

**the retail survey**  
**the impact of the congestion charge**  
**on the retail sector**

**an interim report into congestion charging**  
**by Emma Winsor-Cundell**

# **THE RETAIL SURVEY**

**The Impact of the Congestion Charge on the Retail Sector**

**An Interim Report into Congestion Charging**

**By**

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Campaigns Team  
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## **I Introduction**

The congestion charging scheme has been one of the most significant changes made to transport in London in recent years. Much of the scheme proposed by the Mayor of London, Ken Livingstone, was untried and untested. Consequently, the period leading up to the introduction of the charge was characterised by argument and statistics as to whether or not the scheme would be a success and whether people would support it.

London Chamber of Commerce and Industry (LCCI) was therefore keen to discover whether the effects of the charge were good or bad for business, and especially this meant the effect on businesses' bottom line. The Chamber's view is therefore based not just on an assessment of what happens to traffic flows and transport in London.

Because it was bound to take some time for the impact to be assessed, the London Chamber did not take an early position on whether or not to support the charge. A full assessment meant looking at primary data, which we recorded and analysed ourselves. We felt that to judge in any other way would be hasty and without foundation.

When the announcement was originally made that the congestion charge was to be introduced, the Chamber said it would not support congestion charging unless three conditions were met. These conditions were:

1. That there was a clear and measurable improvement in public transport before its introduction
2. That we were satisfied that the practical details of the scheme were workable
3. That there was no significant damage to businesses as a result

At the time the congestion charge was introduced, although changes to the public transport system had begun, these were not sufficiently substantive to be described as a "measurable improvement" in public transport. The Mayor of London was hampered by not having control of The Tube, which hindered any attempts to improve London's ailing public transport system.

Secondly, as the scheme was untried and untested in entirety (despite assurances that each of the component parts had all been used in real situations elsewhere), the second condition was not met at that point.

For the third, the London Chamber would have to wait and see what impact the charge might bring. The Retail Survey contributes to an assessment of that. The London Chamber is separately assessing the impact on other business sectors.

## II Executive Summary

- The results show that three quarters of respondents had suffered a fall in year-on-year sales
- Just under half of responses thought that the congestion charge was “all or mostly” to blame – double the trouble of the next culprits, which were fear of terrorism and general economic downturn
- Over three quarters of businesses said that the congestion charge had not improved their productivity but a quarter of the smaller retailers cited productivity improvements
- Just over a quarter of respondents are considering moving outside the zone. Those most likely were micro retailers – or corner stores. This is also an area for further work given the various factors at work
- There was an 11.8 per cent increase in telephone orders. This has been highlighted for possible future work as a significant shift in patterns of trade will take time to emerge
- The response rate was unusually high, at 36.6 per cent, suggesting strong feelings among retailers. Responses are based on the first 2 months of the scheme – so they are not first impressions
- The respondent profile is a good reflection of businesses in the zone overall. They are predominantly SMEs. Just over three quarters employ less than twelve people and most sold luxury goods or clothes
- A third of respondents support the charge. Of those, a quarter had changed their mind since it began. Overall, nearly 1 in 7 had changed their minds, with a net gain supporting it
- The Chamber’s Retail Forum will be looking at options to address the problems caused by congestion charging, including improvements to parking charges, changes to restrictions on delivery hours, other benefits such as Uniform Business Rate redemptions or a straight discount

### **III Introduction - the Retail Survey**

As part of the Chamber's overall work on the congestion charge, we analysed the effects of the charge on the retail sector. The reasons for choosing this particular sector were two-fold:

- First, because early reports from retail analysts suggested that numbers of consumers were falling since the introduction of the charge. This reinforced the belief that the retail sector would be a good test.
- Secondly, because the retail sector is a fast-moving and responsive sector which would facilitate early information, with the daily recording of takings to underpin their responses.

The survey enabled the Chamber to look beyond the difference the charge might make to the levels of congestion being experienced in our capital and our ability to get about London, to what effect the changes in our mobility have on the life of the business community.

This is an interim report into the effect of the congestion charge on an important part of the business community, and deals only with the effect of the charge on the retail industry within the congestion charging zone area. It looks at what effect the charge may mean for the viability of businesses and views transport as part of the business platform. The full report on the effect of congestion charging will follow.

## IV The Survey Itself

The Chamber sent out a questionnaire, by post with pre-paid envelopes for replies, to 1430 retailers<sup>1</sup>. The questionnaire<sup>2</sup> was constructed internally by the Chamber's Campaigns Team. It asked for information about the experience businesses had had of the congestion charge. It also asked for information as to the nature of the company.

The retailers, to whom the questionnaire was sent, were selected at random from the Dun & Bradstreet *Marketplace* database, using post codes to ensure that they were in the congestion charging zone and were also spread evenly over the whole of the zone where the congestion charge applies.

The objective was to find out what changes if any, were being experienced by retailers that they attribute to the charge. We also attempted to find out how retailers were responding to any changes in their environment. The results of this point the way to any new patterns of trade, which may result from the introduction of the congestion charge, and what this means for the viability of the retail sector as a whole.

The survey was sent out one calendar month after the introduction of the charge and we began to collate and analyse the results a month after that, giving an 8 week period in total between the introduction of the charge and this picture of its impact on the retail sector.

The results were collated and analysed by the Chamber's Campaigns Team over the following month.

The answers for each question are shown on the following page. The results were then analysed in detail, breaking down the information to sub groups within each answer. This also enabled us to make better sense of what respondents were trying to convey.

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<sup>1</sup> Each "business" represents a single outlet in the survey and answered only for that individual premise. Where an outlet belongs to a chain of stores, there were therefore multiple responses for a single firm.

