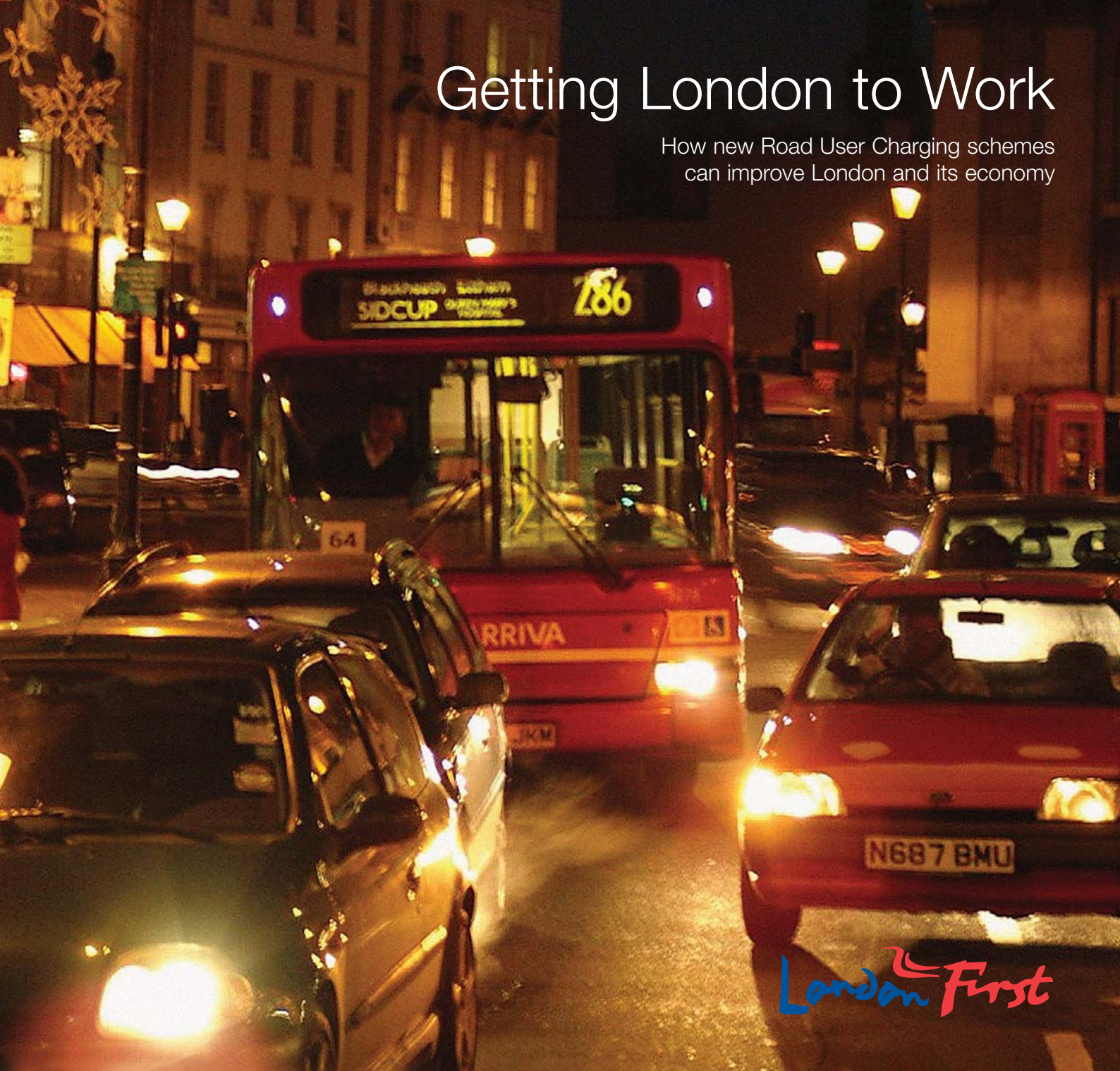


# Getting London to Work

How new Road User Charging schemes can improve London and its economy



London First

Action to tackle London's traffic problems is a top priority. Conservative estimates show that the annual cost of congestion in London is equal to 1% of the capital's GDP. With recent predictions by Transport for London (TfL) showing that congestion is likely to grow 25% by 2025, the health and wealth of London depends on addressing this problem.

