OFFICE LOCATION AND URBAN DEVELOPMENT
IS THE WESTERN EUROPEAN EXPERIENCE
RELEVANT TO CANADA?1

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The location of offices was a field of study neglected by governments and academics until the 1960s. Economists, planners and geographers have been slow to respond to the need for a better understanding of the patterns and processes of office location. Similar forces are at work in shaping the pattern of office activity at both the intraurban and interregional level. The fostering of business contacts with other organizations is one of the main factors influencing locational choice. The build-up of office functions in downtown areas in the city and the proliferation of office buildings in capital regions has, however, led to fears of over-congestion, degraded urban environments and regional imbalance of office employment. Consequently, government intervention has modified the underlying processes of office location by attempting to direct office growth from zones of concentration to peripheral areas through the mechanisms of controls, taxes and subsidization. It is the aim of this paper to analyze office location policies in Western European countries and to ascertain other relevance to the planning of office development in Canada.

Office Planning in Western Europe

Planners have adopted an approach of control and persuasion to the

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2 In order to facilitate office planning it is necessary to understand the office activities involved in the planning process.
channelling of investment into designated areas. In different countries, the same basic assumptions are made:

1. High costs through taxation will act as a disincentive to a firm wishing to invest in certain areas while financial incentives may encourage investment into selected areas.
2. To complement fiscal measures, a system of development control is necessary to implement a rigorous planning policy.

The varying degree to which these measures have been actively implemented has depended upon the severity of the problem as perceived by national and local governments. It is not surprising that office growth in London, Paris and the Randstad has prompted the introduction of a plethora of legislation aimed at creating a better distribution of office employment throughout Britain, France and The Netherlands. Central governments have also acted as agents of dispersal by removing blocks of office work from capital cities to provincial centres.

French planners have carried out a wide range of measures, although the dispersal of government offices has received the least attention, perhaps a reflection of the centralization of economic and political power in the Paris region. Office developers pay a "redevance", a tax which varies from 100 FF to 400 FF per square meter according to the desirability of the area, and they must receive an agrément from the Comité de Décentralisation before constructing office buildings in the Paris region. In addition to tax incentives and grants payable to firms transferring employment to the provinces, the French have introduced a unique tax which affects employers in central Paris. The payroll tax is levied on firms employing over nine persons, and the proceeds subsidize R.A.T.P. and S.N.C.F. Hence, the firms partly responsible for urban congestion are paying towards the cost of improving the transport system in the metropolis.

Along with France, the U.K. Government was one of the first to produce legislation to redirect office growth, but most emphasis was placed on government office dispersal programs. A system of redevance has never existed in Britain; Office Development Permits (ODPs), the British equivalent of agréments, were introduced in 1964 but their effectiveness was undermined by successive governments and they were finally scrapped in 1979. Office dispersal strategies for both the private and public sectors have been most effective through the medium of persuasion and financial incentives. In 1963 the Location of Offices Bureau (LOB) was established as an advisory body to encourage private firms to move from central London. By 1973 financial inducements were initiated to complement LOB's persuasive powers. A measure of the success of LOB is that it helped to move 150,000 jobs and 2,000 firms from 1963 to 1977 [19]. In terms of government dispersal, 70,000 headquarters jobs were decentralized from central London from 1945-1970 and a further 31,400 were recommended for dispersal in 1973 [6].

Of the other countries in the E.E.C., only the Dutch have introduced measures on a scale comparable with Britain and France. However, legislation has been introduced at a much later stage; for example, in the Randstad a system of licensing building projects and a selective investment tax was implemented only in 1974 [17]. These policies are akin to the French agrément and redevance system. Government office dispersal also figures prominently in Dutch policy, with 22,500 jobs being decentralized from The Hague [23].

Office Planning—A Failure?

The varying degrees of success of office location planning can be attributed to basic economic considerations, political pressures, and conflicts in policy at both national and intraurban scales. The latter factor has been largely responsible for the changes in policy direction in Britain and France. LOB was too successful; it persuaded firms to leave central London—mainly for other parts of Greater London and South-East Britain. Meanwhile the inner London boroughs were being deprived of employment opportunities. Government policy to revitalize inner city areas, including the London docklands, is commendable [7], but it produces a conflict in policy, with public money being channelled into the inner city of London to encourage short distance office dispersal while generous financial incentives are available to firms moving from central London to the Assisted Areas. The newly elected Government in 1979 has disbanded LOB and scrapped ODPs in the hope that a more laissez faire, less bureaucratic, approach to office location will enhance London's growth as an international office centre with spin-off effects to the provinces.

In France, similar problems are evident in the Paris conurbation, where favoured areas—arrondissements 7, 8, 9 and their western extension—have created imbalances within the metropolis. In an attempt to redress this imbalance, redevance was reinforced in popular areas in 1972, while parts of Paris and the new towns around the city were exempted from the tax.

