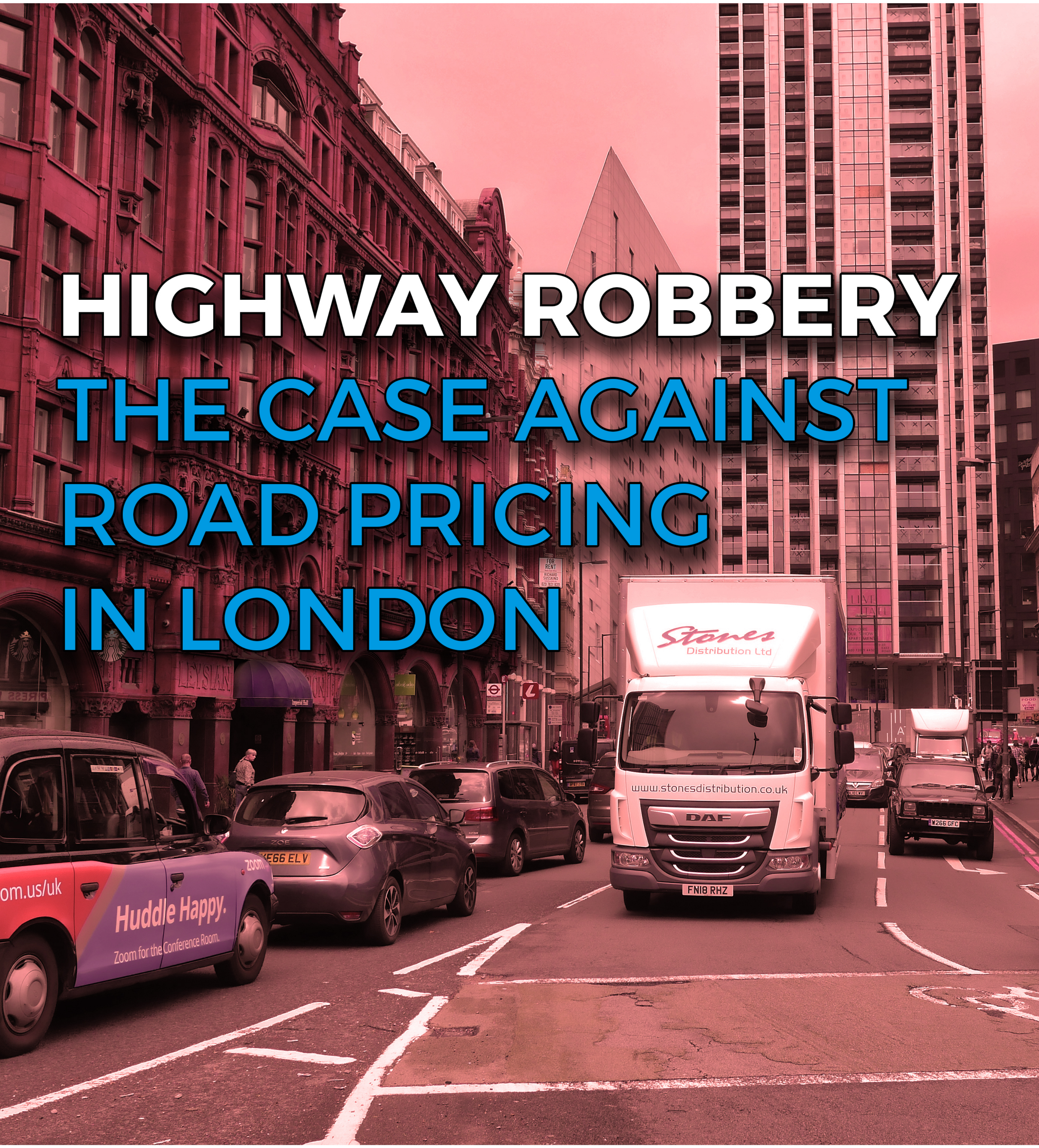
GLA Conservatives



HIGHWAY ROBBERY

THE CASE AGAINST ROAD PRICING IN LONDON

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JUNE 2019

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Executive Summary

We know that Sadiq Khan wants to introduce road pricing to London. It is not difficult to see how he has been laying the groundwork and seeking to make a case for why road pricing in our city is not just a useful option but a necessary one. Furthermore the state of Transport for London's finances make it clear that TfL needs to either raise a lot more money or significantly cut costs. Although there are various ways in which TfL's costs should be cut, many of these will involve standing up to militant transport unions and so it should be no surprise that the current Mayor would prefer to squeeze more money out of Londoners and, ideally, Londoners in Outer London who are less likely to vote for him.