We should not, however, simply focus on preventing things becoming worse. All those responsible for London must seek to improve the attractiveness of the capital as a place to live, work, visit and invest, if we are to avoid jeopardising London's global competitiveness.

In 2005, London First published *Driving Business* which made 45 recommendations to improve the capital's road network. These included calling for new Road User Charging (RUC) scheme objectives in heavily congested locations across Greater London.

Reaffirming this support, 68% of businesses surveyed by London First in 2006 backed the principle of Road User Charging.

This publication summarises the case for further schemes, as part of a wider strategy to tackle congestion and create a more pleasant and prosperous city by generating funds for much needed investment in transport. It also asserts the key principles which London business believes should guide schemes' objective and development.

This is an executive summary of a London First document which is substantially based on a survey of 100 member businesses and a research report commissioned by London First and produced by Atkins plc.

For a copy of the full report, contact us on **020 7665 1500** or visit [www.london-first.co.uk](http://www.london-first.co.uk)

## London and the economy

London is one of the world's leading cities alongside New York and Tokyo. With 7.5 million inhabitants it has the largest population of any city in Europe.

The capital is the major driver of the UK's economy. London is home to around 12% of the UK's population yet contributes 17.9% of the UK's GDP. It is a global centre for financial and business services, tourism and culture. Its economy is worth an estimated £160 billion per year and it competes not with other regions of the UK but with other world cities.

London First recently published a major study of London's economy, *Keeping the UK Competitive*, which identified key challenges that need to be faced if the capital is to achieve its growth potential.

London's success cannot be taken for granted. Much of the investment by global business in London is highly mobile and can be taken elsewhere.

Population and employment levels are expected to continue to grow rapidly, creating major challenges for transport. Furthermore, as forecast population and employment growth are in different locations, this will further increase the pressure on the transport system, including the road network.

The message is simple – to achieve growth London has to attract global investors. To attract investors, London has to have effective transport. RUC provides the opportunity to raise funds to invest in the transport system.

## The importance of roads to business

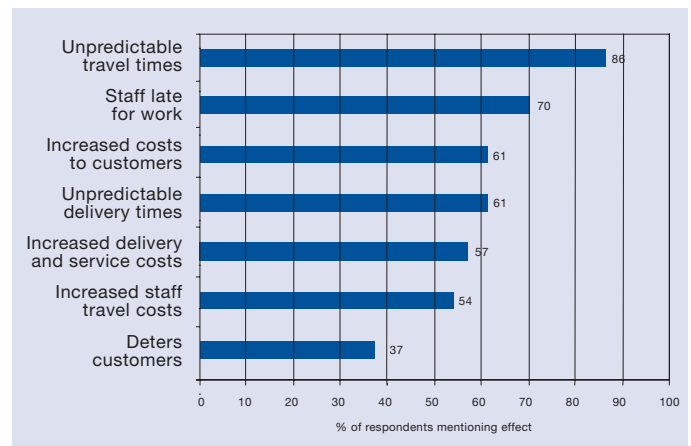
The performance of London's transport system falls well below that expected of a leading world city. It suffers from traffic congestion and insufficient public transport capacity, and as London has grown, the gap between public transport demand and capacity has widened.

Despite London's extensive rail and tube network, it is the road network which provides for most of the capital's transport needs. Business relies heavily on roads for the delivery of goods, for commuting and travel in the course of work, and for customer access to shops, services and leisure activities.

London's roads carry 62% of people's daily journeys and 82% of freight movements. Across Greater London, goods vehicles form 16% of all road traffic. In Central London the total mileage covered by delivery and servicing vehicles is nearly five times greater than that of buses and coaches.

Congestion is approximately twice as bad in London as it is in other UK cities. Even more concerning from an international competitiveness viewpoint, traffic speeds in London are 26% lower than New York and around 20% lower than Singapore. Congestion increases travel delays, reduces journey time reliability and acts as a deterrent to travel. In a survey of 100 London First members conducted in 2006, congestion was a concern for 85% of businesses.