<sup>2</sup> See Annexe 1 for the questionnaire.

**1** Since the scheme started

	Yes	No
<i>Have your takings fallen</i>	70.2%	20.2%
<i>Has your turnover fallen</i>	76.1%	18.0%
<i>Has the number of customers fallen</i>	79.8%	15.5%

**2** Do you attribute the fall to

	All	Most	Some	Little	None
<i>Congestion charge</i>	15.5%	32.0%	26.8%	6.4%	5.2%
<i>Central line</i>	4.1%	11.8%	31.4%	13.6%	15.7%
<i>Terrorism</i>	3.4%	12.0%	32.5%	16.8%	13.9%
<i>Competition</i>	2.0%	3.6%	11.4%	20.7%	36.4%
<i>Economic decline</i>	4.5%	17.7%	30.9%	20.0%	7.5%

**3** Since the scheme started has your productivity increased through being able to make faster journeys

21.6%	Yes	73.9%	No
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**4** Since the scheme started has it made it easier for you to carry out your business activities

15.7%	Yes	80.0%	No
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**5** Since the charge as introduced have you experienced an increase in the number of telephone orders

11.1%	Yes	84.1%	No
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**6** If your journey or your supplier's journey to you was made outside the hours of congestion charging would this add to your business costs

62.5%	Yes	31.6%	No
-------	-----	-------	----

**7** Are you considering relocating to a site outside the congestion charging zone?

24.8%	Yes	69.1%	No
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**8** How many people does your company employ

27.7%	1-2	1.8%	51-100
48.4%	3-12	2.0%	101-250
14.5%	13-50	4.1%	250+

**9** Is your business located within the congestion charging zone

86.6%	Yes	9.5%	No
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**10** Are the goods you sell

20.5%	Food	23.4%	Newspapers and books
22.3%	Clothes	35.2%	Luxury goods
15.9%	Furniture and household goods		

**11** Do you support the introduction of congestion charging in some form in London

35.2%	Yes	63.0%	No
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**12** Have you changed your mind about supporting it since it was introduced

13.6%	Yes	81.8%	No
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## V The Response – What We Found

Five hundred and thirty four completed surveys were returned to the Chamber by April 17<sup>th</sup> – one month after the survey was sent out and two months after the introduction of the congestion charge. This represents a response rate of 36.6%.

### *The Respondents*

Businesses that responded reflect, in their size, the basic structure of the retail sector in London. The outlets are overwhelmingly at Small and Medium Enterprise (SME) level, with nearly three quarters of total respondents employing less than 12 staff. While some of these outlets may be stores that are part of a chain, for example multiple responses from a company from several of its branches in varying locations, there was still a sufficient prevalence of SMEs that, despite the “chain store” phenomena, the bulk were still overwhelmingly SMEs<sup>3</sup>. As SMEs account for between 70-80 per cent of companies in London overall, that profile is consistent with that of the profile from our survey response. The Chamber’s findings are therefore a good indicator for the retail sector within the congestion charging zone as a whole.

The type of goods respondents sold is chiefly luxury goods. Crossing type of goods sold against the size of outlet revealed that luxury goods sellers are still predominant in the greatest sub-sector: those employing between 3-12 people. Clothes were the next most likely goods to be sold, and they top the scale by some considerable margin for the largest outlets, employing more than 250 people. For the smallest outlets, the micro retailers, newspapers and books, and foods were strong, indicating that many of these outlets are corner stores and newsagents.

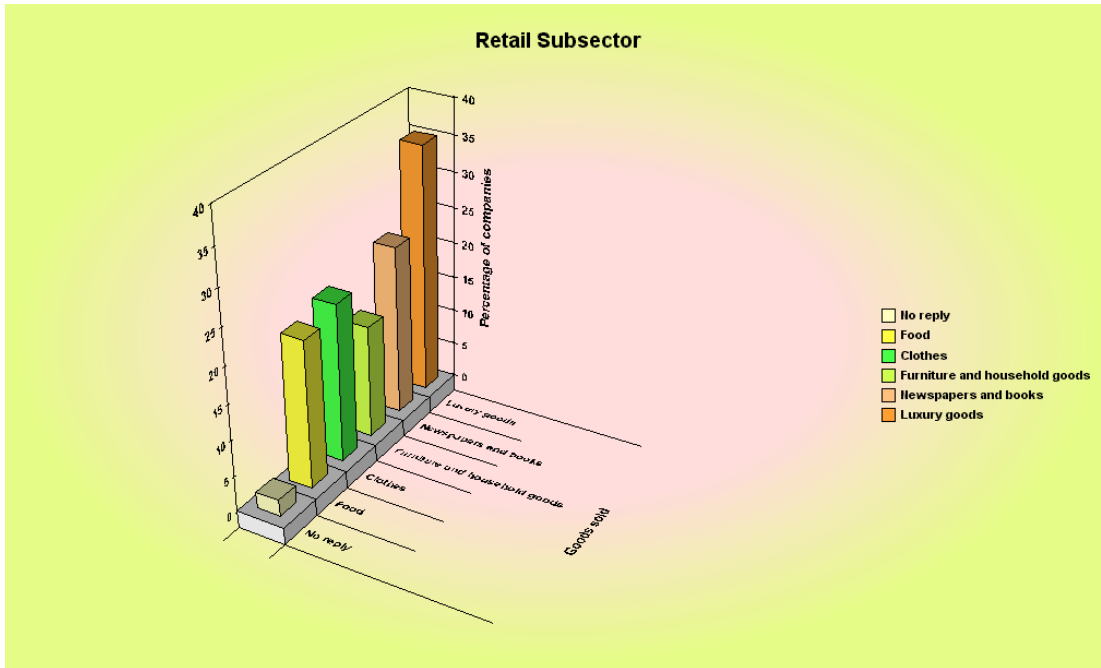
The two tables below show the breakdown of the responses according to those two criteria:

