



## **THE THIRD RETAIL SURVEY**

### **The Impact of Congestion Charging on the Central London Retail Sector – Eighteen Months On**

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## **I INTRODUCTION**

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The Central London congestion charging scheme was introduced by the Mayor of London on 17<sup>th</sup> February 2003. The scheme, the first of its kind in the UK, has attracted a great deal of interest, both at home and abroad. A number of studies assessing the impact of the charge have been carried out, including three by the London Chamber of Commerce, two of which concentrated on the effect the charge had on the Central London retail sector and one which considered the impact of the charge on the Central London restaurant trade.

The Chamber is keen to continue its monitoring work on the impact of the scheme on businesses. Over eighteen months have passed since the introduction of congestion charging, and we were interested to carry out a further study of the retail sector to see whether the industry is still affected by the scheme.

### **The London Chamber's view of the congestion charging scheme**

The London Chamber has long been aware of the burden that traffic congestion places on London business as a whole. Congestion is both time-consuming and costly; a waste of energy and resources. For this reason, the Chamber did not oppose the introduction of the charging scheme and has, at no point, called for it to be abolished. We recognise that the congestion charging scheme has succeeded in its aim of reducing traffic congestion within the charging zone, and we applaud the Mayor for having the vision and the boldness to introduce the scheme in the face of very strong opposition.

However, prior to the introduction of the charging scheme, the Chamber set out three conditions that would have to be met in order to enable us to support the charge. These conditions were:

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

#### **a) Improvements to public transport**

At the time of the introduction of the charge, Transport for London (TfL) had made some improvements to public transport to support congestion charging, but these improvements were mainly to the bus services<sup>1</sup>, a mode of transport that is generally practical only for shorter journeys. Furthermore, with improvements to the Underground and rail services many years away, and the future of major infrastructure projects such as Thameslink 2000 and Crossrail still unclear, the London Chamber does not believe that the "clear and measurable improvements in public transport" that are necessary to support the scheme have yet been forthcoming.

#### **b) Practical details**

The London Chamber remains concerned about the practical details of the scheme. There were a number of problems when the congestion charging system was first introduced, and, although many of these have been ironed out, the scheme still places a heavy administrative burden on many businesses,

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<sup>1</sup> Transport for London provided 11,000 extra spaces on buses entering the charging zone during the morning peak period (Transport for London, *Congestion Charging: Impacts Monitoring – First Annual Report*, June 2003)

which costs time and money. The Chamber is also concerned about the number of processing errors that are occurring. Figures published by the London Assembly in January 2004 showed that, since the scheme was introduced, just over half of all penalty charge notices issued had been paid and 27% had been disputed. Of these disputed notices, TfL agreed that 68% had been incorrectly issued<sup>2</sup>. The Chamber is aware that steps are being taken by TfL to reduce the number of penalty charge notices that are incorrectly issued, but feels that there is still a great deal of work that needs to be done in order to address this problem.

### **c) Damage to business**

The third condition, which is the area of the greatest concern to the Chamber, was that there was no significant damage to business. However, this could only be evaluated once the charge had been in operation. The Chamber has carried out two previous studies on the impact of the scheme on the retail sector, one published in May 2003, three months after congestion charging had been introduced and the second one published in February 2004, one year after the charge was introduced. The results of these surveys showed that more than three quarters (79%) of Central London retailers had experienced a fall in takings, and over half (56%) had seen a drop in customer numbers. 42% of respondents felt that congestion charging was “All or Mostly” to blame for these falls in trade<sup>3</sup>.

The London Chamber has also considered the impact that congestion charging had on the Central London restaurant trade and published our findings in September 2004. The results showed that this sector had also been significantly affected by congestion charging, with 74.5% of respondents reporting a fall in takings and 78.3% a fall in customer numbers since the change was introduced. 54% believed that the charge was “All or Mostly” to blame<sup>4</sup>.

These results demonstrate that a significant proportion of both the Central London retail sector and the restaurant industry believed that congestion charging was damaging their business

### **The Retail Survey**

We were interested to see if the problems that we had identified in our previous surveys still existed and whether congestion charging remained a problem for the Central London retail sector, eighteen months after its introduction. Furthermore, this survey was an opportunity to discuss possible measures to reduce the impact of the charge on businesses.

