



Consultation on Proposed Changes to the Congestion Charge Zone

Proposed by Transport for London

**Response by the
London Policy Unit of the
Federation of Small Businesses**

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INTRODUCTION

In this response, we are representing the views of the 7,000 FSB members in Greater London, drawn from London's micro and small business communities. Small and micro businesses employ nearly 2 million people, and represent 40% of the workforce in London. They have been responsible in recent years for creating two thirds of new jobs in London.

The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. It is non-profit making and non-party political. Formed in 1974, it has 213,000 members across 33 regions and over 190 branches.

In London, the Federation's policy work is overseen by the London Policy Unit which consists of members who are interested in the development of policy issues and lobbying for a better deal for London's small businesses. As a business membership organisation, we are responding primarily with reference to the business community and the impact on business of congestion charging. We are following on from our responses to previous consultations and our ongoing lobbying on the issue of road charging in London.

We welcome the opportunity to respond to the range of issues as outlined in the consultation document at this time.

EXECUTIVE SUMMARY

We welcome a number of the measures detailed within the consultation document. However, we have always argued that there is a need to differentiate between essential and non essential journeys.

We regret that TfL have continued to fail to differentiate between those business vehicles, which need to enter the congestion charge zone in order to carry out their business, deliver goods and services to their customers, and those private vehicle users who fail to utilise the public and other transport options open to them.

We are also concerned that the Congestion Charge does not adequately reflect the Mayor's Transport Strategy. The MTS stated that it recognised the importance of freight and that road freight would increase.¹ The congestion charge proposals do nothing to discourage private car usage, which the MTS does, and the increased charges will further burden those business users who have no choice but to drive into the zone.

We will address the individual points of the consultation in turn.

¹ The Mayor's Draft Transport Strategy, October 2009, Chapter 4.2, para. 112, and Chapter 5.1 para 235

1. Removal of the Western Extension

We absolutely welcome the proposed abolition of the Western Extensions of the Congestion Charge Zone. We have long lobbied against this extension since its introduction in 2007 and are pleased to see the Mayor fulfil his manifesto pledge of 2008.

Given the length of time that has elapsed since the Mayor pledged during his election campaign to abolish the Western Extension, we look forward to the zone being abolished by the beginning of 2011, although we do remain disappointed that it has taken so long to reach this point.

2. Daily Congestion Charge Increase

We are however extremely disappointed that TfL are proposing to increase the charge. The Congestion Charge was designed to be a deterrent to those taking unnecessary journeys on London's road, not a revenue making exercise. We are concerned that the increase in the charge serves only to raise revenue for TfL.

We are not convinced that the increase is solely in line with inflation. The charge has risen by 42% in real terms, since its introduction in 2003; inflation has over the same period risen by 21%. The numbers in this argument simply do not add up.

Furthermore, we are concerned that the proposed charge has been artificially raised – and by a level significantly ahead of the rate of inflation in order to compensate for the loss of revenue resulting from the proposed abolition of the Western Extension of the Congestion Charge zone. We feel very strongly that all users should not be penalised for the scrapping of a scheme that was not wanted by any of those users in the first place. The abolition of the Western Extension was a Mayoral pledge. While we are pleased that this pledge has been met, it should be done without financial penalty to London's road users.

We would urge TfL to consider capping the charge at its existing rate of £8 (before any relevant discount) so that London's businesses are not hit by any other costs at this time of economic difficulty. Many of London's businesses (particularly those in the parts of central London covered by the Congestion Charge) have already this year been subject to a significant rise in their business

rates. The Government announced that the National Insurance Holiday will not extend to new businesses in London (as well as those in the East of England and the South East). These measures, coupled with a significant increase in the Congestion Charge, combine to give the impression that central London is not an affordable place in which to locate business.

3. Payment by CC Autopay

We welcome the decision by TfL to introduce an online automated pay system, to allow registration and automatic payment of the congestion charge. This will help avoid the higher rate for payment when made the day after entering the zone, and the steep penalty charges for non payment of the charge itself.

Although not designed in any way as a business benefit, many of London's small business owners will nonetheless save time and money through this new system.

However, given that the discount of £1 when paying the charge via CC Autopay is the same as the discount for the Fleet scheme (a business-specific aspect of the congestion charge) there will be no financial advantage to business to use either scheme. This is another example of TfL failing to differentiate between business and private vehicles users, and those who make necessary and unnecessary journeys.

4. Changes to the Fleet Scheme

We welcome the proposal by TfL to reduce the qualification of the Fleet Scheme from ten vehicles to six. Many of London's small business operate less than 10 vehicles, and they will now be able to utilise this scheme should they so wish. However, since the CC Autopay scheme also grants a £1 discount there seems to be no discernable advantage to either scheme, other than the dedicated Fleet Scheme telephone helpline

It has been suggested by TfL that the advantage of the Fleet Scheme is that businesses can nominate an amount of money which is paid up front on a monthly basis and there are therefore able to better budget their congestion charge spend.

We would absolutely refute that point.

We do not see how it is an advantage to businesses for TfL to have their money instead of them. Most businesses would prefer to operate a line of credit. Furthermore, a significant number of businesses that have ceased trading because of the recession and the economic downturn have done so because of cash flow problems, not because they were failing businesses.

Ironically, it will be those businesses that can utilise the new CC Autopay system that will probably benefit the most from the changes to the Congestion Charge scheme, with the few business advantages of the scheme becoming virtually obsolete.

It is also worth noting that the discount on the Fleet Scheme is not the same as before - reducing from 12.5 to 10 percent.

5. Removal of the Alternative Fuel Discount, new Greener Vehicle Discount, Changes to the Electric Vehicle Discount.

We have no general objections to the changes to the discounts for users of greener vehicles. We note however, that there will be no discounts for those vans that are categorised as greener vehicles (as oppose to electric vehicles). Whilst we appreciate that there are technical reasons regarding the monitoring of CO₂ emissions that are different between cars on the one hand and vans and other commercial vehicles, we believe that there should be some recognition of those businesses which are attempting to be as compliant as they can, particularly with the low emission zone (LEZ).

We would ask TfL to consider extending some sort of discount to those vehicles, and suggest that perhaps those in possession of a Reduced Pollution Certificate could benefit from a discount, for the life of the certificate.

6. Changes for 9+ Seat Vehicles and MOD vehicles

We have no objections to the proposals for these vehicles.

CONCLUSION

Whilst we welcome many aspects of this consultation, we still ultimately remain disappointed that there is no recognition given to the difference between business and non business vehicles and essential and non essential journeys.

In our manifesto for the Mayoral elections in 2008 we stated that we believed that micro and small businesses in the congestion charge zone should be eligible for the same rights as residents in the zone for up to five business vehicles.² We would still like to see this happen for those business located within the original congestion charge zone.

London is a great place to do business, but increasingly businesses in London are suffering undue and unfair burdens that are not placed on business elsewhere in the country. If the private sector is to help lead the country outside of this economic downturn, public policy should help not hinder that process. London's small and micro business community needs be given a fighting chance to do so.

² Our full manifesto for the 2008 Mayoral Elections can be found at <http://www.fsb.org.uk/ManifestoPapers>