Figure 1 – Impact of congestion on 100 London First members



Source: London First, 2006 Road User Charging survey

Road transport is a significant contributor to carbon dioxide (CO<sub>2</sub>) emissions and to poor air quality, notably emissions of Nitrogen Oxides (NO<sub>x</sub>) and particulates (PM<sub>10</sub>). It is estimated that around 1,000 premature deaths per year occur due to poor air quality across London.

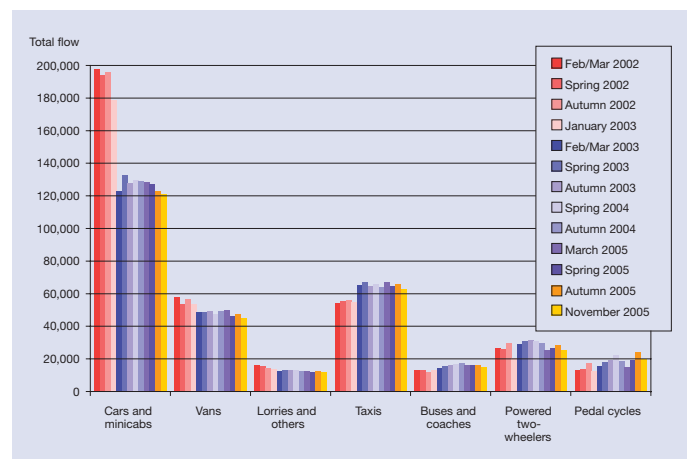
In addition to concerns from existing businesses, poor air quality can hinder investment in London. 13% of businesses cite 'freedom from pollution' as an essential factor in their decision on where to locate according to the Cushman & Wakefield European Cities Monitor 2005.

## Lessons from Congestion Charging in Central London

### Traffic reduced

The number of vehicles entering and driving within the charging zone during charging hours has decreased, leading to a significant reduction in congestion. Prior to the price increase to £8, traffic and congestion in the zone in 2005 were, respectively, 15% and 22% lower than before charging began.

Figure 2 – Traffic entering the charging zone during charging hours

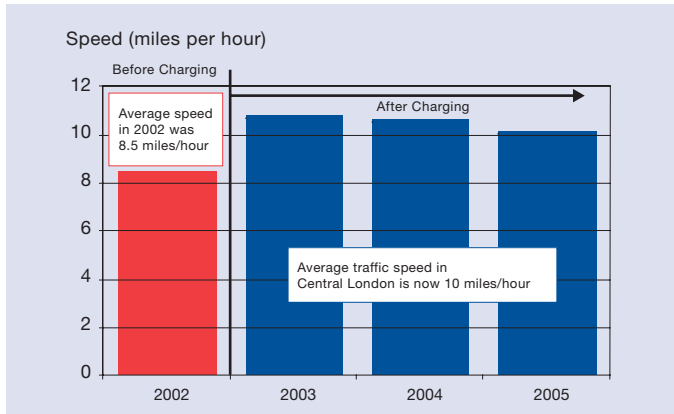


Source: TfL, Congestion Charging Impacts Monitoring Fourth Annual Report, 2006

Trends in congestion indicate the impact of the scheme has diminished over time, although conditions are still significantly better than before charging, especially considering the potential for increasing demand due to population and economic growth.

Consequently, average traffic speeds have increased from 8.5 to 10 mph (20%).

**Figure 3 – Average traffic speed inside the charging zone during charging hours**



Source: Congestion Charging Impacts Monitoring Fourth Annual Report, 2006

### Air quality improved

The scheme has also successfully reduced vehicle emissions. Attributing changes in air quality to individual sources is complex. Nevertheless, there is evidence to suggest that comparing 2004 levels to pre-charging conditions the scheme may have led to a reduction of vehicle emissions of 18% for NO<sub>x</sub>, 21% for PM<sub>10</sub> and 17% for CO<sub>2</sub>.

### Impacts on business variable

While the overall business impact of the scheme is probably neutral, it is clear that there have been winners and losers. The retail and leisure sectors, small business and those close to the boundary of the zone are considered to have been most adversely affected.

