

FSB London response to Transport for London

Proposal to expand the
Ultra-Low Emission Zone
London-wide in 2023

Introduction

The Federation of Small Businesses (FSB) is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political and is also the largest organisation representing small and medium sized businesses in the UK. Furthermore, FSB's mission is to help smaller businesses achieve their ambitions and create the best environment for businesses to start up and thrive in.

We are member-led, so that we authoritatively protect and champion the interests of the self-employed, micro and small businesses across the London region.

FSB London's staff and volunteers work together to ensure that the voice of small business is heard by decision-makers at every level of Government. We also bring our entrepreneurial spirit into our work by proposing practical policy changes and being part of the solution.

Small businesses make up 99.3 per cent of all businesses in London which make a huge contribution to the UK economy.

FSB London Survey of Small Businesses

In order that FSB London could present a formal response to the Transport for London (TfL) proposal to expand the Ultra-Low Emission Zone (ULEZ) London-wide in 2023 via the public consultation process by 29 July 2022, we undertook a survey of small businesses which ran between 17 June and 10 July 2022.

The **FSB London survey was completed by almost 600 businesses – 77 per cent of those within London with representations from all 33 boroughs**; with one in five responding to our survey from the periphery of the Greater London region.

FSB Response – Presenting the Small Business Voice

To ensure the small business voice is heard in this public consultation exercise by TfL, please note how FSB is responding as follows:

- FSB London survey headline figures
- Answers to the specific TfL survey related questions where applicable
- Impact of proposed ULEZ expansion on small businesses - key concerns
- Small business case studies
- FSB London call on behalf of small businesses

Headline Figures

FSB London Survey: Completed by almost **600 businesses** – **77% of those within London** with representations from all **33 boroughs**; with **one in five** responding to our survey from the periphery of the Greater London region.



Agree with ULEZ Expansion to all Greater London? 84% of respondents do not agree with the proposal. Important to note that **19%** completing the survey were **unaware of the proposed expansion**.

Agree with Road-based User Charging? 78% said they do not agree. Of those that responded, 78% did not think that all of Greater London should have **'demand based' road user pricing system** in place. In contrast, 70% of those responding **do not want an 'emission based'** road pricing system versus **30%** who said they agreed with an emission-based system.

Business Size: The majority of those responding were **'Micro' businesses** with 1-5 employees at **59%**.



Current Business Vehicle Type: 80% of respondents are **reliant on business-based vehicles**. A range of business vehicle type are used but the majority responding (50%) stated they use cars or small vans (under 1,205kg unladen) and **20% use larger vans** (exceeding 1,205kg unladen and not exceeding 3,500kg GVW). **Only 2%** said they were **making use of E-cargo bikes**.



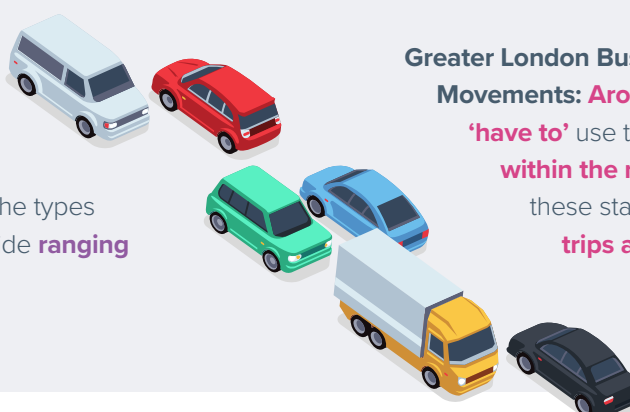
Workplace Electric Vehicle Charging: 57% of respondents to the question stated that they **could not consider on site electric vehicle charging** at their work premises.

Car Free Culture Promotion: 47% of small businesses responding said they **could not operate without vehicles**, comparably, **15%** ask employees to only use vehicles where **absolutely necessary**.