Base % Respondents	Base	Missing	How many people does your company employ					
		No reply	1-2	3-12	13-50	51-100	101-250	250+
	100.0%	1.4%	27.8%	48.2%	14.5%	2.0%	2.0%	4.1%

*Table 1. Respondents By Numbers of Employees.*

Most of the respondents, some 48.2 per cent, employed between 3-12 people. This was followed by shops that employed 1-2 people. Putting these two groups together, this means that some three quarters of respondents, 76 per cent, are micro- or small retailers. Of the remaining quarter, 14.5 per cent employed 13-50 people, 2 per cent employed between 51-100 people and finally 4.1 per cent employ over 250 people.

<sup>3</sup> The definition of an SME that was used by the London Chamber of Commerce and Industry in this survey was checked against that used by both the Department of Trade and Industry and also the Small Business Service, which predominantly refer to the number of employees. The DTI refers to 300, the SBS refers to 250.



*Chart 1 Respondents By Sector.*

### ***Can We Rely On The Results?***

The level of response for a “cold call” survey (sent to randomly selected respondents), at 36.6 per cent, represents an unusually high level. It is, in fact, in the region of three times higher than the normal rate of return. This in itself suggests strong feelings on the congestion charge. The number of responses we received also represents a sufficiently large sample to give reliability to the results.

Distributing the survey exactly one month after the introduction of the congestion charge, followed by a further month before the collation and analysis began means that responses are based on between one and two month’s experience of the charge. This is a sufficient amount of time to allow any initial teething problems in the charge and its operation to be resolved. It allows people to settle into any new patterns of getting about and to experience the scheme as whole in operation to give more than an initial impression. They can therefore be viewed as considered responses.

For the retail sector, there is also between 4-8 weeks worth of daily takings to draw on in their assessment of levels of business activity to see if any changes have occurred. The possible skewing effect of short term activities, such as week long promotions, will not distort the results, as there is sufficient data from a greater period of time to draw on.

Perhaps most significantly, the first week of the charge, Monday 17<sup>th</sup> February, was the schools half term. The same calendar week last year was also half term, so any comparisons that are made on a year on year basis are still quite valid.

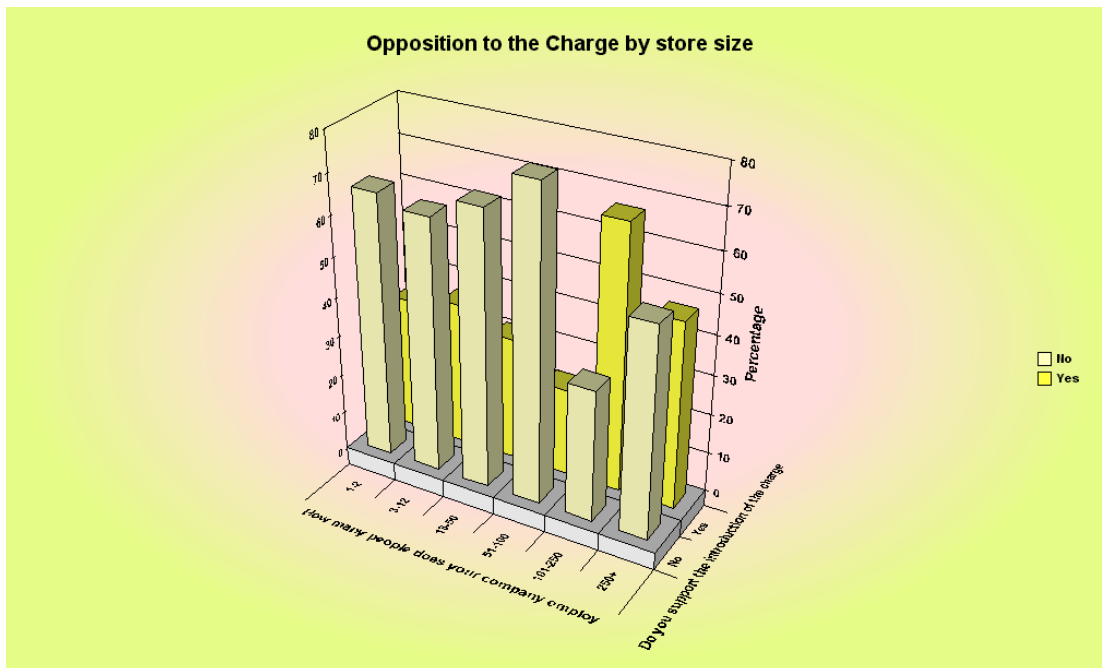
### *Does Business Support the Congestion Charge?*

When retailers were asked if they support the charge (one month after its introduction) over a third said “yes”, they support it.

<b>Base % Respondents</b>	
<b>Base</b>	<b>100.0%</b>
<b>Missing</b>	
<b>No reply</b>	1.8%
<b>Do you support the introduction of congest...</b>	
<b>No</b>	63.1%
<b>Yes</b>	35.1%

*Table 2 Levels Of Support For The Charge (March 2003).*

Variations in levels of support were somewhat indicative of the size of the retailer. The strongest opposition comes from outlets employing 51-100, but the largest or next size up – retailers employing 101-250 – is the only category that shows a clear level of support. See the chart below:



*Chart 2 Levels Of Support By Size Of Outlet.*

There is a greater correlation between support (and opposition) and the type of goods sold. The greatest opposition comes from shops selling food and the least from those who sell luxury goods, where views are approaching a balance.

