

London Chamber of Commerce and Industry's response to the London Assembly Transport Committee's call for evidence on the future of smart road user charging

INTRODUCTION

1. London Chamber of Commerce and Industry (LCCI) is the capital's largest independent business advocacy organisation. We represent the interests of firms of all sizes, from micro-businesses and sole traders through to large, multi-national corporates, across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and media, as well as international audiences. Through business surveys and commissioned research, LCCI seeks to inform and shape debate on key business issues.

Road user charging in London

3. On the issue of road user charging, LCCI has submitted two key consultation responses. The first was to the House of Common's Transport Committee inquiry into zero emission vehicles and road pricing.¹ The second submission was to Transport for London's consultation on the expansion of the Ultra-Low-Emissions Zone, and the future of road user charging in London. In both responses, LCCI has made the argument that businesses support a single, 'smart' road user charging scheme.²
4. Looking at the current road user charging systems in place in London, it is clear that there is need for reform. With three different schemes currently in operation, all with different aims, there is an opportunity to combine them and develop a single scheme that address multiple policy objectives. The aims of a new road user charging scheme in London should focus on improving air quality for Londoners, reducing congestion, and tackling the climate emergency. These aims align the Mayor's, and the Government's, ambitions for reaching net zero both in London (by 2030) and the UK (by 2050).
5. A future scheme in London that considers different factors could build on the objectives of the current ULEZ and Congestion Charge schemes. The factors that could influence the charge in a 'smart' road user charging scheme include the time of day and subsequent impact on congestion, the distance drive, and the impact on air quality (or how polluting the vehicle is). Accounting for the provision of more sustainable modes of transport is important too, as the provision of public transport in particular varies greatly across the capital.
6. However, when considering factors such as time of day or distance driven, there must be consideration given to the many businesses for whom the use of a vehicle is essential, and alternative modes of transport – though more sustainable – may not be suitable. London businesses operate across borough boundaries, and will cover more distance than 'leisure' or commuter vehicle traffic. Therefore, if the distance of a journey is included in the charge under a future road user charging scheme, there should be exemptions for the types of journeys conducted.
7. Similarly, businesses in sectors such as freight often have no options but to travel at times that suit customers. For example, deliveries of consumer goods happen during the day, which is when traffic is at its

¹ LCCI response to Transport Select Committee's inquiry into zero emissions vehicles and road pricing, February 2021. For ease of reference, this submission has been included as an annex below.

² Savanta ComRes surveyed 503 London business leaders online between 6th August and 11th September 2020.

busiest, and firms would not be able to switch their deliveries to off-peak hours as this would be disruptive to customers. Again, therefore, if there is an inclusion of the time of day as a factor in a future road user charging scheme, businesses that cannot avoid driving at peak times should be given discounts or exemptions.

8. As mentioned above, LCCI has already responded to a consultation from the Transport Committee on road pricing. There have been discussions about how Treasury will make up for lost revenues from fuel as the transition to electric vehicles continues, with the possibility of road user charging on the national road network touted as an option. It is therefore important that benefits of moving to a single road user charging scheme in London are not lost through misalignment with any future national scheme(s).
9. For businesses, a lack of complexity is key. There are many businesses based in London who travel out, and vice versa, and therefore the potential for different schemes presents challenges. When considering a future scheme in London, Transport for London and the Mayor must ensure it engages with Treasury and the Department for Transport on its own plans for road user charging, and perhaps even use the opportunity to help shape the design of a national road user charging scheme. London has been a world leader in the use of road charging schemes in the past, and there may well be an opportunity for the capital to act as a trial area for a smart road user charging scheme. London's public transport system could also support its case for trialling a 'smart' scheme, as it can support that modal shift from private vehicles.
10. It is important to note that schemes such as the Ultra-Low Emissions Zone are designed to create modal shift, which in the long-run will see lower revenues generated. Modal shift to low or zero-emission vehicles presents a financial challenge, as the current system of Vehicle Excise Duty (VED) contributes a significant amount in central government revenue. The Chancellor's decision to introduce VED for zero-emission vehicles from 2025 will help to mitigate this loss in revenue, but if the long-term aims are to shift the UK public from using vehicles to other means of transport, VED revenue will fall in the long-term. With that in mind, road user charging schemes may be necessary to provide that continued revenue stream for the public sector.
11. It is worth noting that businesses face significant cost pressures, and for many the use of a vehicle is a necessity to operating. The Mayor, and central government, should be cognisant of the sizeable costs from VED and road user charging for businesses.
12. If the Mayor of London and Transport for London do decide to design a new road user charging scheme, there must be consideration given to the amount of time before implementation. For many firms, there are planned investment cycles that are not easily shifted, and will need as much lead-in time as possible to prepare for any new schemes. The current experience of the proposed ULEZ expansion in August 2023 suggests that businesses are not as prepared as they could otherwise have been if a longer lead-in time was utilised by the Mayor.