Business Vehicle Upgrades: For those respondents still using non-compliant ULEZ business vehicles, **25% said that they will pass on the ULEZ charges to customers**. **18%** are planning to **close their businesses** whilst others are looking to stop serving companies in London or move out of London. **16%** of respondents are looking to **source second-hand vehicles**. Only **8%** indicated they would **buy new vehicles**. Of those replying, **30%** said they will **take action** during 2023 whilst **20% do not intend to do anything**.

Employees Vehicles: 57% of 'Micro' business (1-5 employees) respondents said that their staff **use their own vehicle** to enable them to perform their job or to get to work. The types of **'essential business trips'** were wide **ranging** and **numerous**.



Greater London Business Vehicle Movements: Around 77% said they **'have to'** use their business vehicle(s) **within the region** with **37%** of these stating their **business trips are 6-7 days per week**.



Answers to the specific TfL Survey related questions where applicable

1. How concerned are you about air quality where you live?

FSB Comment: FSB did not ask this question specifically in our survey. However, from the swathe of comments collected from open ended questions, it is clear that our members/small businesses want improved air quality but not at such a severe cost to them at this time, in the current economic climate with the pressures of the cost of living/doing business crisis. FSB has long supported the Mayor's ambitions to improve London's air quality, however, we cannot support this current proposal, without modification, as it will negatively affect too many small and vulnerable businesses. A change of policy is needed, and we can work closely with the Mayor and TfL officials to help support small businesses.

2. Does your vehicle(s) meet the emission standards required to drive in London without paying the ULEZ charge? Click here: tfl.gov.uk/modes/driving/check-your-vehicle to check your vehicle if you are unsure

FSB Comment: Of those responding to the FSB London survey, we noted the majority (25 per cent) said they would pass ULEZ charges onto customers implying their vehicles are non-compliant. 18 per cent said they would close their business; with a further 16 per cent looking to move out of London. The majority responding (50 per cent) stated they use cars or small vans (under 1,205kg unladen) and 20 per cent use larger vans (exceeding 1,205kg unladen and not exceeding 3,500kg GVW).

3. Are you registered for a discount or entitled to an exemption for the current ULEZ?

FSB Comment: FSB London cannot answer this question specifically. However, from the comments made to open ended questions in our survey, concern was expressed about the impact on small business owners, staff and customers who are registered with a disability (hidden/physical).

4. Some drivers and vehicles can claim a reimbursement of the ULEZ daily charge under an NHS patient reimbursement scheme. Full information is available here:

tfl.gov.uk/modes/driving/reimbursements-of-the-congestion-charge-and-ulez-charge

Have you claimed a reimbursement of the ULEZ charge under the NHS patient reimbursement scheme?

FSB Comment: FSB London cannot answer this question specifically. However, FSB recognises that disabled entrepreneurs are an essential part of the UK economy, with disabled-owned small businesses accounting for 8.6 per cent of the turnover of all UK businesses. Disabled people in work are more likely to go into self-employment than non-disabled people in work. Some figures from our national report: 25 per cent of small business owners are disabled or have a health condition; 23 per cent of business owners who are disabled or who have a health condition have experienced discrimination or negative treatment. Note the key findings and recommendations from FSB's 'Business Without Barriers Report' here: www.fsb.org.uk/resource-report/business-without-barriers.html



5. How important do you consider it is to continue to have these existing discounts and exemptions and reimbursements for the ULEZ?

FSB Comment: FSB London asks that all existing discounts and exemptions and reimbursements for the ULEZ are extended to cover the entire Greater London region.