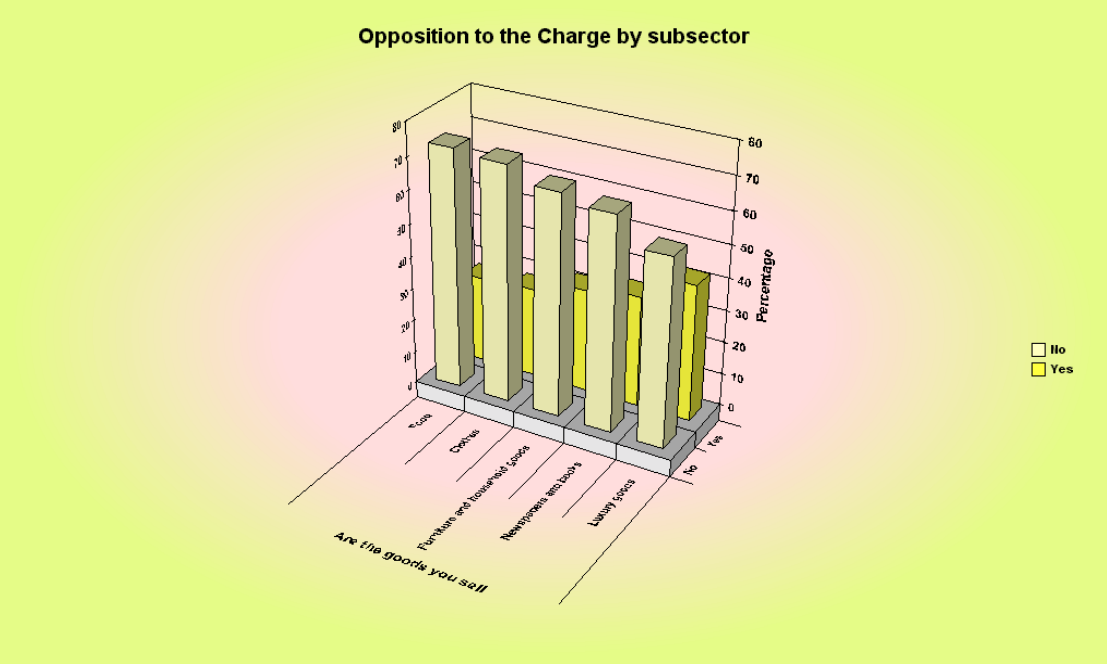


Chart 3 Levels Of Support According To Type Of Goods Sold.

By contrasting levels of support against the size of businesses, the Chamber’s results reveal that size is an important factor indicating whether or not a retailer is likely to support the charge. While there is not an even progression of support proportional to the size of outlet, there are still some general observations to be made.

The only category showing a clear level of support were outlets that employ between 101-250 staff, outlets towards the top, or medium, end of the SME range. Those in the next size range, over 250, approached the 50 per cent level of support, but below that the highest level, of support for the charge was no more than about a third. This suggests that the bigger the store, the more resilient it is likely to be to the introduction of the charge, but towards the smaller level, the more concern there is.

Similarly, the type of goods sold will also provide a good indicator to the likely level of support. Those who sell luxury items appear to be the least bothered by the charge, whereas those selling food are the most opposed.

### ***Did Business Change Its Mind?***

Retailers were asked if they had changed their mind about supporting the charge since it was introduced. 13.8 per cent of respondents revealed that they had changed their mind. Of those who had changed their mind and now support the charge, 23.9 per cent had originally opposed it. In contrast, 8.3 per cent had changed their mind the other way and are now against the charge. While there is movement in both directions, overall support for the charge is growing.

It would seem that there is still everything to play for in the court of public opinion. Further into the life of the scheme, we would expect the numbers changing their mind to settle down – though it remains to be seen which way this will go. Currently, opinion is still very fluid, as the high percentage of retailers who have changed their mind in two months show.

By asking about their current opinion, and whether or not they had changed their mind since the introduction of the charge, we can provide the first substantial indicators as to any change in the level of support, based on experience, for the charge from the retail community.

Public acceptance and support for new schemes such as the congestion charge are significant factors in their success and continued viability, as the Poll Tax riots demonstrated.

### ***Is It Really The Congestion Charge?***

There are multiple factors at work in the economy at any one time, all of which may have had an effect on the retail trade. Respondents were therefore offered a choice of possible explanations as to the reason behind any changes they were experiencing in business activity. The options offered were:

1. Closure of the central line
2. Fear of terrorism
3. Competition from other shopping centres
4. Economic downturn

The questionnaire also gave retailers the opportunity to distinguish whether patterns of trade had changed, even if levels of activity remain the same, as a result of the charge. For example, a bookshop in the zone may have sold the same amount of books, but it may have taken more telephone orders or sold more copies over the internet rather than making sales to customers coming into the shop.

Businesses were asked about their takings, their turnover and also the number of customers, compared to the same period last year. Although the technical definitions of takings and turnover are the same, different companies use different methods of accounting to reflect this. For example, if a store is carrying a BOGOF (Buy One, Get One Free) promotion, some stores “count” this as having sold one item and another will “count” it as selling two.

Nearly three quarters of retailers had suffered a decline in business compared to the same period last year: Breaking this down by both size of outlet and type of goods sold, revealed that this level of fall was consistent overall.

Break % Respondents		
<b>Have your takings fallen</b>		
<b>Yes</b>		72.5%
<b>No</b>		21.0%
<b>Has your turnover fallen</b>		
<b>Yes</b>		78.6%
<b>No</b>		18.4%
<b>Has the number of customers fallen</b>		
<b>Yes</b>		82.3%
<b>No</b>		15.9%

Table 3 Retail Activity: Year On Year.

