

**Response to the Consultation on the Proposed
Cost Increase to the Congestion Charging Scheme**

**Campaigns Team
London Chamber of Commerce & Industry
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London Chamber of Commerce and Industry Response to the Proposed Cost Increase to the Congestion Charging Scheme

The London Chamber of Commerce and Industry (LCCI), the largest business membership organisation in the capital, has been asked to respond on behalf of its members to the Transport for London (TfL) proposal to increase the cost of the congestion charge. Under these proposals, the charge will rise from £5 per day to £8 per day for cars, from £5.50 to £7 for automated fleet users and from £5 to £7 for vehicles on the notified fleet scheme. There will also be greater discounts available to those using the monthly and annual charge schemes.

The London Chamber is opposed to the 60% increase in the basic charge for the following reasons:

- we believe that there has not yet been the necessary improvement in public transport to meet the needs of the charging zone at the current price
- significant problems and failings remain with the zone's system of administration
- insufficient effort has been made to independently assess the impact of the zone upon business

The Chamber does not recommend abolishing the existing charge but does feel that TfL has considerable work to do to improve the congestion charging system and win the confidence of London's business community through an honest and impartial assessment of the scheme's economic impact.

Introduction

The LCCI fully accepts that traffic congestion has an adverse effect on business, and we welcome attempts to tackle the problem. We recognise that the congestion charge scheme has significantly reduced congestion in Central London, and this has benefited many who live and work in the capital. We therefore applaud the Mayor's objectives and his boldness in introducing the charge. In fact, the Chamber did not oppose the introduction of the original congestion charging scheme in February 2003, but did list three conditions that we felt needed to be met before the charge was introduced.

These conditions were:

- A clear and measurable improvement in public transport
- That we were satisfied that the practical details of the scheme were workable
- That there was no significant damage to business as a result

In forming our views about any proposed increase to the congestion charge, the Chamber felt that it was important to ascertain whether these conditions had been met under the current congestion charging scheme, and to consider how they would be impacted by a substantial rise in the cost of the charge.

Improvements in Public Transport

Improvements in public transport are critical to support a congestion charging scheme, as displaced car passengers must have a convenient, reliable and fast method of getting to their destinations. Although the London Chamber acknowledges that improvements were made to the coverage and frequency of London's bus services prior to the introduction of congestion charging we do not believe this alone was, or is now, sufficient. This is because buses only assist those travelling relatively short distances, and are not useful for those who travel into Central London from Outer London and beyond. Furthermore, with the cost of maintaining the bus network already running at over £700 million and estimated to reach £1 billion by 2008, we question the sustainability of these improvements¹.

There are ongoing problems with both the Underground and National Rail services and, although these are starting to be addressed, these are long-term difficulties that will take many years to solve. Furthermore, the future of the three major infrastructure projects that will provide a significant increase in public transport capacity, the East London line extension, Crossrail and Thameslink 2000, are all unclear at present. Therefore, it is extremely unlikely that there will be any major improvements to London's public transport infrastructure for at least a decade. The Chamber is convinced that a 60% increase in the charge will not lead to a 60% increase in either the performance or frequency of any form of public transport within the charging zone.

The Chamber does not believe that there has yet been the clear and measurable improvement in public transport services necessary to support the existing charging zone, let alone support the anticipated increase in journeys in public transport which TfL estimates. It would therefore not be sensible to consider any increase in the current

¹ TfL *Business Plan - 2003/04 - 2008/09*

congestion charge until public transport issues in London are properly addressed and there is a funded commitment to increasing London's transport capacity.

Practical Details of the Scheme

Congestion Charging is a highly complex operation and prior to its introduction, the LCCI was very concerned that any scheme should be workable and would not place a large additional administrative burden on London businesses.

The evidence received from our members is that congestion charging has caused many businesses problems and inconvenience. The Chamber surveyed retailers on their views on congestion charging a year after it was introduced, and found that nearly half the businesses (43.4%) that responded reported administrative problems with the scheme². These administrative problems result in loss of time, money and business, and we are concerned that such a high number of companies are reporting that they are experiencing difficulties. Much of this is due to the fact that the scheme is highly inflexible, and the Chamber is disappointed that TfL has not looked to introduce ways to make the scheme simpler for businesses to use before seeking to increase its financial burden.

Furthermore, the Chamber is concerned about the performance of Capita and the number of errors in the processing of vehicles within the central zone. Since the scheme began, TfL figures have shown that just over half of the penalty charge notices have been paid and 27% have been disputed. Of these disputed notices, TfL have agreed that 68% have been incorrectly issued³, and the incorrect issuing of notices costs businesses both time and money. The Chamber's most recent survey of the impact of the charge upon the retail sector found that 46% of retailers reported they had experienced administrative problems.⁴ TfL has publicly acknowledged that there have been problems with Capita's performance and the Chamber believe that these need to be resolved before any decision is made on whether to increase the charge. This increased charge will increase the administrative burden upon Capita and result in an adverse impact upon the user.

Value for Money?