6. Do you think we should provide any further discounts, exemptions or reimbursements for the ULEZ?

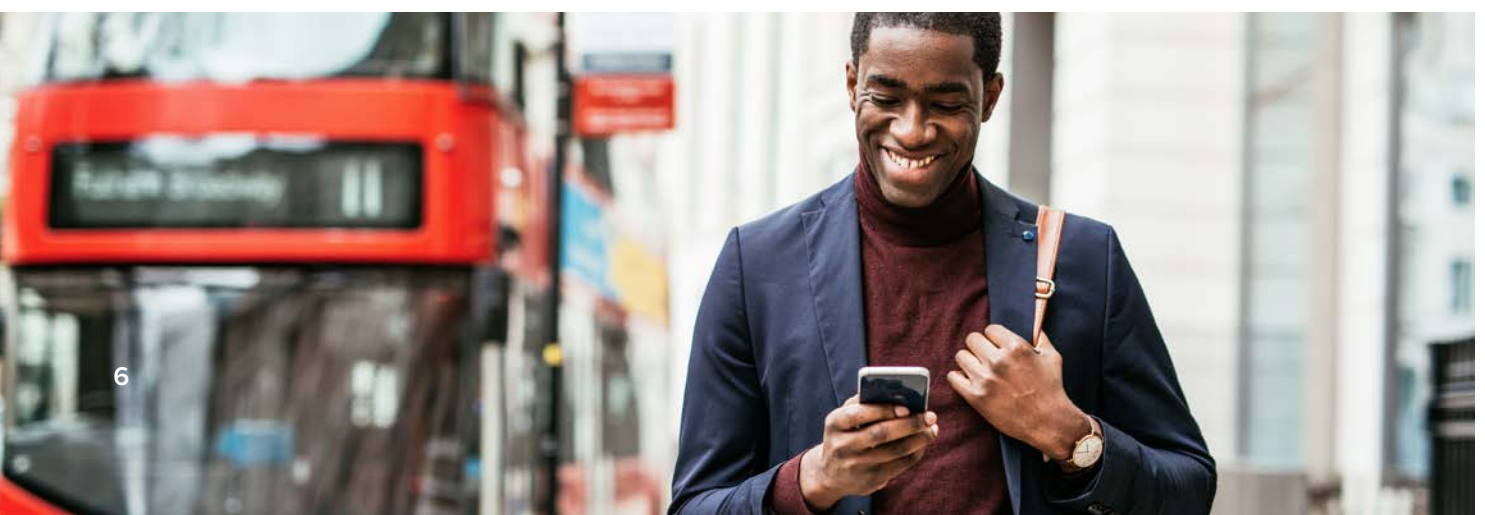
FSB Comment: During a cost of doing business crisis, we need London businesses to thrive and with a heavy reliance on service-related businesses, we feel that implementing a ‘no charge’ period until at least 29 August 2024 is a sensible measure. Implementing a ‘no charge’ period until August 2024 will create a similar lead in period to previous zone extensions. This will create much needed breathing room for small businesses at a time when the pressures are piling on. We need London’s small businesses to recover, grow and prosper so they can make the vital sustainable changes for the long-term.

Also, to introduce a project bank account for any small business paying the charge from August 2023/4 to August 2025. The funds would be protected in a TfL ULEZ Bank Account, and a business would be able to use the funds towards purchasing a new or second hand-vehicle – subject to an upper limit. If the fund is unspent then the money will go to TfL.

And, one FSB member asked - what concessions will be given to small businesses who are based in the area but do not generate their primary source of revenue in the area?

7. How important do you consider it is to continue to have these existing discounts and exemptions and reimbursements for the ULEZ?

FSB Comment: From the result of our FSB London survey, we heard from respondents who suggested a one to five years delay to the proposed implementation date. FSB London strongly suggests that there must be ‘no charge’ period until at least 29 August 2024 and therefore creating a similar lead in period of time to previous ULEZ extensions.



8. For the London-wide ULEZ proposal the Mayor is considering a large-scale and targeted vehicle scrappage scheme to support Londoners, including, for example, those on low incomes, disabled people, charities and businesses.

How important is it that the proposed expansion of the ULEZ is supported by a scrappage scheme?

FSB Comment: Concerns have been made by our members/small businesses at the cost of replacing non-compliant business vehicles without a scrappage scheme. It is simply not feasible in the current economic climate to afford replacement vehicles without financial support. A workable vehicle scrappage scheme is vital for small businesses to ensure they can be supported in making the transition which best suits their business and the environment. There have been concerns expressed over the previous scrappage scheme offered to small businesses which changed 'the eligibility offer' and 'closed' the scheme as many small businesses were in process of ordering compliant vehicles causing financial stress to many. This cannot happen again. Any vehicle scrappage scheme must be clearly communicated, remain open and transparent throughout the period it is open for applications.