For further information, please contact LCCI's Policy Team at policy@londonchamber.co.uk.

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Annex: London Chamber of Commerce and Industry's response to Transport Select Committee's inquiry into zero emission vehicles and road pricing, February 2021

Introduction

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Accelerating the shift to zero emission vehicles

3. London businesses show a heartening awareness and willingness to act on sustainability in their operations. Recent polling undertaken by YouGov, on behalf of LCCI, shows that 81% of London's business leaders were aware of the Government's 2050 net-zero emissions target.³ Nearly three quarters (71%) are currently taking action to reduce their environmental impact.
4. Over one third of respondents (36%) cited the use of greener technologies as a method of reducing their environmental impact, rising to 43% for businesses in the motor trades, wholesale, transport & storage sectors. Close to two fifths (38%) of firms in the motor trades, wholesale, transport & storage sectors also cited the use of sustainable suppliers and sustainable procurement policies.
5. However, meeting the Government's 2050 net zero target will require all levers of the economy to make changes to their operations. In this regard, the Government has a vital role to play in encouraging businesses to make changes to their operations, that will reduce their greenhouse gas emissions. Polling conducted by YouGov shows that 57% of firms cited financial incentives as a tool for encouraging lower greenhouse gas emissions.
6. Electric vehicles remain a relatively new technology, and carry a higher price than their petrol, diesel, and even hybrid counterparts.⁴ A survey by the Society of Motor Manufacturers and Traders (SMMT) from September 2020 showed that more than half of consumers polled said the price of electric vehicles was a concern.⁵
7. However, government intervention can support the growth of sales of electric vehicles. The Government introduced subsidies for sales of electric vehicles in October 2018, with cash grants up to £4,500 (it has since been lowered to a maximum of £3,000). SMMT data suggests that these grants have promoted sales of electric vehicles. In 2020, already a depressed year for overall vehicle sales, purchases of battery electric vehicles rose 185.9% from 2019. Hydrogen-powered vehicle sales were up 12.1%. Taken together, sales of

³ YouGov surveyed 1,251 London business decision-makers online between 29th September and 5th November 2020.

⁴ According to NimbleFin, the average cost of an electric vehicle in the UK in 2020 around £44,000, significantly higher than the average price for even the largest new petrol / diesel vehicles. See <https://www.nimblefins.co.uk/average-cost-electric-car-uk> and <https://www.nimblefins.co.uk/average-cost-cars-uk>.

⁵ See Higher price of electric cars a concern for more than half of UK consumers, The Guardian, 4 September 2020, <https://www.theguardian.com/environment/2020/sep/04/higher-price-of-electric-cars-a-concern-for-more-than-half-of-uk-consumers>.

BEVs and HEVs were 13.4% of total UK car sales in 2020. This is up markedly from 5.9% in 2019.⁶ By comparison, the share of sales of new petrol and diesel vehicles fell from 89.3% in 2019 to 71.4% in 2020.⁷