Break % Respondents	How many people does your company employ						
	1-2	3-12	13-50	51-100	101-250	250+	
<b>Have your takings fallen</b>							
<b>Yes</b>	<b>73.0%</b>	74.4%	70.7%	76.2%	88.9%	75.0%	72.2%
<b>No</b>	<b>20.6%</b>	17.9%	22.1%	19.0%	11.1%	25.0%	27.8%
<b>Has your turnover fallen</b>							
<b>Yes</b>	<b>79.0%</b>	80.3%	77.4%	81.0%	100.0%	87.5%	66.7%
<b>No</b>	<b>18.0%</b>	14.5%	20.7%	15.9%	-	12.5%	27.8%
<b>Has the number of customers fallen</b>							
<b>Yes</b>	<b>82.7%</b>	83.8%	79.8%	87.3%	100.0%	87.5%	83.3%
<b>No</b>	<b>15.4%</b>	14.5%	17.3%	12.7%	-	12.5%	16.7%

Table 4 Change In Retail Business Activity Compared to Company Size

Retailers were asked why they thought this had happened and, on a scale of “All, Most, Some, Little, None” how significant each cause had been. We received the following responses:

Analysis % Respondents	
Base	100.0%
Missing	
No reply	3.6%
Congestion charge	
All	20.4%
Most	37.2%
Some	32.0%
Little	5.2%
None	1.6%

*Table 5 What Impact Retailers Believe The Congestion Charge Has Caused.*

Overall, of those experiencing a downturn, 57.6 per cent of respondents thought that the introduction of the congestion charge is either “All” or “Mostly” to blame. Only 6.8 per cent thought that the charge had “Little” or “Nothing” to do with this. The charge receives virtually double the amount of blame from retailers for the downturn as the other causes: fear of terrorism, at 23 per cent, and general economic downturn at 22.4 per cent. (In both cases, these percentages represent the total of “All” and “Most”). The least significant factor was competition from other areas, for example out of town retailing with just over half of respondents thinking it has only responsible for “little or some” of their decline, at 56.8 per cent.

This contrasts with the number of retailers who said that they had not experienced a downturn of any kind since the introduction of the charge, which stands at an average 18 per cent or under one in five retailers.

Nearly four in five also said that the number of customers had fallen. This represents a substantial fall in retail activity overall and is a very worrying finding – the more so if it continues unchecked.

Breaking this down into sub-sectors to see if there are variations according to the type of goods sold revealed that, overall, this was reflected evenly across the sub sectors. See the table below:

Break % Respondents		Are the goods you sell				
		Food	Clothes	Furniture and household goods	Newspapers and books	Luxury goods
<b>Have your takings fallen</b>						
Yes	72.6%	73.0%	75.5%	73.5%	71.8%	70.2%
No	20.7%	16.9%	17.0%	22.1%	22.3%	23.2%
<b>Has your turnover fallen</b>						
Yes	78.6%	80.9%	83.0%	83.8%	75.7%	75.5%
No	18.3%	14.6%	14.9%	16.2%	20.4%	21.2%
<b>Has the number of customers fallen</b>						
Yes	82.4%	86.5%	84.0%	88.2%	84.5%	77.5%
No	15.7%	11.2%	12.8%	11.8%	15.5%	20.5%

*Table 6 Changes In Retail Business Compared to Sub sector.*

Establishing whether these factors are causal or coincidental can only be the judgement of the retailers themselves. Retailers are well placed to have a good understanding of their customers. While their perceptions may not be regarded by everyone as being scientific, they are as scientific as it is possible to get. Their accuracy comes from the fact that retailers, perhaps more than any other sector, come into contact with their customers “over the counter” on a daily basis and a successful retailer has to focus on what is in the customers’ mind.

It is worth stressing that the measures of turnover are questions of fact; this finding is almost certainly highly accurate. Indeed, the trend is supported by virtually all economic studies. On the other hand, the cause is a question of opinion, though, as explained above, it is the opinion of those best placed to judge.

### ***Is It Beneficial: Are There Other Gains?***

Retailers were also asked if they have benefited from the charge in any way: increases in productivity levels, for example through faster delivery times resulting in a lower cost base. While takings might not have increased, profit margins could have improved. They were also asked a general question, more of a favourability rating, about the ease of doing business. Their answers did not reveal great improvements.

<b>Break % Respondents</b>	
<b>Missing</b>	
<b>No reply</b>	4.5%
<b>Since the scheme started has your producti...</b>	
<b>Yes</b>	21.5%
<b>No</b>	74.0%

Table 7 Has The Charge Improved Productivity Through Quicker Journey Times?