FSB Business Case Study: Experience from the last scrappage scheme. One FSB London member submitted plans to scrap three vans, were registered and accepted onto the TfL scheme. Although the vans were scrapped in accordance with the scheme, the small business did not receive any payment. How many other vehicles were scrapped but not paid for? How many appeals were rejected? What happened to the funds reserved for these vehicles? This FSB member felt that the targeting of vehicles being used for most mileage would be most effective, eg: a tradesperson's van parked outside a property most of the day for work is used much less than say a delivery vehicle which is travelling a route of multiple journeys throughout the day.



9. To ensure that Penalty Charge Notices (PCNs) remain an effective deterrent, we are proposing to increase the PCN for the ULEZ from £160 to £180 for people with a non-compliant vehicle who do not pay the daily charge from 30 January 2023. We are also proposing to increase the PCN for the Congestion Charge, by the same amount, at the same time. If paid within 14 days, the amount would reduce by half.

Do you consider the proposed PCN level of £180 is?

FSB Comment: FSB London does not agree with the proposed PCN level increase to £180.



10. How important is it that we remove the annual £10 Auto Pay administration fee per vehicle (for the ULEZ, the Low Emission Zone (LEZ), and the Congestion Charge)?

The proposed removal of this fee would take place from 30 January 2023.

FSB Comment: FSB London agrees that the £10 Auto Pay administration fee per vehicle be removed from 30 January 2023.

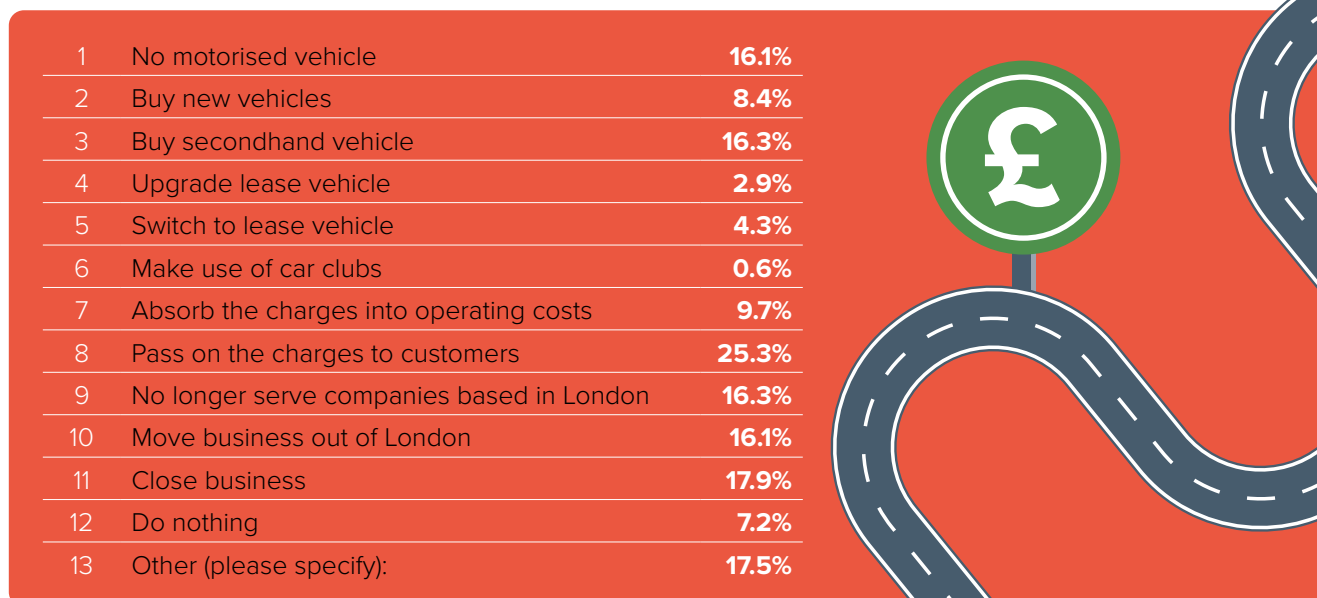
11. There are strict rules in place controlling the use of personal information. We have completed a Data Protection Impact Assessment available on our website. This sets limits on how this information can be used.