This report focuses on why the Mayor would be wrong to try and introduce road pricing to London. It underlines why such a policy would be unfair on poorer Londoners and unfair on Outer Londoners, and it looks at what we can learn from the problems that have already become apparent with regard to 2021's planned Ultra-Low Emission Zone extension to the North and South Circulars.

The report also looks at the case for devolving Vehicle Excise Duty (VED) to the Mayor and how this might be done, alongside the genuine need to fix TfL's broken finances without penalising motorists.

This report lays out three clear recommendations that would end the spectre of road pricing in London, whilst increasing funding to London's roads.

Recommendation 1: The Mayor should rule out road pricing in London.

Recommendation 2: The Mayor should commit to divert a set percentage of TfL's annual capital underspend to spend on London's roads.

Recommendation 3: The Government should devolve VED revenue to London, with the condition that the money is hypothecated to spend on road maintenance.

Introduction

If your aim is to squeeze as much money as possible out of motorists, then road pricing or road user charging probably seems like an excellent idea.

It is worth being clear on what is meant by the term 'road pricing'. In some respects, London already has a form of road pricing. The Congestion Charge was introduced in Central London by then Mayor Ken Livingstone in 2003. A ring of cameras, fitted with number plate recognition software, surrounds the Congestion Charge Zone charging vehicles that drive into it. The recently introduced Ultra Low Emission Zone also represents a form of road pricing as it charges certain vehicles that do not meet a specific emissions standard to drive into the same zone.

However, for the purposes of this report, "road pricing" means a scheme in which motorists are charged on a pay as you drive basis. This might mean a set price for every mile driven or it could be that the cost of driving a mile would vary depending on the level of congestion of the roads on which a car is being driven. There has been some support for the introduction of road pricing on the free market right[1], but in the UK it has been more prevalent amongst those on the left who have been upfront and honest that their preference would be for car-use to be phased out entirely. This is unsurprising. For those politicians who believe that car use is a problem to be solved, a policy that would significantly increase the cost of driving, but which can be dressed up with more high-minded justifications, has obvious attractions.

Nevertheless, those on the left who wish to force drivers off the road appear to be ignoring the fact that using the price mechanism to do so will mean poorer Londoners will be the ones who miss out. If this regressive policy were to be framed as ensuring that 'less well-off Londoners will no longer be able to afford to drive', it is possible that those enthusiastic adherents of road pricing might have the decency to be just a little bit embarrassed.

The rejoinder of those on the left tends to be that road pricing could replace other taxes on motorists. To be clear, if all other taxes on motorists were eliminated, specifically fuel duty, Vehicle Excise Duty and the Congestion Charge, then there would still be issues with road pricing. However, as long as they are still in place, any introduction of road pricing would be completely unacceptable.

Furthermore, road pricing is very much a live issue. The Mayor has just signed a contract with Capita Business Services Ltd that covers: "Business and Enforcement operations including IT and other services, to support its current road user charging schemes (including Congestion Charging) and

[1] https://www.adamsmith.org/blog/london-needs-real-road-pricing

potential future road and infrastructure charging schemes."[2] The contract runs until the 26th September 2021 so there should be no pretence that road pricing is only being considered as a long-term possibility.

My view and the view of my colleagues has long been that Londoners should have as wide a choice as possible in terms of how they travel. Whereas our political opponents have pushed for 'modal hierarchy', in which walking and cycling are prioritised over public transport and public transport is prioritised over driving, the GLA Conservatives have supported enabling the freedom of people to travel in the way that best suits them. This means ensuring Londoners have access to high quality cycle routes, as well as frequent, safe and affordable public transport, black cabs that can travel 'where buses go', convenient private hire options and the right to drive their own car. This also means recognising that the vast majority of Londoners will use different transport modes at different times. Rather than categorising people as cyclists, pedestrians, bus users or motorists, we are clear that Londoners might easily fit all of those categories at one time or another. The freedom to choose the most suitable transport mode is an important one. Road pricing would, by its very nature, constrict that freedom.