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<sup>2</sup> London Assembly, *Response to the Revision of the Transport Strategy: Central London Congestion Charging, Western Extension*, January 2004

<sup>3</sup> London Chamber of Commerce and Industry, *The Retail Survey: One Year On*, February 2004

<sup>4</sup> London Chamber of Commerce and Industry, *The Restaurant Survey*, September 2004

## II EXECUTIVE SUMMARY

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These are the main findings of the third retail survey:

1. 84.2% of respondents reported a **fall in takings** since the charge was introduced.
2. 62.7% of respondents reported a **fall in customer numbers** since the charge was introduced.
3. Of those who reported either a fall in customer numbers or a fall in takings:
  - 62% said that the charge was **all or mostly to blame**, while 5% said that it had little impact
  - 10% said that the general economic slowdown was **all or mostly to blame** while 13% said that it had little impact
  - 11% said that the fall in tourism was **all or mostly to blame**, while 21% said that it had little impact
4. 92% of retailers who responded to the survey **do not** believe that congestion charging has benefited their business.
5. Almost half (46%) of retailers reported that they had experienced **administrative problems** with the congestion charge.
6. 39% believed that the Mayor's decision to **suspend the congestion charge** between Christmas and New Year would have a positive effect on their business. However, 19% did not feel that it would and 26% of respondents do not open over this period.
7. 37% of retailers have **reduced their staffing levels** since the introduction of congestion charging.
8. One third of respondents (33%) are considering **relocating** to a site outside of the congestion charging zone and just under one third (28%) are considering **closing their business** as a direct result of congestion charging.
9. Almost one fifth (18%) of those surveyed said that they had **changed their opening hours** as a result of the congestion charge.
10. 72% of respondents said that the scheme would be improved by introducing a **charge-free window** during the day, while 66% said that it would be improved by introducing an **earlier finishing time**.
11. 22% reported an **increase in customer numbers** at the weekend and 11% an **increase in customer numbers** in the evening.

### **III THE THIRD RETAIL SURVEY**

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The London Chamber Campaigns Team sent out a questionnaire to 2,159 retailers in November 2004. The questionnaire asked retailer whether they felt that the congestion charging scheme impacted on their business as well as asking about the nature of their business, including the number of staff they employed and the type of goods sold.

The retailers chosen were selected at random from the Dun & Bradstreet Marketplace database, using postcodes to ensure they were either located within, or very close to, the Central London congestion charging zone and were also spread evenly over the whole of the zone.

When the survey was conducted the congestion charge had been in operation for over eighteen months, giving those who responded time to consider the impact of the charge on their business and, where possible, to have adjusted to the impact of the charge.

## **IV RESULTS**

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### ***The Respondents***

330 completed surveys were returned to the Chamber by 10th December 2004. This represents a response rate of 15%.

The majority of the respondents employed between 3 and 12 people, with just under half (44%) in this category. 31% of respondents employed 1-2 people, 13% of respondents employed between 13 and 50 people, 2.7% employed between 51 and 100 people, 2.4% employed between 101 and 250 people and 3.3% employed over 250. The largest sub-sector was luxury goods, at 28%. This was followed by food at 20% and clothes at 19%.

### ***Impact of Congestion Charging***

#### **1. Have your takings or customer numbers fallen?**

84.2% of respondents said that their takings had fallen since the introduction of the congestion charge. This is higher than six months ago, when 79% of respondents reported a fall in takings, and is the second successive reported rise (in the first survey only 70.2% of businesses reported a fall in takings). This is a rise of over 6% in the past six months and a rise of 16% over the past year. Only 8.2% of respondents said that their takings had risen since the introduction of the scheme in February 2003 - a fall of 33% on the 12.3% who reported a rise six months ago.

62.7% of those surveyed reported a fall in customer numbers since February 2003. This is a slight improvement on the previous survey when 65.6% of respondents reported a fall. However, only 5.2% reported a rise in customer numbers compared to 9.3% in the previous survey – down 44% in just six months.