How concerned are you about use of your data and the installation of more Automatic Number-Plate Recognition (ANPR) cameras to collect information on vehicle movements to enforce an expanded London-wide ULEZ?

FSB Comment: FSB London cannot comment specifically on this question as this question was not asked of our membership via our own survey.

12. If you own a vehicle(s) that is not currently compliant with emissions standards and if we proceed with our proposals to expand the ULEZ to outer London, what do you intend to do?

FSB Comment: FSB London asked small businesses - "If your vehicle does not meet the new Euro 6 emissions standards, what actions do you intend to take?"



13. Please use this space to give us any comments about these proposals or impacts identified as part of the Integrated Impact Assessments. If you have identified any impacts, please let us know any suggestions to mitigate or enhance these.

FSB Comment: Please note FSB London comments and concerns related to this question from other sections of our consultation submission.

14. Please use this space to give us any comments about the proposed revision to the Mayor’s Transport Strategy.

FSB Comment: FSB London asked our membership/small businesses “Did you know that the Mayor of London’s Transport Strategy 2018 details approach to potential new road user charging schemes which states that TfL is to keep the Congestion Charge and other road user charges under review?” 55 per cent said they were aware whilst 45 per cent said they were not aware.

15. How important is it to you that we take further steps to tackle air pollution in London?

FSB Comment: FSB London has long supported the Mayor of London’s ambitions to improve London’s air quality, and small businesses want to do the right thing too, but they need proper financial support to ensure that the business vehicles they are reliant upon can be upgraded to compliant vehicles.

16. How important to you is it that we take further steps to tackle the climate emergency by reducing emissions in London?

FSB Comment: FSB is active in promoting the importance of shrinking the carbon footprint of small businesses by providing a Sustainability Hub: www.fsb.org.uk/campaign/small-business-sustainability-hub.html Also, FSB's involvement in the Zero Carbon Business Service: <https://zerocarbonbusiness.uk>

17. How important to you is it that we take further steps to tackle traffic congestion in London?

FSB Comment: Whilst this was not a specific question asked by our FSB London survey, we did hear that the 'cost of congestion' is high for many in terms of monetary cost and time; with other stating 'loss of time on job' as another factor caused by traffic congestion.

18. How important to you is it that we take further steps to improve the health of Londoners and address health inequality in London?

FSB Comment: FSB London cannot provide comment here as we did not ask a similar question in our own survey.

19. If we were to develop a future road user charging scheme to replace our existing schemes, how important is it for the new scheme to address the following challenges?

FSB Comment: Please see Q21 for response to this question.

20. If we develop a future road user charging scheme to replace existing schemes, what elements should be considered?

FSB Comment: Please see Q21 for response to this question.

21. Please use this space to give us any comments or suggestions you have about shaping the future of road user charging in London.

FSB Comment: In terms of Q19, Q20 and Q21, the FSB London survey when asked, 'whether all Greater London should have an Emission-based road pricing system as opposed to the current Congestion Charge, Low Emission Zone and Ultra Low Emission Zone?' 30 per cent agreed – so we can surmise that better targeted policies can win small business support.