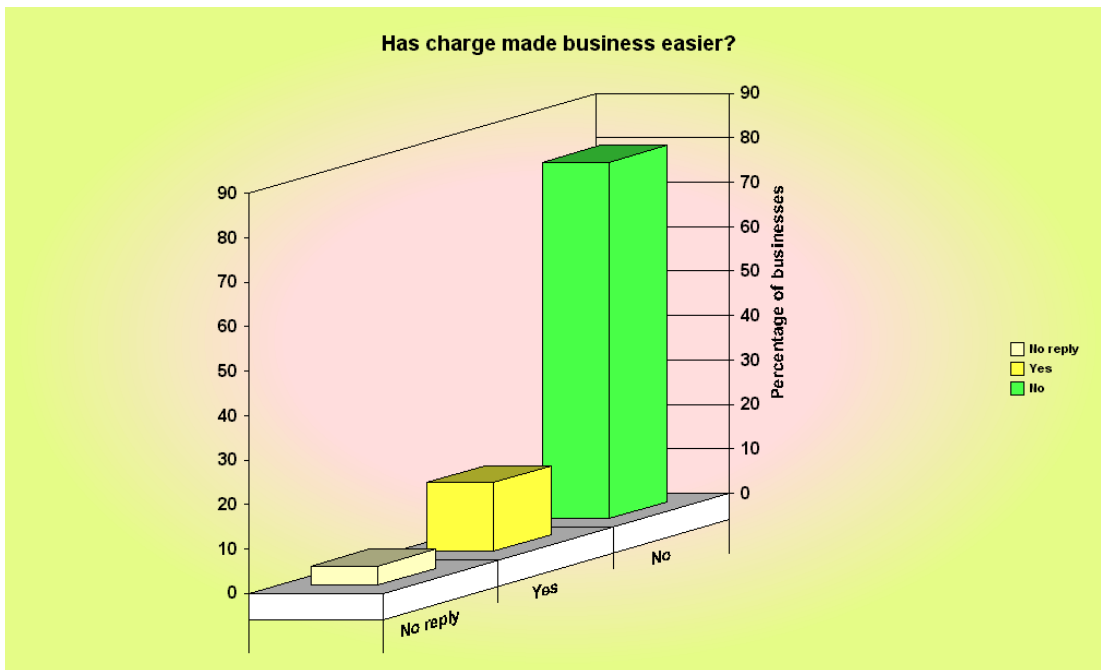


Chart 4 Has The Charge Has Made Business Easier?

In both cases, the results show that over three quarters of all businesses have found that the congestion charge has not made any improvement on either their productivity. Even where this is broken down further into size and sector groupings, the largest businesses, employing over 250 people, did not produce a single respondent who thought that doing business had become any easier.

Looking at the micro level, there was some appreciation that productivity has improved since the introduction of the charge, but little perception that it has become any easier. The picture is dominated again by the majority not experiencing any benefits: three quarters thought that productivity had not improved and slightly more had not found it easier generally to do business, at 82.1 per cent.

<b>Break % Respondents</b>	
<b>Since the scheme started has your productivity risen</b>	
<b>Yes</b>	24.8%
<b>No</b>	74.4%
<b>Since the scheme started has it made business easier</b>	
<b>Yes</b>	15.4%
<b>No</b>	82.1%

*Table 8 Views Of The Smallest Retailers.*

With 74 per cent saying that productivity has not increased and 4.5 per cent not indicating a view, retailers showed that the effects of the congestion charge are overwhelmingly not bringing about any discernable benefits within the first two months of its operation.

Some may take the view that a quarter of retailers experiencing improvements in productivity within the first two months of the charge is an encouraging sign. While this may be true, when set against the substantial number of retailers experiencing falls in turnover and profits over the same period of time, the cons are, at present, substantially outweighing the pros.

### ***Have Customers Changed The Way They Shop?***

We also asked if trade was being conducted differently since the introduction of the charge. This could be because either the customer had made changes (shopping on the internet rather than in person) or because the retailer had done so (perhaps by changing delivery patterns or adopting a different strategy). The responses we received showed that there had been a slight increase in the number of telephone orders of just over 11 per cent. This level remained constant no matter what the size or type of goods sold, except for all those over 51 employees, where they said that there was no difference at all.

If this change is to grow to a significant level, where retailers are able to adopt different strategies where their products allow it, evidence of the new patterns will take some time to come into being. This dynamic, in the context of the congestion charge, is worth further research over a longer period of time.

Break % Respondents	How many people does your company employ						
	1-2	3-12	13-50	51-100	101-250	250+	
Have phone orders risen since the charge came in							
Yes	11.8%	11.9%	12.3%	13.6%	-	-	11.1%
No	88.5%	88.1%	88.2%	86.4%	100.0%	100.0%	88.9%

Table 9 Has There Been A Shift To Phone Orders?

Break % Respondents	Are the goods you sell					
	Food	Clothes	Furniture and household goods	Newspapers and books	Luxury goods	
Does shifting journey patterns add to cost						
Yes	66.6%	75.0%	67.8%	71.2%	66.7%	62.1%
No	33.4%	25.0%	32.2%	28.8%	33.3%	37.9%

Table 10 Changing Journey Times And The Cost Impact By Sector.

Changes initiated by the customer tend to be thrust unilaterally on the retailer, who must then decide how to respond to the market forces at work on his business. Other changes, such as different ways of running the business, are made by retailers as part of an ongoing effort to be as lean and as efficient as possible in the market place.

Inevitably, an examination of the response of the retail sector to the effects of the congestion charge will focus on those whose experiences are negative in this respect. For the others, it would appear to be a case of: "If it ain't broke, don't fix it", so there is little to report for those who feel they are benefiting.

For example, a particular business may have done very well out of passing trade. But if that trade is no longer "passing", this would have a negative effect to which that business should respond. The retailer could respond by turning to other methods of attracting business. In serious cases, if the location was so much a primary part of the marketing and attraction, the retailer may decide to look for a new site.

Where retailers are considering what changes they can make that would offset the negative effects of the charge, one response could be to change the times of the deliveries it both receives and makes. Retailers were therefore asked if they could alter their activities in this way but without incurring costs, which would make it futile. Exactly two thirds of businesses said it would increase costs to make such changes. This was the lowest for those selling luxury goods, at 62.1 per cent, rising to 75 per cent or three quarters for those selling food.

Other possibilities for diversification would be to alter business plans by emphasising sales over the telephone from loyal customers or an increase in business over the Internet. But this in turn may generate additional costs through delivery activity or may not be appropriate for the type of product sold.