**84.2% of respondents reported a fall in takings and 62.7% said that customer numbers had fallen. This was an increase of 6% reporting lower takings over the past six months but a fall of 4% on the percentage of those surveyed who reported a reduction in customer numbers. Over the same period, however, the number of respondents reporting a rise in customer numbers or a rise in takings fell by 44% and 33% respectively.**

## **2. What factors do you feel are responsible for these reductions?**

To understand why retailers believed that they had experienced a fall in takings or customer numbers, we asked those who reported a fall in either to select the main factors that they felt were responsible. Respondents were given a choice of three reasons, which we believe represent the main influences on the Central London economy since February 2003:

- a) The introduction of congestion charging
- b) General economic slowdown
- c) Fall in tourism/ fear of terrorism

### **a) Congestion Charging**

18.5% of respondents felt that the congestion charging scheme was “all” to blame, while 43.6% stated that the scheme was “mostly” to blame, meaning that 62.1% of respondents believed that congestion charging had been the main contributory factor responsible for the fall in their takings or customer numbers.

This is a significant increase from the second survey, when 11.8% of respondents thought that the congestion charge was “all” to blame and 30.5% thought it was “mostly” to blame.

5.2% believed that the congestion charging scheme had had “little” impact, while 23.3% stated that they felt it had had “some” impact, meaning that over a quarter (28.5%) did not view the scheme as a major contributory factor behind the fall in trade that they had experienced.

This is lower than the second survey, when 47% of respondents felt that the congestion charge had “some” or “little” impact and represents a further impact on the retail sector in the capital.

### **b) General Economic Slowdown**

2.7% of respondents felt that the general economic slowdown was as “all” to blame for the fall in takings and customer numbers, while 7.3% felt it was “mostly” to blame, meaning that 10% of respondents believed that the general economic slowdown had been the main contributory factor responsible for the fall in their takings or customer numbers.

This is slightly lower than the results of the second survey, when 3.7% of respondents felt that the general economic slowdown was “all” to blame and 12.6% felt that it was “mostly” to blame.

12.7% felt that the general economic slowdown had “little” impact, while 42.4% believe that it had “some” impact, meaning that 55.1% did not view the general economic slowdown as a significant factor behind the fall in trade that they had experienced.

This is lower than the results of the second survey, where 68.4% of respondents felt that the general economic downturn had “some” or “little” impact.

### **c) Fall in Tourism/Fear of Terrorism**

3% of respondents listed the fall in tourism/fear of terrorism as “all” to blame for the fall in their takings or customer numbers, while 7.6% stated that it was “mostly” to blame. This means that 10.6%



of respondents believed that the fall in tourism/fear of terrorism had been the main contributory factor responsible for the fall in their takings or customer numbers.

This is broadly similar to the results of the second survey, where 1.7% of respondents felt that the fall in tourism/fear of terrorism was “all” to blame and 7.2% felt that it was “mostly” to blame.

20.9% stated that they felt the fall in tourism had “little” impact, while 28.2% believed that the fall in tourism had “some” impact, meaning that 49.1% did not view the fall in tourism as a significant factor behind the fall in trade that they had experienced.

This is lower than the result of the second survey, where 60% of respondents felt that the fall in tourism/fear of terrorism had “some” or “little” impact.

**Two thirds of the retailers surveyed who reported either a decline in takings or customer numbers felt that the congestion charging scheme was the primary factor responsible.**

**Respondents viewed congestion charging as having a greater negative impact on their business than either the general economic slowdown or the fear of terrorism/fall in tourism.**

**Compared to the second retail survey, significantly more retailers believe that congestion charging has had a negative impact on either their takings or customer numbers.**

### **3. Have you seen a change in shopping patterns?**

The survey included several questions about changes in shopping patterns in order to assess whether the introduction of congestion charging has changed the way that customers shop. Retailers were asked whether they had seen an increase in telephone, internet and postal orders. 19% said that they had, 59% said that they had not and 22% said that they did not provide any of these services. Retailers were then asked if they had seen an increase in demand for home delivery services. 18% said that they had, 45% said that they had not and 37% did not provide a home delivery service.