It is clear that future schemes will be in areas where public transport is less effective, where more people currently visit stores and services using cars, and where local economies are often more dependent on the retail sector. There is real concern that new schemes could create much greater problems for some businesses than was the case for the Central London scheme.

For example, John Lewis research completed in 2006 shows that 9% of shoppers travel to their Oxford Street store by car. This compares to 64% across all their stores. Without careful consideration of local economies, critical business sectors will experience significant problems.

### Revenues

Although not a primary objective of the Mayor, congestion charging has generated substantial revenues. Over the 3½ years of operation, the scheme has raised over £300 million which is required by law to be spent on transport. By 2017 charging is likely to have raised over £1.8 billion.

These revenues are, however, lower than expectations. This is as a result of higher than anticipated operating costs and a lower than expected number of chargeable users.

While the scope, design, operation and enforcement of schemes in London, Stockholm and Singapore vary considerably, which makes comparing costs complex, the London scheme appears to be the most expensive to operate:

- London Costs are 42% of revenue
- Stockholm Costs are 28% of revenue
- Singapore Costs are 18.5% of revenue

### Reinvestment too narrowly focused

Investment of net revenues generated by the scheme is too narrowly focused, with the vast majority spent on buses. Reduced congestion does not result in productivity improvements for all road users. For these users, net revenues produce few tangible benefits.

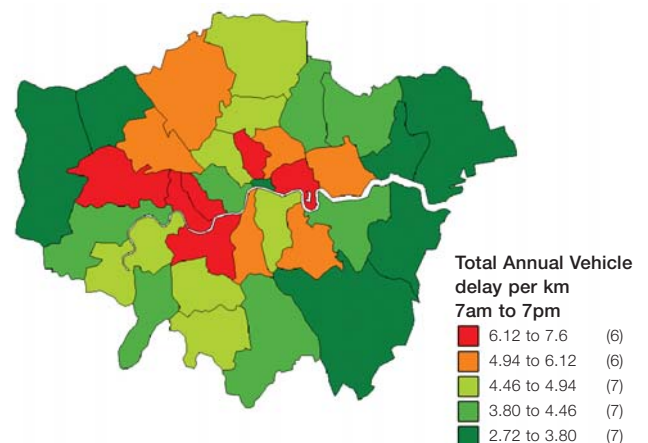
In a survey of 100 London First members, 76% felt that RUC revenues should be invested into the road network. In further schemes, where the availability of public transport is unlikely to be as good as it is in Central London, the case for this is particularly compelling.

## Why London Needs Wider Road User Charging

### Congestion needs to be tackled across the whole of London

Only 7% of the total congestion across the capital is in Central London. Elsewhere in London congestion levels are equally high or higher. At a borough level, those with the worst congestion are shown in red in Figure 4.

**Figure 4 – Annual vehicle delay in London boroughs**



Source: TfL, Technical-Note-3-Total-vehicle-delay-in-London

### The cost of congestion is high and will increase significantly

London's growth could mean an extra 400,000 vehicles by 2025. Without new road capacity, congestion could grow by between 20% and 25%. Conservative estimates forecast that the cost of traffic delays to London's economy could increase to between £1.8 and £1.9 billion.

Also, the combined impact of more traffic and worse congestion will increase pollution.

## London needs substantial investment in public transport

Demand for public transport has grown faster than capacity, leading to widespread overcrowding at peak times. Growth will further widen the gap between demand and capacity. This is a substantial shortfall that can only be met by considerable investment. Additional RUC schemes would contribute to raising revenue to support this investment.

## International experience shows that Road User Charging works

As in London, other cities have demonstrated RUC significantly reduces congestion. In Stockholm a six month trial reduced traffic by 25% and in Singapore traffic was reduced by 13%.

## There are no effective alternatives to Road User Charging in London

Whatever the theoretical arguments about the long term value of major new road construction, it is clearly not a practical option in most areas of London. Improved traffic management, such as the re-phasing of traffic lights, tends to increase capacity by only 5-10% and most key routes in London are already optimised.