[2] http://content.tfl.gov.uk/tfl-contracts-greater-than-5k.pdf, Page 5

Why is road pricing attractive to the Mayor?

Sadiq Khan will give many justifications for trying to introduce road pricing. He will claim it is a vital move for cutting congestion. He will suggest that it is an important part of improving the health of Londoners. He will point to his target for "80 per cent of trips in London to be made on foot, by cycle or using public transport by 2041"[3] and argue that he has no choice but to start charging Londoners for every mile they drive.

Proposal 20 of the Mayor's Transport Strategy[4] reads:

> "The Mayor will give consideration to the development of the next generation of road user charging systems. These could replace schemes such as the Congestion Charge, Low Emission Zone and Ultra Low Emission Zone. More sophisticated road user charging and/or workplace parking levy schemes could be used to contribute to the achievement of the policies and proposals in this strategy, including mode share, road danger reduction and environmental objectives, and to help reduce congestion on the road network and support efficient traffic movement.
>
> "In doing so, the Mayor will consider the appropriate technology for any future schemes, and the potential for a future scheme that reflects distance, time, emissions, road danger and other factors in an integrated way."

However, the reality is that, from the current Mayor's perspective, the key word is not "road", it is "pricing". Under Sadiq Khan, TfL's finances are in an appalling condition, with last year's predicted operational deficit close to £1 billion. Although this has been reduced, it is still predicted to be £897 million by the end of the current Mayor's term, according to the 2019/20 business plan.[5] During the 2016 election campaign, he made the extremely rash promise that "Londoners won't pay a penny more for their travel in 2020 than they do today."[6] If he had stuck to that promise it would have cost TfL approximately £1.3 billion over his 4-year Mayoral term. Instead he chose to freeze TfL fares and not all transport fares in London. This has cost upwards of £640 million. Despite TfL continuing to run a significant deficit and with no scope to increase debt without the Government's permission, Sadiq Khan has stuck to the policy of freezing TfL fares. In so doing, he is worsening TfL's finances in order to try to make it look as if he has kept a promise that he has actually already broken.

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[3] https://www.london.gov.uk/sites/default/files/mayors-transport-strategy-2018.pdf, 293

[4] Ibid, Page 93

[5] http://content.tfl.gov.uk/tfl-budget-2019-20.pdf, Page 34

[6] https://www.standard.co.uk/comment/comment/sadiq-khan-how-i-could-freeze-our-transport-fares-from-now-until-2020-a3147976.html

Londoners have experienced significant cuts to our public transport over the last three years as well as the delaying or scrapping of numerous public transport infrastructure upgrades. We have seen bus routes slashed[7], new Tube trains on the Northern and Jubilee Lines cancelled, the Camden Town Station upgrade delayed, and the Piccadilly Line upgrade pushed back.[8]

In addition, the Mayor's TfL Business Plan was extremely reliant on the revenue from a Crossrail that opened on time and on budget. Thanks to Sadiq Khan's failure to adequately scrutinise Crossrail, despite his role as Chair of the TfL Board involving doing just that, the cost of Crossrail could reach £17.6 billion. This is £2.8 billion more than the original budget of £14.8 billion.[9] Furthermore Moody's have estimated that "the two year delay will cost TfL around £1 billion in gross Elizabeth Line passenger revenue."[10] There is no doubt that TfL's finances are straining at the seams.

This being the case it is unsurprising that road pricing – and, indeed, any measures that would increase TfL revenue – is of great interest to the Mayor. It is clear that he sees motorists as a cash cow – and one he intends to milk for all it is worth. For proof, it is worth looking at the extraordinary way in which the Mayor has treated the private hire industry. Specifically he has chosen to increase Operator Fees[11] by up to 12,000%[12] and has removed private hire vehicles' Congestion Charge exemption, despite the report TfL commissioned showing that doing so would have a miniscule impact on congestion, reducing the numbers of vehicles within the zone by just 1%, but would make smaller operators unviable.[13]

The very great likelihood is that Sadiq Khan would love to take the chance to introduce a policy that would raise money for TfL and force drivers off the road. Indeed, he has repeatedly refused to rule it out when questioned about it.[14] It is also clear that he would justify it by claiming that the need to reduce congestion makes it a necessity and by insisting that it's key to enabling him to meet his target "for 80 per cent of trips in London to be made on foot, by cycle or using public transport by 2041."[15]