8. It is vitally important that the Government continues to offer incentives to change consumer habits. However, of equal import is the role of Government in helping businesses to transition their fleets to the most environmentally friendly options available. Businesses can claim a 100% first-year allowance on purchases of vehicles with low or zero CO₂ emissions, however this is restricted to cars: vans, lorries and trucks are excluded from this scheme.⁸
9. Business vehicle use often extends greatly beyond standard cars. In order to support businesses beyond the 2030 end-date for purchasing of new petrol and diesel vehicles, firms must have access to incentives. In this regard, some progress has been made. The Government has made grants available to purchase electric vans, which can total up to £8,000.⁹ Taxi drivers in London are able to access grants to purchase new low or zero emission vehicles, and can receive decommissioning insurance from Transport for London to finance purchases of more sustainable taxis.¹⁰ Whilst greater uptake of electric vehicles and more options for the consumer will help to push prices down, in the near-term the costs of upgrading remains a key challenge.¹¹ Indeed, in a 2019 poll conducted by Savanta ComRes, 33% of London businesses said that the cost of electric vehicles was the greatest barrier to increasing their use in the capital.
10. Stimulating greater demand for electric taxis would have a positive knock-on effect for economic growth outside of London. The electric hybrid taxi, designed by London EV Company, is manufactured in Ansty, close to Coventry.¹²
11. Businesses that switch to using low or zero-emissions vehicles will also require the sufficient infrastructure. For any type of battery-powered vehicle, there will be a need for charging points. Polling undertaken by Savanta ComRes for LCCI in 2019 revealed that 29% of London businesses think a lack of charging points was the greatest barrier to increased use of electric vehicles.¹³ In addition, the charging points that are installed are often not suitable for business use. Whilst there are now more than 37,000 charging points available at over 13,000 locations across the UK, only 25% offer either 'rapid' or 'ultra-rapid' charging.¹⁴ These are the only types of charging that will be usable to businesses who may need to charge during the day, such as taxi and delivery drivers. Furthermore, whilst progress has been made in accelerating the roll-out of charging points, there are still not enough for even the limited demand that is currently present.
12. There is also the issue of an overcrowded market for the delivery of these charging points. Data from ZapMap shows there are 13 different companies providing charging points, and each come with their own specific payment processes.¹⁵ This data set also includes a smaller subset of 'other networks'. The sheer volume of different providers means one has to be prepared with different payment methods, such as

⁶ See 2020 UK car sales hit 28-year low, EV market grows rapidly, Autocar, 6 January 2021, <https://www.autocar.co.uk/car-news/industry-news/analysis-2020-uk-car-sales-hit-28-year-low-ev-market-grows-rapidly#:~:text=EV%20and%20PHEV%20sales%20rise%20dramatically&text=A%20total%20of%20108%2C205%20E Vs.to%204.1%25%20of%20the%20market>.

⁷ One caveat is that sales of 'mild-hybrid electric vehicles', which have electric motors that helps power the engine but cannot drive the vehicle on their own, have also risen. Whilst sales of MHEVs, either with petrol or diesel, are a step in the right direction, the use of fossil fuels only leads to reduced CO₂ emissions.

⁸ See Claim capital allowances, GOV.UK, <https://www.gov.uk/capital-allowances/business-cars>.

⁹ See Low-emission vehicles eligible for a plug-in grant, GOV.UK, <https://www.gov.uk/plug-in-car-van-grants>.

¹⁰ See Decommissioned taxi insurance, Keith Michaels, <https://www.keithmichaels.co.uk/decommissioned-taxi-insurance/>.

¹¹ Savanta ComRes surveyed 508 London business leaders online between 30th October and 26th November 2019.

¹² See Inside LEVC, LEVC, <https://www.levc.com/corporate/news/inside-levc/>.

¹³ Savanta ComRes surveyed 508 London business leaders online between 30th October and 26th November 2019.

¹⁴ See ZapMap, <https://www.zap-map.com/statistics/>. Data valid as of 11 February 2021.

¹⁵ See ZapMap, <https://www.zap-map.com/statistics/>. Data valid as of 11 February 2021.

smartcards or smartphone apps. This makes it more challenging for businesses, and indeed consumers in general. As regular of the energy networks, Ofgem could and should play a role in ensuring ease of access.

13. Shifting to zero or low emission heavy goods vehicles will be a significant challenge for the logistics industry. The range of models currently on offer to the market is small. The upcoming consultation on the future of heavy goods vehicles will offer industry specialists an opportunity to lay out the precise challenges and upsides of zero-carbon HGVs. Research conducted for the Committee on Climate Change in May 2019 suggested that the infrastructure required for servicing a zero-emissions HGV fleet will require “planning, co-ordination, supply chains, resource and materials and a skilled workforce as well as strong government policy”.¹⁶ The paper also points to an achievable date of between 2050 and 2060, suggesting the Government must look to act as quickly as possible.