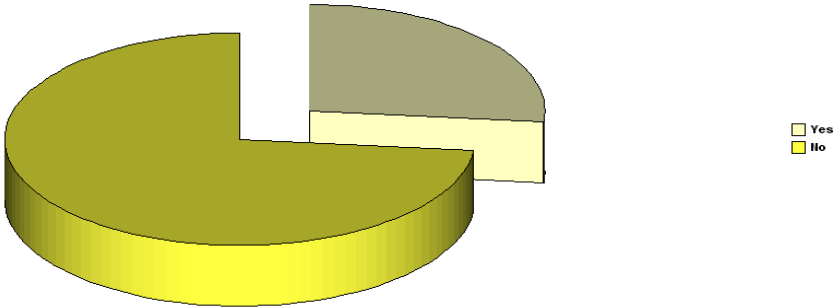
Such changes might well take place where customers are loyal but who do not wish to incur the costs of the congestion charge. A successful change to conducting business in a new way depends on the complete, or near complete, transfer of existing customers to the new pattern. Not all will follow – those who do not have access to the Internet will be unable to follow where the new strategy relies on ecommerce.

***Change: Relocation***

Another change that retailers could make to avoid the charge is to relocate their store to a site outside the zone. This is clearly a much more drastic measure than the changes made to delivery times, with substantial cost and other site-related implications.

The answer was surprisingly high, with 26.7 per cent of respondents saying that they are considering relocating to a site outside the zone.

**Retailers considering relocation**



*Chart 5 Retailers Considering Relocation*

Of those who are considering relocation, the sub sector where this was the greatest was the micro sector or those selling food. Here, the proportions rise to over a third, at 36.2% and 36.9 per cent respectively.

<b>Break % Respondents</b>	
<b>Are you considering relocating</b>	
<b>Yes</b>	36.2%
<b>No</b>	63.8%

*Table 11 Micro-Retailers Considering Relocation*

<b>Break % Respondents</b>	
<b>Are you considering relocating</b>	
<b>Yes</b>	36.9%
<b>No</b>	63.1%

*Table 12 Food Stores Considering Relocation*

There are few options available to retailers to respond to the charge in the way they do business without incurring costs. This paucity could well be one reason for the following result the survey revealed when we asked if any of them were considering relocating.

The most significant response a retailer can make to the negative effects experienced from the charge is to move to an area outside the congestion charging zone. The level of respondents who acknowledged that they are indeed considering this surprised the Chamber. The response from the survey revealed that, despite the obvious costs and implications such a response would represent, more than a quarter of retailers, some 26.7 per cent, said that they were considering relocating outside the zone.

This figure is worthy of further work, as it could hide an even higher number of those who wish to move but cannot for a variety of other reasons. There will be other, significant factors at play here. Many shops will be unable to relocate due to terms in their lease. Others may have additional reasons for their location, especially if they live above the premises or depend on the location as part of their marketing in some way.

For those in large stores, who may be restricted by the availability of a suitable site, the current planning guidance generates a driver on town centre sites, followed by edge-of-town,

and only once these locations have been exhausted is planning permission likely to be granted.

In such cases, the respondents may have answered “no” to the survey, by which they meant they have indeed considered relocating, but have decided against it for the time being and are therefore no longer considering it. Hence the “no” answer.

Whatever the particular range of factors that any individual retail outlet would have to consider when weighing this decision, what is clear is that the retailer is increasingly caught between being pulled in one direction by the charge and in another direction by other policies such as planning policy or leasehold law.

Conversely, those who have answered “yes” may, after reflecting fully, feel that this would be disproportionate or would come with other problems which nullify any gains that moving might produce and so decide against it. This would have the effect of reducing the possible effect that relocations on this scale would have.

Analysing further those who answered “Yes”, the highest proportions of those thinking of relocating were the micro retailers, which are frequently newsagents and corner stores, selling food: as many as 36.2 per cent and 36.9 per cent respectively were thinking of moving.

There is no doubt that the congestion charge is encouraging businesses to relocate to areas that are cheaper, as their site would no longer play such a significant role in attracting trade. The higher costs of premium or central locations become increasingly less justified.

If this became a pattern in reality, and in turn that pattern grew, so that increasing numbers of retailers respond to the effect of the charge by moving, the consequences would become similarly magnified. The area would cease to attract good retail outlets, which may choose their location for its “cluster” value; the area would fall in popularity as a good retail area. This would start the downward spiral of decline for that area, with implications for unemployment levels and the social consequences that follow from that.

While this is brief and somewhat harsh in its summary, this is the pattern that precisely gives rise to the current system of planning policy guidance that tries to maintain town centre shopping. In business terms, such an effect would represent a negative outcome for the congestion charge of a most severe type.

## V Conclusion

The purpose of the retail survey is to examine what effect changes in traffic flows caused by congestion charging are having on business activity. Has the introduction of the charge relieved businesses of the burden congestion had been causing it by increasing productivity and reducing the strains of mobility? Or have any possible negative effects been outweighed by gains that a reduction in congestion could bring?

The Chamber has been on record consistently in the run-up to the introduction of the charge acknowledging that congestion is a burden for business and has always said that it is in favour of lightening that load. But that does not mean automatic support for any scheme which purports to do that for two reasons: first, it might not deliver this objective and secondly, in doing so it may generate additional burdens for business where the net effect is that business is even worse off as a result. The emphasis is, again, on the results the congestion charging scheme produces.

To assess the success – or otherwise – of the congestion charge introduced into central London on 17<sup>th</sup> February 2003 merely by looking at traffic flows is not enough. The journeys we make are a means to an end – they underpin our other activities. Therefore any changes to the transport system, and the patterns of mobility it supports, will undoubtedly cause changes to those activities. The Retail Survey has shown that there are many effects from the congestion charge on the activity of this sector as a whole, not just on changes to traffic itself.