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7 https://diamondgeezer.blogspot.com/2018/06/lets-cut-lots-of-buses.html

8 https://www.bbc.co.uk/news/uk-england-london-48200474

9 https://www.theguardian.com/uk-news/2018/dec/10/final-crossrail-bill-could-hit-17bn-with-london-paying-2bn-shortfall

10 https://www.independent.co.uk/travel/news-and-advice/crossrail-delay-cost-tfl-elizabeth-line-transport-london-moodys-a8894561.html

11 https://tfl.gov.uk/info-for/media/press-releases/2017/september/tfl-confirms-changes-to-private-hire-operator-licence-fe

12 https://metro.co.uk/2017/11/14/taxi-drivers-launch-legal-battle-against-12000-increase-in-price-7079151/

13 https://consultations.tfl.gov.uk/policy/private-hire-charge-exemption/user_uploads/tfl-phv-congestion-charge-study.pdf

14 https://www.london.gov.uk/questions/2018/2727

15 https://www.london.gov.uk/sites/default/files/mayors-transport-strategy-2018.pdf, Page 93

Why should we not be persuaded by these points?

Although it is indisputable that Transport for London needs to make savings and raise more revenue, there are better options than a London-wide road pricing scheme. My colleagues and I have suggested dozens of ways in which the Mayor and TfL could save money from reducing the gold-plated TfL pension contributions to the Local Government Pension Scheme average – currently TfL contributes more than double that average – to ending public transport strikes, introducing driverless trains and many more. Furthermore, the TfL fares freeze is unaffordable and it does not make sense to continue with it, given the overall state of TfL's finances.

Secondly, if the Mayor tries to force Londoners out of their cars by increasing the cost of driving, he will inevitably catch those who have little choice but to drive. Even if there are exemptions for specific individuals - for example, blue badge holders – there will still be ordinary Londoners who need to drive but can no longer afford to do so. The Mayor should not be deliberately making it harder for elderly Londoners to drive to hospital or for parents to complete the school run.

Thirdly, for many people, driving represents freedom. We should not be sanguine about the state seeking to undermine people's ability to step into their own car and drive directly to wherever they wish to go. Owning or having access to a car can significantly increase an individual's travel opportunities and road pricing is a policy that seeks to curb, undermine or remove that.

There is a further point, regarding freedom, that should be considered. The technology required to make this form of road pricing work would almost inevitably include Global Navigation Satellite System (GNSS)[16] technology. In other words, there would be a black box in every car that would be capable of identifying exactly where each car was located at any given time. This creates both practical and civil liberties considerations. In addition, there are potential legal issues to consider. In practical terms there is a question of how this technology would be imposed on those driving in London. Currently some British motorists choose to install a black box in order to gain cheaper car insurance, but a situation in which this technology was mandatory would be very different. How would the Mayor ensure that anyone who wished to drive in London had a black box in their car? Trying to introduce road pricing in London alone, rather than the whole of the UK, would be fraught with difficulty for that very reason. In terms of civil liberties, there are many people who would be very uncomfortable with the idea that the state might be able to track their every move via their car. As yet, this issue has not been addressed by the Mayor, but imposing this technology on Londoners would be a significant

[16] https://www.gsa.europa.eu/gnss-innovative-road-applications-0

step and must not be ignored. Finally there may be legal issues with regard to forcing Londoners to install a black box in their car. Would the Mayor be allowed to insist on this as a condition of driving in London? Would Londoners who objected to this new requirement have any legal recourse to avoid it? As yet the answers are not clear, with the Mayor giving a notably vague answer when asked if he or TfL were considering such technology.[17]

The impact on ordinary Londoners

In April 2019, the Centre for London published *Green Light: Next generation road user charging for a healthier, move liveable, London.*[18] This report seeks to make road pricing seem like a natural and obvious progression from the status quo. However, in so doing, it ignores the problems with the status quo and it significantly underestimates the negative impact of road pricing on ordinary Londoners.