A road pricing strategy for the UK

14. The Government is reportedly considering the introduction of a road pricing strategy to offset the loss of revenues from fuel duty, which will lessen with the switch to electric vehicles.¹⁷ If a new scheme was to be introduced, there should be a focus on ensuring that there is a universal approach across the country.
15. London is uniquely poised to offer the Government a working example of a road pricing strategy. What must be clear in the Government’s steps towards introducing a road pricing strategy is the purpose. For example, in London, the Congestion Charge Zone (CCZ) was implemented to reduce congestion within the specified area of the capital. The funds generated from the CCZ are required to be spent on public transport in the capital¹⁸, but the CCZ is not designed to be a revenue generator. Similarly, the Ultra-Low Emissions Zone (ULEZ) was implemented to encourage road users to switch to less or zero-polluting vehicles. For both the ULEZ and CCZ, users are monitored using cameras and are charged for entering these areas. This requires the use of surveillance.
16. When considering the potential options for a new road pricing strategy, the Government should consider a ‘smart’ scheme that can charge users a flexible price that is subject to different factors. This might be the distance that you travel in a journey, the type of vehicle you drive, and the congestion that a driver may cause by making that journey. Such a scheme was suggested in a research paper from Centre for London in April 2019.¹⁹ The introduction of ‘smart’ road pricing was also backed by 31% of London businesses in a poll undertaken by Savanta ComRes in August 2020.²⁰
17. If the Government implements a smart road pricing scheme, London’s road pricing schemes should be aligned accordingly. For businesses who travel in and out of the capital, it would be cumbersome to pay for different schemes were this the case.²¹
18. There are important caveats of London’s road pricing schemes. There are a number of exemptions based on a variety of factors, such as exemptions for black cab taxi drivers or Blue Badge holders. The

¹⁶ See Zero Emissions HGV Infrastructure Requirements, Ricardo Energy and Environment, May 2019, <https://www.theccc.org.uk/publication/zero-emission-hgv-infrastructure-requirements/>, p. iii.

¹⁷ See Treasury eyes up road pricing to plug £30bn fuel-duty gap, AutoExpress, 17 November 2020, <https://www.autoexpress.co.uk/news/108123/treasury-eyes-road-pricing-plug-ps30bn-fuel-duty-gap>.

¹⁸ See Congestion Charge, politics.co.uk, <https://www.politics.co.uk/reference/congestion-charge/?cmpredirect>.

¹⁹ See Green Light: Next generation road user charging for a healthier, more liveable, London, Centre for London, April 2019, <https://www.centreforlondon.org/publication/road-user-charging/>.

²⁰ Savanta ComRes surveyed 503 London business leaders online between 6th August and 11th September 2020.

²¹ It is important to note that revenues generated from the Congestion Charge and Ultra-Low Emissions Zone accounted for 6.9% of Transport for London’s gross income in 2019/20. Any changes to road pricing in London should consider the implications for public transport. See Annual Report and Statement of Accounts 2019/20, Transport for London, <https://content.tfl.gov.uk/tfl-annual-report-2019-20.pdf>, p. 72.

Government would need to recognise that many rely on vehicles for their source of income, and would need to ensure they are not overly penalised for doing so. In essence, this comes back to the central issue of what the road pricing scheme is meant to achieve.

19. If it is simply to generate revenues for public finances, then issuing a 'tax' on road users would in all likelihood be relatively simple to introduce. However, if there are also aims to reduce the numbers of vehicles on the roads, then other considerations must be made.
20. Business engagement will be crucial for any new road pricing scheme. Businesses must be consulted upon to allow for a comprehensive representation of impacts. Similarly, Government must look to provide businesses with as much as detail as possible around potential impacts. Indeed, polling conducted by Savanta ComRes for LCCI in 2019 showed that, prior to its introduction, 44% of surveyed London business leaders did not know what the impact of the new ULEZ scheme would have on their business.²²

Submitted by London Chamber of Commerce and Industry in February 2021

²² Savanta ComRes surveyed 571 London business leaders online between 13th February and 11th March 2019.