If journeys made by car prior to the introduction of the charge are subsequently not made by car, producing the desired fall in traffic levels, are they displaced to another mode of transport or are they not made at all? If those journeys are not made at all, what is the effect on business?

The first two months of the charge have more than begun to show an effect on the retail industry. This industry is one of the most responsive and fast moving sectors and it is because of this dynamic that it makes such a good study. Retail also accounts for a significant amount of London's GDP and some parts of London are dominated by it. As such, the scale of the effect of the charge on business is significant.

The results of the survey make depressing reading for the retail sector. While they are not without some positive points, those points are token rather than significant. They are also more than outweighed by the negative findings.

The positive findings can be found in the levels of support the scheme enjoys among the retail sector – over one in eight has already changed its mind on the charge.

The other positive note is the changes to productivity and the general ease of doing business, with just over one in ten finding improvements in this area. However, while this does not mean that the other nine think things have got worse, they certainly don't think things are better.

Without an appreciation that there are real benefits to be enjoyed, there is nothing that might offset the downturn they believe the charge is causing. The silver lining to this particular cloud may be that it may take longer than two months for such changes and their benefits to feed through and there may be further improvements to come.

The negative effects cited by respondents are much more significant. With falls in business activity being reported by more than three quarters of those answering, this is a worrying picture. That nearly half of those attribute the downturn to the congestion charge, making it the biggest blame factor by a ratio of more than 2 : 1, it cannot be ignored.

Since the charge appears to be here to stay, at least for the foreseeable future - Ken Livingstone is even talking about extending the zone - what can retailers do to counteract the effects of the charge?

Emphasis has been placed on the issue of transfer of control of The Tube, and the fact that the increased capacity in the public transport system has therefore had to rely on an increase in bus services. But this is not an option for businesses: deliveries are not readily transferable to the bus - or the Tube.

Further, as part of its preparation for the charge, Transport for London (TfL) has dedicated more road space to bus lanes, to cope with the increase in bus services. For businesses, because their journeys are not transferable to public transport, the reduction in supply (of available road space) comes without the concomitant reduction in demand (from vehicles making deliveries or other business activities). This measure, if anything, is therefore more likely to generate congestion for businesses themselves. This is certainly borne out by the resounding “no” given in answer to whether or not there had been any increases in productivity or general ease of doing business.

Although TfL argues that the increase in bus lanes is beneficial to shoppers for example, figures elsewhere<sup>4</sup> indicate that there have been significantly fewer shoppers since the introduction of the charge.

The more moderate options that are available to retailers as they attempt to counter the effects of the congestion charge, such as changing delivery times, mostly resulted in increased costs, exacerbating rather than solving the problem. Additionally, by-laws prohibit the hours within which deliveries are possible in many instances.

Changing the patterns of trade, for example by changing your business to depend on sales made over the telephone, internet, catalogues or, more likely, a combination of all three, rather than people visiting the shop will take more time to show through. While the results to date showed that there has been an increase in this activity, at this stage this is more likely to be coincidental than causal. Given more time this figure may increase, as there is potential in this area – but if that change takes too long, the business may not be around to benefit.

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<sup>4</sup> The retail analyst, Footfall, reported a 12.4% reduction in the number of shoppers passing through shops' doors in the first fortnight of the period after the Congestion charge had been introduced.

But it is not always appropriate to make this kind of change: some kinds of goods are far more adaptable to it than others. The bigger stores showed no change in this area of their activity. This would suggest that either they are established in their sales of this kind and they have not been affected by the charge in this respect, or the goods they sell do not suit these new methods. This area is one that would recommend itself to further study in due course.

The most drastic option that a retailer could consider is to relocate to a new site outside the zone (which may in turn extend in area). The Chamber was surprised at how many, over a quarter, were considering this. However, on reflection, given that so many retailers said their businesses were experiencing a downturn, that they attributed it to the congestion charge, that they were not really experiencing any balancing improvements and that there were few remedial options available to them which did not incur further costs, or which would take time to produce benefits, it becomes less surprising that they are prepared to face the upheaval that relocation would bring. Many clearly feel they have no choice.

It is hard to conceive of a quarter of London's retailers moving. But if retailers were to relocate on a significant scale, those that have indicated that they are the most likely to do so appear to be the smaller shops, so often the newsagent and food store. Many of these are vital to our smaller neighbourhoods; many stay open late at night. This would represent a significant change – detrimental - to our locality.

For other stores, there is a tension being put on the retail industry, with the introduction of the congestion charge creating a driver encouraging businesses to move out of town. But with planning policies and market forces, such as the benefits of cluster locations, generating drivers to stay in town. The retailer is at the centre of balancing these tensions, with the additional problem of contractual obligations to honour their lease. These stores can be the key retailers in new developments and shopping centres, acting as the main attraction that in turn draws other retailers and subsequently shoppers.

Whether large, small or medium in size, a general withdrawing of shops from the town centre is an unwelcome trend which has many negative effects: a continuation in the demand for land outside the city centre, which in turn increases demand for roads and other infrastructure. The lifeless city centre, with its concomitant problems of unemployment, crime and deprivation becomes more likely. This outcome, although it takes a while to happen, is the eventual result.

The Chamber's findings show that the congestion charge is having a substantial and negative effect on the retail sector within the congestion charging zone. With comparatively little in the way of remedial options, the Chamber is concerned that, if this continues, the retail sector will dip into recession. As a significant part of the London economy overall, that is bad news for London.

As the voice of London business, the Chamber will be campaigning for changes to the congestion charging scheme on behalf of retailers in the congestion charging zone. Through our Retail Forum, we will be campaigning for the Mayor to respond to these findings.

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