# The way forward

## Timescales

The Government continues to consider how a national RUC scheme could be implemented within 10 years. Additionally, the Department for Transport is sponsoring a number of pilots to explore how local charging schemes could be implemented and believes that further schemes are possible in the UK by 2010. Implementing new schemes in London needs to be seen in this longer-term, national context. However, the high levels of congestion and the need to support the capital's growth are such that London cannot afford to wait for a national scheme.

## Objectives

In extensive consultation with its members, London First has identified a set of objectives for future RUC schemes and a number of key principles that should guide schemes' development.

The aim of further schemes should be to increase London's prosperity and improve the attractiveness of the capital as a place to live, work, visit and invest by:

- reducing congestion (and hence air pollution)
- improving journey times and reliability
- raising revenue for reinvestment
- improving public spaces

In order to deliver the four objectives, 12 key principles have been identified:

Principle	Survey results from 100 London First members
Target locations with the <b>worst congestion</b>	Congestion is a concern for 85% of members
Comprise part of a <b>package of wider measures</b>	84% of members want improved traffic management as part of future RUC schemes
<b>Reinvest net revenues in public transport</b> to benefit the region and economy	93% want to see funds reinvested in public transport
<b>Reinvest net revenues in the road network</b> to benefit the region and economy	76% want to see funds reinvested in the road network
<b>Reinvest net revenues in public spaces</b> to benefit the region and economy	Principle identified in focus groups and member interviews
Scheme operation must be <b>simple</b> and <b>easy to use</b>	A scheme that is easy to use was the most common response (94%) when asked "What conditions would be necessary for you to support Road User Charging?"
Ensure that the local or wider <b>economy is not disadvantaged</b>	78% said that to support RUC no business sector should be unduly disadvantaged
Provision for <b>alternative means</b> and times are required for <b>delivery and servicing</b> vehicles	Based on qualitative feedback from the London First Road Pricing Think Tank and a series of member consultations
<b>Robust</b> and <b>transparent</b> operation	
Schemes must be <b>financially efficient</b> (low running costs)	
<b>Enforcement</b> is <b>fair, proportionate</b> and <b>visible</b>	
<b>Charge setting</b> and <b>monitoring</b> should be <b>independent</b>	

# Implementation

While the potential benefits of Road User Charging are significant, realising these with new schemes will be much harder than was the case with Central London Congestion Charging, and will be fraught with political, technical and operational complexities. In particular, it will be critical to develop and fine tune new schemes with the full support of key stakeholders, including local politicians, businesses and the general public. Without stakeholder support, schemes will be heavily delayed or abandoned.

Consistent with these principles, the three broad options for London are to introduce charging on strategic routes, via wider cordon-based schemes or in the most severely congested town centres. Identifying the best option for achieving the desired objectives will require a substantial amount of detailed analysis. It is possible, however, to identify a generic “toolkit” of complementary measures for use irrespective of which option is adopted. Such a toolkit – to be implemented before the introduction of any further scheme – is illustrated in the table below.

Element	Measures to be considered
<b>Improve public transport</b>	<ul style="list-style-type: none"> <li>• Enhance existing bus service frequencies</li> <li>• Introduce new bus routes to create new links</li> <li>• Introduce new modes (e.g. bus rapid transits, river bus services or light rail)</li> <li>• Improve rail frequencies or capacity</li> <li>• Improve rail station interchanges, information and security</li> <li>• Improve pricing structures</li> <li>• Improve access and provisions for taxis</li> </ul>
<b>Improve roads and traffic management</b>	<ul style="list-style-type: none"> <li>• Address local congestion hot-spots with improved junction control, including optimising traffic lights to improve traffic flow during and outside of charging hours</li> <li>• Optimise road space allocation to suit local requirements (via Network Management Plans)</li> <li>• Provide High Occupancy Vehicle priority schemes</li> <li>• Improve micro-management and co-ordination of road works on major routes</li> <li>• Improve management of accidents and breakdowns, including providing a vehicle removal service</li> <li>• Improve the network and local facilities for walking and cycling</li> <li>• Better designate and manage on and off-street parking</li> </ul>
<b>Improve conditions for delivery and servicing vehicles</b>	<ul style="list-style-type: none"> <li>• Provide retail consolidation centres (supported by revenues)</li> <li>• Increase and/or reposition loading and unloading bays to suit local requirements</li> <li>• Increase enforcement of loading and unloading bays</li> <li>• Harmonise rules governing loading and unloading, including London Lorry Control Scheme</li> <li>• Introduce lorry/van booking schemes</li> </ul>
<b>Improve public spaces</b>	<ul style="list-style-type: none"> <li>• Schemes to attract more visitors and investors to an area by improving the environment including safety, security and cleanliness enhancements (e.g. CCTV and pedestrianisation)</li> </ul>
<b>Increase soft travel demand management</b>	<ul style="list-style-type: none"> <li>• Provide full information on alternatives (via TfL Journey Planner) and support travel plans for individual workplaces, schools and homes</li> <li>• Promote car clubs and car sharing</li> <li>• Promote remote working, time shifting and teleconferencing</li> </ul>