The Chamber questions the scheme's value for money, as it is an extremely expensive system to operate that has not raised as much revenue as expected. The operating costs have reached £97 million, in comparison to the £30-£50 million estimated in the ROCOL

² London Chamber of Commerce and Industry, *The Retail Survey: One Year On - The Impact of the Congestion Charge on the Retail Sector*, February 2004

³ London Assembly, *Response to the Revision of the Transport Strategy: Central London Congestion Charging, Western Extension*, January 2004

⁴ LCCI, *Third Retail Survey: Eighteen Months On*, January 2005

report⁵. Furthermore, the scheme only generated net revenue of £68 million during the first year of operation⁶. In future years it is expected to raise between £80 and £100 million⁷, but reliance on this forecast is questionable. This is in comparison to the original projected net revenue of £200m⁸, which was revised down to £120-£130 million per year⁹. We would like to see attempts made to reduce the cost of operation prior to the charge being raised to ensure the scheme offers value for money.

The Chamber is concerned that TfL is proposing to increase the charge by 60% in order to meet the shortfall in revenues under the existing scheme. Although an increased charge will reduce traffic within the zone, a significant proportion of those who currently enter the zone do so to provide essential services and vital deliveries. Many of these users will not be able to transfer to other means of transport and will have little choice but to pay what constitutes a punitive price increase. This financial burden will increase the cost of doing business in central London, a change that will particularly impact upon SMEs. KPMG's 2004 Competitive Alternatives Survey, which compares global business costs, ranked London last (fourteenth out of fourteen) in its comparison of competitive UK cities in which to do business.¹⁰ London was also ranked as the tenth most expensive city in the world by the Economist Intelligence Unit in 2003, with transport and accommodation costs given as the two contributing factors to its high costs.¹¹

The London Chamber is concerned that the additional £40m per year raised by increasing the charge by 60% will be spent on delivering the proposed Western Extension Zone (WEZ). The London Chamber is opposed to WEZ and our position has previously been stated in our response to the TfL consultation on those proposals. WEZ is predicted to cost in excess of £100m to set up but will raise only £10m per year. The western extension will only become operational in 2007, just two years before the Transport Commissioner plans to begin rolling out the new Tag and Beacon road pricing technology, rendering the existing charging system obsolete. Not only does WEZ offer poor value for money but it will also increase the negative impact of congestion charging upon the London economy.

The predicted reduction in congestion from £8 will be disproportionate to the increased cost to users. This will be reflected in increased public resentment of the charge and an increased desire amongst users to see a more efficient scheme, much improved provision

⁵ The AA Motoring Trust, *Congestion Charging in London: The Story After Nine Months*, November 2003

⁶ TfL, *Congestion Charging: Six Months On*, September 2003

⁷ TfL, *Congestion Charging: Six Months On*, September 2003

⁸ TfL, *The Central London Congestion Charging Scheme Proposal*, July 2000

⁹ TfL *Business Plan 2003/04 - 2008/09*

¹⁰ KPMG/MMK Consulting, *Competitive Alternatives Report 2004*, May 2004

¹¹ Economist Intelligence Unit, *Worldwide Cost of Living Survey*, July 2003

of public transport or a substantial reduction in congestion above the levels that these changes propose to achieve.

The LCCI does not believe that the practical details of the scheme have reached a stage where they are fully workable. There are still too many problems within the system which end up costing London's businesses time and money, and, although we acknowledge that the performance of Capita has improved, they still need to prove that they can manage the present system efficiently and effectively. The charge does not offer good value for money, due to its large operating costs and TfL's attempts to raise the level of the charge by 60% and extend the charging zone westwards only exacerbates this. The Chamber would like to see all of these issues addressed before the Mayor and TfL consider any price increase.

Impact of the scheme on business

Our Findings

The LCCI firmly believes that any system to address congestion within London should not have an adverse effect on London's businesses. In order to ascertain the impact of the scheme on the capital's key retail sector, we carried out three surveys of retailers, after six, twelve and eighteen months of the scheme's operation. Our results have shown that congestion charging has created many problems for businesses. The findings of our most recent survey¹² show that:

- 84.2% of retail businesses have reported that their takings are down year on year
- 62.7% of retailers recorded a fall in customer numbers since the introduction of the charge
- 37% of respondents stated they had laid off staff specifically because of the effects of the charge
- 33% of retail businesses within the zone say they are planning to re-locate because of reduced takings while 28% said they were considering closing their business
- 92% of retail businesses do not believe the congestion charge has benefited their business

The London Chamber is very concerned that the current congestion charging scheme is damaging businesses, and is, therefore, extremely worried that to increase the charge by 60% will only serve to increase the difficulties encountered by business.

¹² LCCI, *The Retail Survey: Eighteen Months On*, January 2005

Other Supportive Research

These results are supported by the findings of other key organisations. The Royal Institute for Chartered Surveyors reported that nine out of ten retailers viewed the charge negatively, and the retailer John Lewis estimated that the congestion charge resulted in a 7.3% drop in sales at their Oxford Street store in the first six months of its operation, compared to a 1.7% increase across the rest of their stores. This could have serious long-term implications for the London economy, as the capital's retailers employ 9% of the total London workforce and contribute £15.2 billion (13%) to the capital's GDP¹³.

