US Law 2, Frankfurt)

"I don't think we will get the same kind of concentration of financial services in one place as in London. We have a historically much more decentralised structure, many insurances, for example, Allianz are in Munich and other cities." (German Bank 3, Frankfurt)

"In England there is only London and everything accumulates in London. We've got internal competition between the länder, Hessen against Hamburg, and Hamburg against Bavaria or Munich, that can be a positive thing, the free interplay of forces, but it can also lead to the diffusion of these forces." (French Advertising, Frankfurt)

"The business community is just again trying to boost the attraction of the Rhine-Main area with a new initiative." (US Advertising I, Frankfurt)

"Frankfurt, apart from being the financial centre in Germany, isn't as important to us as Düsseldorf and Hamburg. The reason is that corporates are very scattered in Germany. It's true they need to be in Frankfurt for capital raising but not as an institutional base – they need to be spread out in Germany." (UK Law 2, Frankfurt).

"In the UK, its driven much more by the quality of the local office, so a corporate in Newcastle would have input from London ... the UK is so south-centred so there is a South East input." (UK Accountancy I, Frankfurt)

"Like all management consultancies or business to business services, it's spread out over Berlin, Hamburg, Düsseldorf, Cologne, Munich and Frankfurt. There's not one centre in Germany like London in England, or Paris in France, which makes business much easier in these places because over 90% is concentrated in one city ... London is so much established as the key financial centre in Europe, look for example how much talent goes to London, it is just much more attractive ... our London office is about eight times bigger than our German offices – our European head is based in London." (US Management Consultancy 2, Frankfurt)

The London Perspective:

"We have offices in Manchester, Leeds, Birmingham and so on. Our chairman was talking about moving to Leeds or Manchester to conduct some of our accounting function, but there's a huge cost attached that ... you can't necessarily get the staff ... back office activities require more monitoring, more skill, more technical input, more risk control, more management ... the financial transactions which underlie that process are much more sophisticated." (UK Bank, London)

"We have within the UK, offices that are located to do the same for the clusters of business in Manchester or Liverpool, or wherever, as in London ... London is very much the central hub of the economy, that's where the action really is, so it would be quite a big work-life balance decision to say, I'll forgo the ability to work in that market place, where all the action is, and go to a relatively quiet, relatively smaller, business community, smaller in the sense that businesses are smaller, they gravitate towards London as they grow." (US Accountancy, London)

"Being part of the London cluster provides a very good service to the client-base of the world-wide firm ... it would have to be a dramatic event to stop that ... There's a lot of jealousy about London all over the place but I think it's very, very important for London to retain it's premier status." (US Accountancy, London)

"We're not a bog-standard call centre or widget-maker ... You need a workforce of a particular skills set and a particular educational background that if we shipped back to Leeds, we'd have problems." (UK Financial Services, London)

"There's nothing to impede growth in the regions in relation to financial services if that's what customers want ... there have been historically active corporate finance communities in Manchester, Birmingham, Leeds. They've not all made a vast amount of headway ... they've tended to stick at doing small transactions that are company headquartered. What you have in London, is a European centre servicing the largest companies in Europe ... and that isn't something that's going to happen from Manchester." (UK Banking & Finance, London)

"What annoys a lot of people in the City is the amount of money that we pay to the Government and to other local authorities ... look at the amount of money that's generated for the UK in the City, invisible earnings for the country as a whole, we get no credit for that in the Government's eyes ... if you say, is there any way of moving some of that outside London, no, there isn't. If we were to move anywhere outside the City, or even to Birmingham, those benefits would be lost. We wouldn't be able to create wealth in our small way that would benefit the UK. So it's a question of whether the UK wishes to receive the benefits of what the City provides at all. It isn't a question of, can we have a little bit more of it please elsewhere? That isn't on offer and it's not because we don't want it to be on offer. We wouldn't be able to bring in the business in order to do it. We can only do it because we're in the City. And that's why we have no reason to leave, it would be suicide for us to leave. If we moved to Hounslow or Croydon, we'd be a laughing stock. You might as well close the office and go home. It would be ridiculous. It's a bit like saying to the Bank of England, why don't you move to Ealing? It would be so idiotic – no client would take you seriously and nobody would want to work for the firm – we'd lose our staff." (UK Law, London)