In The Netherlands the problem of urban containment in the Randstad has always been a subject of government policy. Policy initiatives with regard to the rehabilitation of inner cities have parallels with the U.K. experience, and growth centres such as Zoetermeer (Figure 1) within the conurbation were given assistance to minimize

3 Subway and train transportation systems.
the level of commuting and to attract employment to these dormitory centres. This measure was inconsistent with E.E.C. policy, and the Dutch were obliged to withdraw aid in 1977 [2].

In most instances the potential mover has to calculate the cost savings to accrue from a peripheral location; for example:

\[ S = (R + l + f)n - (c)n \]

where

- \( S \) = cost savings
- \( R \) = rents/rates
- \( l \) = labour costs
- \( f \) = financial inducements
- \( c \) = communication costs
- \( n \) = alternative locations.

This simple cost equation omits the value attached to prestige—how much is a well-known downtown address worth? Social factors are also difficult to quantify. At the intraurban level, labour is difficult to attract in some peripheral locations because of a lack of social infrastructure. The type of office work which has tended to be decentralized is of a "programmed" nature. Office workers in this category often prefer to be downtown—one reason being that public transport networks tend to radiate from the centre of the city. This is indeed the case in Edinburgh, where financial and government organizations—the greatest consumers of office space—have been seeking sites in the suburbs because of strict zoning controls in the central area. Difficulties in attracting labour have been the main concern of these organizations in their locational choice [10].

The decentralization of blocks of office work results in increased communication costs, which can be the main obstacle to relocation. Hardman's [6] choice of reception centres for jobs to be dispersed from central London took into consideration the loss of operating efficiency which would be incurred by departments on transference (Figure 2). For example, 10,890 Ministry of Defence jobs, over one-third of the total, were to be removed to the new town of Milton Keynes—one hour by train from their former location. At the intraurban level, the Scottish Office in Edinburgh undertook a similar linkage exercise concerning the consolidation of its dispersed offices into five major new developments within the city. Ministers and key advisers were given the prime central area site, while the Agriculture and Fisheries section, which has looser ties with other departments and links outside the city, was located at a suburban site. I.B.M. has moved its scientific centre back to Hampshire from Peterlee new town in the Northern region because of its isolation from other departments [18].

The relative success or failure of a move in location can be attributed to the character of the office reception area. In the U.K., regional planning policy has been dictated largely by political factors; hence office employment is often directed to areas with high
unemployment regardless of their attributes as office centres. By contrast, in Sweden and The Netherlands office developments have been channelled into fewer growth centres. Thorngren [22] has shown in Sweden that high level office work should be dispersed to office reception areas which are of a certain size with an adequate office infrastructure. If business, research and educational services were available within these cities, incoming departments would integrate into the regional environment and communication disruption from Stockholm would be minimized. Goddard [13] has reiterated the advantages of a “growth pole” approach in British office policy and in a study with Morris [14] has shown that the greater the distance firms decentralize from central London, the more they foster contacts with their chosen reception centres.

Political Factors

Although the “growth pole” approach has undoubted advantages, British policy has been influenced by the politically sensitive issue of unemployment in the regions. As early as 1970, Freeman [11] advocated that government dispersal should be channelled to four or five centres, and he recommended Edinburgh as the most suitable office reception centre in Scotland. He felt that an injection of office employment into Glasgow would not alleviate the structural problems of the city’s economy. In Glasgow, the introduction of more manufacturing industry for male employment is of greater importance than the creation of more office jobs. Nevertheless, Edinburgh is not a chosen reception area, and as a result of the Government’s amendments to the Hardman report [6], Glasgow is to receive 7,000 Ministry of Defence jobs, 23 percent of the total jobs to be dispersed. The jobs originally intended for Milton Keynes were re-allocated to Glasgow, Newport and Cardiff. The net result is that 90 percent of the total jobs are to be decentralized to the Assisted Areas compared to the 54 percent recommended by Hardman. In many ways the views of the Government differ from those of the trade unions. The staff affected by these moves prefer to be relocated in either the South-East or the South-West, while Wales and Scotland—designated as important reception regions—are unpopular. The unions are against the moves because of the cost of such a program during a period of economic stringency when the civil service is trimming its labour force [5]. The newly elected Government, committed to public expenditure cuts, are currently reviewing the dispersal program.

Civil servant resistance to relocation is also evident in The Netherlands and France. Grit and Korteweg [15] show that staff do not want to move from the Randstad. The Dutch Government is moving 22,500 jobs from The Hague to five centres—Groningen, Emmen, Leeuwarden, Zwolle and Heerlen (Figure 1). Some moves that have already taken place, such as the Government Pension Fund at Heerlen, have been criticized because of the additional communication costs incurred after decentralization.