Impact of Proposed ULEZ Expansion on Small Businesses – Key Concerns

- Concern about increased cost burden on small businesses at a time when inflation is high and continues to rise; pressures of high energy costs.
- Concern about the number indicating they will close their small businesses because of escalating costs within the London/Greater London with some stating ‘fear of being forced to close up business’.
- Concern about staff recruitment and retention for jobs dependent on vehicles.
- Concern about level of business competitiveness between Greater London region businesses and those located just outside the area who don’t serve the capital.
- Concern that customers will be deterred from ‘buying within the ULEZ’.
- Concern that the social impacts of the proposal have not been thought about or discussed. Businesses look to achieve social impact goals through conscious and deliberate efforts or activities in their operations and administrations. The cost of this proposed extension to small businesses will affect how they can carry on achieving these goals.
- Concern about poor/insufficient public transport across the Greater London region with bus services which are not direct or don’t provide required connection times adding considerable time to daily ‘across London’ commutes for staff. Also, some Greater London boroughs do not have access to the Tube and therefore disadvantaged in terms of a public transport offer on par with those London boroughs which do have Tube access. More needs to be done first to provide alternative (public) transport that is reasonable, affordable, and practical.

- Concern about the impact on small business owners, staff and customers who are registered disabled (hidden/ physical).
- Concern about the lack of viable, sustainable, and convenient alternatives to driving.
- Concern for workers on lower incomes who cannot afford to buy compliant vehicles.
- Concern that the proposed ULEZ extension area is not ready for it, eg: severe lack of charging points for electric vehicles.
- Concern expressed that the proposed changes will have minimal to no effect on emissions with small businesses observing that other road changes such as expansion of cycling lanes / increased pedestrianisation has led to bottlenecks causing increased traffic and increased emissions.
- Concern at cost of replacing non-compliant business vehicles without a scrappage scheme.
- Concern expressed over previous scrappage scheme offered to small businesses which changed 'the eligibility offer' and 'closed' the scheme as many small businesses were in process of ordering compliant vehicles causing financial stress to many.
- Concern about the speed of introduction of the proposal to expand the ULEZ across Greater London in contrast to the previous stages; also, the timing of the public consultation amid a cost of or living crisis. A delay in implementation of one to five years is asked for by small businesses.



Small Business Case Studies

Case Study 1:

"I'm a very small business and won't be able to afford to upgrade to a compatible vehicle, I can only afford older vehicles and so will have to pay the charge. This will hit me hard as already I have suffered for 2 years due to Covid restrictions preventing me from working, combined with high cost of living and running a business now due to Brexit, I do not believe that this proposal is coming at the right time due to the difficult circumstances. Significant grants will be needed for small businesses to pay to upgrade our vehicle or exemption from charges. I have looked into the cost of getting a compatible vehicle - and I would absolutely love to do so - but it just isn't feasible on my budget. Larger businesses and wealthier people will have no problem, but it will hit us lower down the scale hardest at an already difficult time. And, I am an environmentalist, so this is a huge conflict of interest for me. However, I believe there are far better and more long-term solutions needed. This proposal won't stop smaller businesses from using their current vehicles, it will just cripple them financially as they pay the charges. Target large companies instead. Provide investment into eco fuels. Plant more pocket-forests / trees to buffer and absorb pollutants. Many other ways to tackle this issue in a fairer way."

Case Study 2:

"I have a 200+ employee business with Cars or small vans (under 1,205kg unladen) / Larger vans (exceeding 1,205kg unladen and not exceeding 3,500kg GVW) / HGVs (over 3,500kg gross vehicle GVW). It will force me to close my business and make 307 people redundant"

Case Study 3:

"Bexley doesn't have access to the same transport options and connectivity as Central London. We have no tube or tram only buses and national rail. The proposal will affect lower-income households as they've not been able to afford updated vehicles and therefore unfairly penalised.

On a personal note, I cannot afford to update my vehicle. As a photographer, I was unable to work during much of the pandemic restrictions and had to rely heavily on savings to survive. Now I'm struggling to replenish funds and working very much had to mouth and trying to grow my business back up again. I never drive into Central London for either personal reasons or even for jobs. The only time I do use my vehicle is for visiting family (all outside of the Greater London area) in Kent Sussex and further afield. The same goes for my business. Much of my work is outside of Greater London in Kent where I need a vehicle due to equipment. It's unfair to charge me for literally driving a few minutes down the road away from Central London just to visit family".