# Recommendations

<p><b>Overall approach</b></p>	<p><b>Government</b> should <b>more actively progress a national scheme</b></p> <p>Due to the current level of congestion, London cannot wait for a national charging scheme. The Mayor must take a stronger lead in London on further RUC schemes and outline his plans</p> <p><b>Gaining support</b> to introduce new schemes <b>will be significantly harder</b> than it was for the existing scheme. In addition to technology trials, the <b>Mayor</b> and <b>TfL</b> should set up a campaign to <b>build consensus and commitment</b></p> <p><b>Government</b>, the <b>Mayor</b> and <b>TfL</b> should more <b>actively progress dialogue</b> with key stakeholders so that new schemes can be implemented as soon as possible. We believe that such schemes could be possible in 5 years</p> <p>The draft Further London Plan Alterations, Transport 2025 and the revised <b>Mayor's</b> Transport Strategy should show <b>public transport demand</b> and <b>investment scenarios</b> that include <b>wider RUC</b></p>
<p><b>Develop schemes</b></p>	<p><b>TfL</b> should <b>identify a range of locations and corridors</b> which would benefit from RUC</p> <p><b>TfL</b> should <b>commission independent research</b> to demonstrate the likely impacts and benefits of any new schemes being considered</p> <p><b>TfL</b> should identify and agree with boroughs <b>clear objectives</b> and potential benefits for each new scheme</p> <p><b>TfL</b> and boroughs should <b>agree the implementation package with stakeholders</b></p>
<p><b>Engage stakeholders</b></p>	<p><b>Government</b> should set up a <b>top-level stakeholder group</b> to establish principles and approach to RUC in the UK</p> <p><b>TfL</b> should set up a <b>top-level stakeholder group</b> to establish principles and approach to RUC in London</p>
<p><b>Develop messaging</b></p>	<p><b>Government</b>, the <b>Mayor</b> and <b>TfL</b> should promote schemes as an <b>opportunity to improve public transport, roads, public spaces and the environment</b> (i.e. not just to tackle congestion)</p> <p><b>TfL</b> should work with boroughs to <b>survey residents' views</b> and promote new schemes and address concerns</p> <p><b>TfL</b> and stakeholder groups should <b>develop messaging</b> to support new schemes</p>
<p><b>Funding</b></p>	<p><b>TfL</b> should adjust <b>Borough Spending Plans</b> to incentivise RUC schemes</p> <p><b>TfL/Government</b> to alter scheme order to allow <b>ring fencing of 15% of congestion charging net revenues</b> to sponsor preparatory work for further schemes</p>
<p><b>Do not encourage congestion</b></p>	<p><b>Government</b> and the <b>Mayor</b> should not support any policy revision which may <b>inadvertently encourage traffic</b> until RUC is in place (e.g. Barker review questioned the restrictions on out of town shopping)</p> <p>The <b>Mayor</b> should <b>not encourage more vehicles into the current zone</b> by implementing the proposal to reduce charge levels for low emission vehicles (unless a greater number of vehicles with high emissions are deterred)</p>