In France, government office dispersal has been inhibited by the trade unions, whose members are unwilling to move from Paris. The lack of success in promoting office dispersal has led the government to modify its policies. The “métropoles d’équilibre” have been
Patterns of Office Location in Canada

The experience of office location planning in Western Europe may have relevance to Canada, although the absence of cities on the scale of London and Paris changes the nature of the planning problem. Patterns of office location in Canada reflect the multicentred nature of its urban system. It is worth stressing that there is no coherent government policy towards office location in Canada. Geographic space and historical factors have enabled the growth of a series of centres, mainly Montreal, Toronto, Ottawa, and Vancouver, with their cluster of private and government offices. Ray and his colleagues [20] demonstrate this concentration for different economic sectors: increasing centralization has brought out a major clustering in Southern Ontario and South-Western Quebec. This trend, evident in most western countries, is an integral part of a more complex movement involving the location of major corporations within the dominant urban centres.

The impacts of office concentration are felt at the national, regional and local levels. When markets are controlled by firms located in the big cities, the way is open for regional inequalities in favour of centrally located markets because information costs and distance effects end up favouring the regions in terms of pricing. It has also an important effect on the distribution of income: peripheral regions have lower revenues and a higher cost of living [25] due to regional price discrimination by firms of Ontario and Quebec [21]. This discrimination is a means of overcoming the disadvantages of serving a small and spatially dispersed national market. The centres of financial, economic, institutional and political power strive to ensure that tariffs are kept high enough to allow monopolistic pricing. As a result the main centres will continue more than ever to play a major role in the affairs of the country. Since foreign corporations tend to locate their headquarters in the main cities of the United States and Western Europe. After 1960, the big corporations, in order to penetrate the Canadian economy, began to demand an increasing amount of additional office space, preferably on one site in the prestigious areas of the main cities.

We can distinguish three trends in intraurban office location:
- city centre high rise development; can be found in Toronto, Montreal, Vancouver and, on a smaller scale, in most metropolitan centres;
- inner urban ring road and key points location; can be found
along transport interchange and arterial roads of the same metropolitan centres;
— extension in the desirable inner suburbs, often in office parks; found in the three major cities. 

With all firms in need of more space, downtown sectors are under heavy pressure; the cities have grown chaotically, and only now is some attempt being made to provide order. At this level, the Western European experience may be relevant to Canada. The case of Toronto gives us a good example. Planners, defending a series of holding by-laws and a new City Plan which would control office development in downtown Toronto, drew comparisons with London on the basis that over-concentration would lead to congestion, a strained transport system, and an impersonal downtown area. Bastin’s [1] study on office location policy in Toronto follows in precise detail the planning legislation and political arguments at the Ontario Municipal board hearing in 1977. Two points are of interest to us:
— The developers afraid of a “freeze” were the main objectors to the City’s proposals, contrasting with the case in Western Europe where most controversy centres on residential and other interests (environmental groups) objecting to developers’ proposals. This indicates the influence of developers in North American planning, even if the city’s plan has at last been accepted. The high unemployment rate in the construction industry was used as a platform for continued development.
— Some economists and geographers criticized the City’s proposals by drawing parallels with the London experience; they used London as an example of increased office rents because of restrictions in office development [1]. But is the rent increase in London related to restricted supply conditions or increased demand? It is difficult to separate the two reasons but by 1965 in England the developers had anticipated the decentralization strategy and built up a stock of planning permissions. Consequently the rent increase was at first mainly due to an increase in demand and, in some cases, developers charging exorbitant prices for their property. Policy measures, such as ODP controls, only had a marginal effect on the property market[19].

The Toronto situation is slightly different from London. The period from 1953 to 1973 had witnessed unrestrained growth; therefore the 1973, 45 Foot Height By-Law was a complete reversal in policy [12]. A comparison of Toronto with London is illogical because British policy is framed in an interregional context rather than in an intraurban one. Toronto is a much smaller city than London and the scale of the problems is not the same; at present Toronto has an office capacity of 44 million square feet; London has about 180 million square feet including government office space. Toronto’s case is closer to Manchester (21 million square feet) or even Birmingham (12 million square feet). Even if location laws are supposed to be universal, at least in principle, it is dangerous to draw direct parallel examples, like Toronto-London, because of the fundamental differences in size, status, and administrative structure.

Canadian planners have much to learn from European schemes of office development which form an integral part of city and national policy. This experience should prove relevant to us in an attempt to understand the mechanics of office activity, build a model of office location at the intrametropolitan and interregional level, and formulate policies suited to our own case. Perhaps an analogy with the West German situation has most relevance for Canadian planners. With a federal system of government, a multi-centred pattern of office development, and a relatively recent expansion of the office sector, German city planners have been faced with similar pressures to accommodate large-scale office projects. The German preference for subcentres, including office parks in Hamburg, Frankfurt, and Dusseldorf could have implications for Canadian location policy [4].

References

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