Case Study 4:

“It will increase the cost for us to deliver to our customers. It will affect staff driving to and from work, again adding to their monthly costs. We have staff living in Crawley, Chessington, Caterham and Cranleigh; not places particularly accessible to Croydon by public transport. If public transport was used, it would add considerable time to the daily commutes of the staff”.

Case Study 5:

“This will cause the death of the live entertainment industry. It would be far too costly for smaller businesses, smaller upcoming acts and venues to keep costs to a reasonable amount. The companies I work with would not be able to sustain business as less people would be willing to pay more to see a smaller act in a grass roots venue”.

Case Study 6:

“I submitted plans to scrap three vans and was registered and accepted onto the TfL scheme. Although the vans were scrapped in accordance with the scheme, my business did not receive any payment. How many other vehicles were scrapped but not paid for? How many appeals were rejected? What happened to the funds reserved for these vehicles? I feel that the targeting of vehicles being used for most mileage would be most effective. For example, a builders van parked outside a house most of the day is used much less than a Royal Mail or DPD van”.

FSB London Call on behalf of Small Businesses

When the Mayor of London/TfL announced the policy to expand the ULEZ in April 2017 a two-year lead in time for the Central London area and a four-and-a-half-year lead in time for the North-South Circular changes were provided. However, this extension to the wider outer London area only provides a one-year lead in time. Furthermore, the timing could not be worse with a cost of doing business crisis facing many micro and small businesses. The survey also shows that for those businesses whose vehicle(s) do not comply – 25 per cent intend to pass charges on to customers, which will create further inflationary pressures; and 18 per cent said they would close their business.

FSB members were delighted to have the opportunity to meet with TfL officials virtually on 14 July 2022 to discuss their key concerns. We hope these concerns conveyed back to the Mayor of London and team.

FSB London have never had such a high survey response to a single-issue policy, and the policy needs amending. As an organisation we have worked with the Mayor's team to help many small businesses - most notably the £23million Micro-business Diesel Scrappage Scheme – but at this crucial time we are calling for much stronger intervention.

Small businesses recognise the need for change, but the current proposal adds extra costs and extra administration without creating sustainability, adding value, or creating an opportunity to prosper.

During a cost of doing business crisis, we need London businesses to thrive and with a heavy reliance on service-related businesses, we feel that implementing **a 'no charge' period** until at least 29 August 2024 is a sensible measure. Implementing this measure will create a similar lead in period to previous zone extensions. This will lead to breathing room for small businesses at a time when the pressures are piling on. We need London's small businesses to recover, grow and prosper so they can make the vital sustainable changes for the long-term.

We hope to work with the Mayor's team to make **a vehicle scrappage scheme** plentiful and workable. A scheme must not leave small businesses feeling that they are being punished when so many are committed to the same shared goals. There are very real, practical, and financial reasons why businesses have not yet changed their vehicles and we must look at alternative schemes which can be supported by Government, Mayor of London and financial institutions providing low-cost finance.

We also call for the creation of **a project bank account** for any small business paying the charge from August 2023 to August 2025. The funds would be protected in a TfL ULEZ Bank Account, and a business would be able to use the funds towards purchasing a new or second hand-vehicle – subject to an upper limit. If the fund is unspent then the money will go to TfL. This protects the integrity of the aims of ULEZ and will help those who are forced to buy an interim compliant vehicle only because their preferred EV vehicle is not yet available.

FSB has long supported the Mayor of London's ambitions to improve London's air quality, however, we cannot support this current proposal, without modification, as it will negatively affect too many small and vulnerable businesses. A change of policy is needed, and we will work closely with the Mayor of London/TfL and officials to help support small businesses.

We need policy which promotes a small business friendly London.

We ask that TfL acknowledge our consultation response on behalf of small businesses.

Thank you.

About FSB

As experts in business, FSB offers members a wide range of vital business services, including advice, financial expertise, support and a powerful voice in Government. Its aim is to help smaller businesses achieve their ambitions. More information is available at www.fsb.org.uk

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