"Things would have to change dramatically before we would leave the City ... it would be madness, this office services the South East. There's a buzz about the place which you don't even get in Paris, where it's disparate, it's not so concentrated. In the City you can have an enormous concentration and in terms of transport, it's pretty good that the guy in Leeds can get on a train in York and two hours later, you're there ... and it's part of our branding, positioning, saying we're a big firm. We have big clients and creating that in a city outside London would be difficult." (Law, London)

"We're quite self-contained in this area. You've only got to go two or three blocks away and you won't find any insurance businesses at all ... and that's a function of the physical nature of the insurance market place ... It would be impossible for the cluster to move, it would be hugely expensive." (UK Insurance, London)

"If anything it's more polarised in London but coming back to why we employ 2000 people in London ... it's the London labour market and our international clients fly into London, they don't fly to Manchester." (Scottish Bank, London)

"I do think the stronger law centres are hubs ... in France we basically have one office in Paris ... Switzerland is fragmented ... Although Germany's a very big place and a very strong economy, so that they can generally support more than one hub, I think they've got too many for their own good." (US Law, London)

"We won't be able to afford to put up new infrastructure projects in Huddersfield or Glasgow if the UK plc doesn't make the money that it needs to in London. If London is seen by certain people in Government as just another English city – disaster. London is entirely an island and an economy on its own. And one wonders whether – the facts and figures are out there about what London's contribution to the UK is and what the City's contribution is. The UK's perception around the world by people is largely connected with London – its history, its appearance, its buildings, its culture, its arts, whatever. And thank goodness that the UK has currently a position which is above its weight in many ways around the world. That is largely to do with London's position." (US Bank 1, London)

"Clusters usually do revolve around a shared set of business infrastructure etc, but I can't see financial services people moving out. Some ... advisers still have the wrong misguided 1970s version, that you can orchestrate how people live, where they live and what they do. You know, businesses at the end of the day are rational entities and they will go where it makes sense for them to go. You can do anything you want and they're like squeezing a bar of soap, they'll pop up where they think the most essential." (US Bank, London)

Supporting London Flows

"If you look at taxation, then London is more interesting than Frankfurt. Generally the legal situation is more liberal and less restrictive in Britain. The market chooses places in which there is less control ... I think the chances of Frankfurt gaining in importance would be higher if we had a common tax system in Europe." (German Bank 3, Frankfurt)

"Tax and social security payments are lower in London, so labour is cheaper and employees also retain more money in the end." (US Bank 1, Frankfurt)

"In Germany you can't get rid of people that quickly, or you have to pay a lot, this flexibility is a clear advantage for London." (French Bank 3, Frankfurt)

"We can keep a few top consultants but they have to agree to live here. We get in difficulties, they say: We want to pay our tax in London, but now and then we will come and sit in the office here." (French Bank 2, Frankfurt)

"The availability of specialists in our sector is still much higher in London, the salaries are better, not least because of the tax situation, there are more relaxed employment regulations." (German Bank 2, Frankfurt)

"The accessibility of Heathrow and Gatwick from the City is a problem. If you look at where those links go to ... I think the other problem is the red tape that's gradually been introduced and the European effect as well – parental leave, maternity leave, paternity leave – gradually the amount of red tape that organisations are being caught up in is on the increase. And the policies are being implemented indirectly through European legislation, meaning that London as a fluid labour market is gradually being eroded." (UK Financial Services, London)

"Another issue is regulation. It's not that we don't want to be regulated because we're a responsible organisation that recognises the importance of proper control and regulation, but there's a limit." (UK Bank, London)