Retailers were also asked if they had seen a change in customer numbers in the evenings and weekends. Here the results were less conclusive. 22% of respondents said they had seen an increase in customer numbers at the weekends, while 17% reported a fall. 10% of respondents said they had seen an increase in customer numbers in the evening, while 15% reported a fall.

Retailers were asked if they had changed their opening hours as a result of the congestion charging scheme. 18% replied that they had. Respondents were also given the opportunity to specify any other changes to shopping patterns. Comments included: “less car users”, “branches outside the congestion charging zone have seen their customer numbers increase” “fall in customer numbers during the weekdays” “customers are no longer coming to the West End”, “fewer customers in general”, “our customers have realised that coming into town is too problematic and costly”, “customers are unwilling to carry goods on public transport”, “customers still think the charge applies at weekends” and “more Sunday shoppers”.

**The results of the survey have shown that congestion charging has resulted in small changes to shopping patterns. However, it seems to have affected different retailers in different ways. Some have seen an increase in customer numbers in the evenings and at the weekend, while others report a fall in numbers during these periods.**

**Just under a fifth of retailers have changed their opening hours as a result of the congestion charge. This has increased the cost of the charge to retailers in terms of employees, signage etc.**

#### **4. Modifications to the Scheme**

The London Chamber was keen to measure levels of support for the following three modifications:

##### **1. The Introduction of a Charge-Free Window**

The Chamber has previously called on the Mayor to introduce a charge-free window during the day when traffic levels are less heavy. This would allow the charge to remain in force during the beginning and the end of the day when congestion is at its peak, but would allow people and businesses to make journeys during the less congested period of the day at no cost.

##### **2. An Earlier Finishing Time**

The Chamber was also interested in seeking the views of retailer on an earlier finishing time for the charge. The Mayor of London has indicated that he would be willing to consider bringing the finishing time forward to 6.00pm across the whole zone if he decides to proceed with the extension into Kensington and Chelsea and Westminster.

##### **3. Suspending the Charge Between Christmas and New Year**

The Mayor of London suspended the congestion charge between the 25<sup>th</sup> December 2004 and 3<sup>rd</sup> January 2005, “historically the period of lowest congestion each year”<sup>5</sup>. Although the London Chamber welcomed this decision, we were interested to gain the views of retailers to see if they felt that the suspension of the charge over this period would make a measurable difference to them.

#### **Charge-free ‘Window’**

72.1% of those surveyed supported the introduction of a congestion charging ‘window’, while 24.2% did not support the introduction of such a measure.

#### **Earlier finishing time**

65.5% of respondents supported the introduction of an earlier finishing time for the scheme, while 28.8% did not support the introduction of such a measure.

#### **Suspension of the Congestion Charge Between Christmas and New Year**

39% of respondents believed that the decision to suspend the congestion charge between Christmas and New Year would have a positive effect on their business. 19% did not feel that it would benefit their business and 16% did not know.

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<sup>5</sup> Transport for London Press Release – 14<sup>th</sup> December 2004

26% of respondents do not open between Christmas and New Year. Many smaller businesses fall into this category, with 32% of companies employing 1-2 people, 22% of companies employing 3-12 people and 30% of companies employing 13 to 50 people not opening between Christmas and New Year. 11% of companies employing 51 to 100 people and 13% of companies employing over 250 people do not open between Christmas and New Year.

The level of support for this measure was highest amongst organisations employing 51-100 people, with 67% believing that it would have a positive effect on their business. The lowest support was from retailers employing 1-2 people, with 31% believing it would have a positive effect on their business.

**Almost three quarters of retailers who responded support the introduction of a charge-free window. The Chamber calls on the Mayor and TfL to give serious consideration to introducing this measure.**

**Over two thirds of retailers supporter the introduction of an earlier finishing time. The Chamber encourages the Mayor to consider bringing forward the finishing time of the charge. However, we would like to stress that this should not be dependent on the extension of the zone to Kensington and Chelsea and Westminster, a proposal that the Chamber strongly opposes.**

**Four in ten retailers who responded to the survey felt that the decision to suspend the congestion charge between Christmas and New Year would have a beneficial effect on their business. However, a quarter of retailers who responded do not open over this period, and it tended to be smaller retailers who fall into this category. While the Chamber welcomes the Mayor's decision to suspend the charge and acknowledges that it will benefit retailers, we would like to see more done to assist those who run smaller businesses.**