There is also evidence that other sectors are suffering from the impact of congestion charging. Research carried out by The Royal Institute for Chartered Surveyors has found that more than seven out of ten businesses in the entertainment sector have said the charge has had an adverse impact on their business.¹⁴ With the proposed growth of the London population and related increase in employment within the capital, many have questioned the logic of an increased financial burden upon the supply and distribution industry, especially in the food and drink sector. Those businesses operating commercial vehicles are concerned that there has not been any improvement to parking arrangements at street level for delivery vehicles since the introduction of the charge. Indeed the increased number of bus lanes has further reduced available space for street level delivery and imposed more restrictions upon parking. An increase in the cost of distribution is likely to result in increased prices for goods and services for both residents and tourists.

The Chamber is very concerned that TfL is considering increasing the congestion charge by 60% without a full, independent study into the impact that the charge has had on businesses. Figures published by TfL have shown that, after six months, there was a 10-15% reduction in traffic within the charging zone. However, the Chamber is concerned that many of the people who used to drive into the charging area have not transferred on to public transport but have simply opted not to travel into Central London at all, and this has serious implications for business.

Indeed, TfL's own findings report on the first year of the congestion charging scheme, that 70,000 fewer people per day are travelling into the congestion charging zone by all modes of travel compared to 2002¹⁵. This suggests that congestion charging is discouraging people from coming into the centre of London regardless of whether or not they are using private cars. The Chamber believes that this is a very worrying trend, one that has serious implications for businesses within the charging area, and would like to

¹³ LCCI, *The Retail Survey: One Year On*, February 2004

¹⁴ Royal Institute for Chartered Surveyors, *The Impact of Congestion Charging on Property*, February 2004

¹⁵ TfL, *Congestion Charging: First Annual report*, February 2004

see more work carried out by TfL on the causes before any decision is made to increase the charge.

Furthermore, the existing zone is already having an adverse effect on businesses in areas adjacent to the charging zone such as Kensington and Chelsea and Westminster. A survey carried out by the Royal Borough of Kensington and Chelsea found that 77% respondents felt the scheme had a detrimental effect on their business and 70% believed takings had fallen¹⁶, while a survey by Westminster City Council found 68.9% of the borough's businesses felt the charge had had a negative impact on their business. An increased charge can only serve to exacerbate these problems upon businesses outside the zone, at time when they face increased costs due to TfL's parallel proposals to extend the zone to cover many of these businesses.

It is worth noting that the residents of Edinburgh voted against the introduction of their own congestion charge in February 2005 by a margin of three to one. The 'No' lobby, lead by groups such as Edinburgh Communities Against Congestion Charging and the National Association Against Tolls, had campaigned specifically against the charge given its potential impact upon business. Whilst the London Chamber notes the significant differences between the scheme proposed in Edinburgh and the 60% increase in central London, it is not possible to ignore such a clear vote of no confidence. The London Chamber is also interested to learn why a referendum has not ever been held in London, on either the introduction of the charge or on proposals to increase the price or expand the zone.

The Chamber strongly believes that whatever benefits it has produced, congestion charging has had a negative impact on London's businesses. The Chamber is disappointed, not only that TfL has failed to make any real attempt to ease the burden on companies by introducing measures such as a charge-free period during the day when there is less traffic, or by ending the charge at an earlier time but has also failed to even acknowledge that London business has been substantially impacted by the introduction of the charge. As we stated in our previous responses to the two consultations on the proposed western extension, until a serious attempt is made by TfL to recognise and act on business concerns and minimise the impact of the scheme on businesses within the charging area, the London Chamber cannot support any increase in the cost.

¹⁶ Royal Borough of Kensington and Chelsea, *The Impact of Congestion Charging on Business*, September 2003

Conclusion

The Chamber does not support the current proposal to substantially increase the congestion charge for the following reasons:

- A full and independent assessment must be made of the current congestion charge's impact upon business and the London economy before a judgment can be made on its full impact and on whether an increase is wise
- On that basis, adjustments must be made to the existing scheme to reduce any negative effects on business and the economy
- There is concern that an increase in the charge is motivated by a cynical desire to raise revenue rather than a commitment to cut congestion
- There have not been the clear and measurable improvements in public transport that are necessary to support the charge

The Chamber does recognise that the congestion charge is a bold and well-intentioned attempt to deal with the real problem of congestion in London. We do not call for the existing charge to be scrapped. Indeed, we hope that ways can be found to adapt a good principle into a better working scheme. However if the price of reducing congestion is harming one or more vital business sectors, then all that has happened is that an attempt to solve one problem has created another. Until more is known about the impact of congestion charging on London businesses, the Chamber believes that no charge increase should be introduced.

**For further information or to discuss this response further, please contact Elizabeth de Winton, Campaigns Manager at the London Chamber of Commerce & Industry
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