"Another important issue is the tax environment. That's where many banks have a subsidiary here or whatever, so they take advantage of that, being in the EU but having a different tax regime." (German Bank, London)

"Anything that contrives to take away from the flexibility to do business – tighter regulation, higher taxes, a distancing from the EU, could definitely jeopardise the future of London as a financial centre." (Italian Financial Services, London)

"At the moment we can attract people from all over the world. They obviously like coming to London, they're well paid, but you talk to most of them and they love being in London, what they don't like is getting around London. The tax side of it is important, how important, I don't know. The regulatory side is a real issue. Do we get to the point where we're so regulated, or it's so difficult for us to actually make money, that we're doing all this regulatory stuff – we're not making any money - that it could tip over the brink and somewhere else picks up the call? Labour flexibility is important and whatever anyone says, one of the reasons people set up business here is, it's quite easy to close it or adjust it if you need to. You try firing people in Paris or Frankfurt – it's very hard or very expensive." (Swiss Bank, London)

"Weekly commuting between cities – say Frankfurt and London – a lot of that happens. I know quite a lot of the bankers who are German or Swiss, Italian or French go home for the weekend. If you look out here at times, you can see a whole fleet of chauffeur cars or taxis all waiting to go to the airport and sometimes they're having to set out 2-3 hours before the plane goes even though the rail link from Heathrow (to Paddington) would be very good." (US Bank 1, London)

"We have a huge number of trading activities here because it's how the time zones work and it's an absolutely critical office ... people like living in London, therefore the skills are in London. Transport's the one thing that's choking it. Frankfurt has a huge advantage over London – it takes ten minutes to get to the airport, here it takes an hour." (US Financial Services, London)

"If corporates decide to move out of London, if New York bankers decide that they just get so fed up with the whole place, the transport and if the costs keep going up and up ... The COO is American, the chairman and senior executives. They love London, they all like living here but they don't have natural loyalty ... and the way we're seeing it is we're not bringing a single new job to London and, where we can move jobs out, we are, and that is the reality. If a plan isn't put into place that looks like its having a real effect there'll be trouble because in ten years time London is going to grind to a halt. I'm saying key functions are always going to be here but if all the non-essential people go and even if we're left with 2,000 here – that's still a big impact on London ... In the way we lobby with Europe we should be talking about London being an asset for the whole of Europe but we need to keep making the place attractive enough." (US Bank 1, London)

"Tax policy is very advantageous for non-UK domiciles; what are the Revenue are talking about and introducing quietly? So personal taxation and also employment flexibility are good. The regulatory regime is so important but where is it headed? Where can we go wrong? We've been here for 23 years and we want to see it continue. It's been built with care, it hasn't just happened and now we can't take it for granted ... do we send business elsewhere?" (Swiss Bank, London)

"The other thing is taxation – national insurance contributions – all those other things. We talk about a gradual erosion of London's attractiveness as a place in which to do business. We're seeing it, whether its about tax, or transport, the cost of people, the cost of living ... European legislation, employment and social is a nightmare – it worries us and it's all part of the chipping away. And it's the things I deal with all the time ... all these directives from Brussels which we're having to work incredibly hard on ... We need to lobby on behalf of the financial services industry in London. Those things are hugely important. If the UK is isolated on all the issues where they tend to be in disagreement with Europe, and the UK Government is introducing more and more things that are unattractive, and the transport is lousy and we have to pay a fortune for people to live here, you start asking the question – well is this really the best place to be." (US Bank 1, London)

* Beaverstock, J.V., Hoyler, M., Pain, K. and Taylor, P.J. (2001) *Comparing London and Frankfurt as World Cities: A relational study of contemporary urban change*, London: Anglo-German Foundation

** Taylor, P., Beaverstock, J., Cook, G., Pandit, N., Pain, K. and Greenwood, H. (2003) *Financial Services Clustering and its significance for London, February 2003*, London: Corporation of London.