## **5. Has Congestion Charging Affected the Viability of your Business?**

Retailers were asked if the congestion charging scheme was having an impact on the viability of their business. This was measured in three ways:

- a) Impact on staffing levels since the introduction of congestion charging
- b) Whether the owner is considering re-locating as a result of congestion charging
- c) Whether the owner is considering closing the business as a direct result of the congestion charging scheme

### **a) Staffing**

37% of retailers stated that their staffing levels had fallen since the introduction of the congestion charging scheme. 2% said that they had stayed the same and 59% said that their staff numbers had increased.

**b) Re-location**

33% of businesses said that they were considering re-locating to a site outside of the congestion charging zone. 62.7% stated that they were not considering re-locating.

**c) Business Closure**

28% of restaurant owners stated that they were considering closing their business as a direct result of the congestion charging scheme. 68% said that they were not considering closing their business.

**6. Has congestion charging benefited your business?**

The London Chamber was keen to establish whether retailers felt that, eighteen months after the introduction of the scheme, congestion charging was benefiting their business. 92% of those who responded said they did not feel that it had benefited their business, 2% said they felt that it had and 6% said they did not know.

Congestion charging was introduced to the capital to reduce traffic in central London, which, according to TfL's figures, appears to be the case to date. However, this survey suggests that retailers in and around the zone are not finding that the charge has benefited their businesses in any way. In fact the findings from our other questions suggest quite the opposite with retailers facing changes to opening hours, reductions in takings and staffing numbers as well as administrative problems with payments. We urge the Mayor to review certain aspects of the charge and consider ways to alleviate this additional pressure on London's businesses.

## V CONCLUSION

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The London congestion charging scheme was introduced to reduce levels of traffic congestion in Central London. There is no question that it has achieved this aim. However, the charge has also reduced the number of people coming into Central London<sup>6</sup>, and the results of our survey indicate that this has had a negative impact on a number of retailers in and around the charging zone.

The Chamber is fully aware, however, that there are other factors that have affected the Central London economy since February 2003 which will, inevitably, impact on the retail trade. The charge was introduced less than a month after the derailment at Chancery Lane which closed the Central Line for seven weeks<sup>7</sup>. Furthermore, the fall in tourism and fear of terrorism undoubtedly affected businesses in Central London. However, two thirds of retailers who responded to our survey believed that congestion charging was ‘all’ or ‘mostly’ to blame for the fall in trade that they had experienced, and the Chamber feels that it is inevitable that a reduction in the numbers of people travelling into Central London will have a negative impact on businesses.

The Chamber supports the measures being taken to reduce congestion in Central London. However, it is not in the interests of London to damage business, as this is simply creating a problem in order to solve another one. However, the damage being caused to business is impacting the overall economic outlook for the capital. The Chamber looks to the Mayor to consider suggestions to alleviate the impact on London businesses. We repeat our call to the Mayor to demonstrate some flexibility in the operation of the scheme and introduce a charge-free window in the late morning and early afternoon periods when traffic is lighter.

The London Chamber plans to continue its work assessing the impact of the congestion charging scheme on London business, and hopes that the Mayor and TfL will take this work in to account when making decisions about the future of congestion charging in London.

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<sup>6</sup> Transport for London figures claim that 65-70,000 fewer vehicles enter the charging area since the scheme was introduced. They claim that the majority of these people have switched to public transport, and estimate that 5,000 are no longer coming in to the charging zone. (Transport for London, *Congestion Charging: Impacts Monitoring – Second Annual Report*, April 2004). However, the London Assembly response to the proposed western extension of the congestion charging zone states: “What is beyond dispute is that there has been a substantial reduction in the number of people (workers, shoppers and tourists) travelling in to Central London in the last year” (London Assembly, *Response to the Review of the Transport Strategy*, January 2004)

<sup>7</sup> The Chancery Lane derailment occurred on 25<sup>th</sup> January 2003. The Central Line did not fully re-open until 9<sup>th</sup> April 2003.