At 1,572km^2, London is a large city. It is crucial, therefore, that a responsible Mayor recognises the vast level of variation across London in terms of housing density, public transport accessibility, cycling provision to name but three. Given this, trying to impose a one-size-fits-all approach on London's roads is a recipe for disaster. The stereotype of a 'Zone 1 Mayor' with little knowledge or understanding of Outer London is one that any decent Mayor would strive to avoid. However, unfortunately, Sadiq Khan fits the stereotype perfectly.

To illustrate this, it is worth considering the Ultra-Low Emission Zone (ULEZ). The ULEZ is a good idea that has been poorly implemented by Sadiq Khan. When the scheme was first announced in 2014 by the previous Mayor, Boris Johnson, it was due to be introduced in September 2020 with precisely the same boundaries as the Congestion Charge Zone.[19] At that point vehicles that did not meet the new emissions standards would have to pay an additional charge to drive into Central London. This would be in addition to the existing Congestion Charge. The September 2020 date meant that Londoners had a reasonable opportunity to buy new vehicles and manufacturers had a reasonable opportunity to develop new vehicles.

Sadiq Khan chose to move the goalposts. His original plans were to make the ULEZ significantly larger and to introduce it sooner. After consulting he agreed to some changes, but even his adapted plans were deeply problematic. First, he made the start date April 2019 – a full seventeen months earlier than had been planned. Secondly, he announced that from October 2021 the ULEZ would expand to the North and South Circulars at which point it would be 18 times its original size.

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17 https://www.london.gov.uk/questions/2017/3458

18 https://www.centreforlondon.org/reader/green-light/

19 https://www.bbc.co.uk/news/uk-england-london-21443439

Crucially this means an expanded ULEZ would include parts of London with significantly worse public transport than that which can be found in Zone 1. To show this, it is worth looking at the Public Transport Accessibility Level (PTAL) of different parts of London. "The PTAL value combines information about how close public transport services are to a site and how frequent these services are. The highest level of connectivity has a PTAL of 6b and the lowest has a PTAL of 0."[20] Dulwich Village – just inside the South Circular – has a PTAL that ranges between 0 and 2.[21] Furthermore, Dulwich Village is far from unique in having poor public transport accessibility within London. In comparison the vast majority of Central London measures 6a or 6b.[22]

From the vantage point of a Mayor, sitting in City Hall; a short walk from London Bridge Station with ready access to trains, the London Underground, black cabs, private hire cars and Boris Bikes, it could be easy to believe that few people really need to drive private cars. However, this perspective would be very different from that of my constituency of Bexley & Bromley. For a great many of my constituents, a car is an essential feature of their everyday lives, not least because there are fewer genuine alternatives to many journeys. In much of Outer London – and particularly in South London – the choice for those using public transport is a train or a bus. Trains are, mostly, a radial option. They are very useful for travelling into Central London but of little use for orbital journeys. Buses are more useful for orbital journeys, but by their very nature are both relatively slow and often indirect. Bexleyheath and Orpington are both in my constituency, less than 8 miles apart. Google Maps shows that traveling from one to the other via public transport would take 55 minutes at best and would involve two train journeys in and out of Lewisham. By contrast, Google suggests the journey via car would take 30 minutes. Forcing my constituents – or any Londoners – to pay to make this journey would not make it any quicker. To put it a different way, road pricing would not add any value - it would simply add extra cost.

This is an important point. TfL has consistently argued that the Congestion Charge is a charge and not a tax. It is for this reason that successive Mayors have sought to persuade embassies, which are not liable for local taxes, to pay it. However, in order to be defined as a charge, those paying it should be receiving a service. TfL has argued that the service being received by those driving in the Congestion Charge Zone is clearer roads, less congestion and faster journeys. This is a dubious argument. Nevertheless,

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[20] https://tfl.gov.uk/info-for/urban-planning-and-construction/transport-assessment-guide/transport-assessment-inputs/accessibility-analysis

[21] https://tfl.gov.uk/info-for/urban-planning-and-construction/planning-with-webcat/webcat?Input=Dulwich%20Village%2C%20London%2C%20UK&locationId=EhtEdWx3aWNoIFZpbGxhZ2UsIExvbmRvbiwgVUsiLiosChQKEgl1doIT8wN2SBE1uwvFSrztbxIUChIJqZHHQhE7WgIReiWIMkOg-MQ&scenario=Base%20Year&type=Ptal

[22] https://tfl.gov.uk/info-for/urban-planning-and-construction/planning-with-webcat/webcat?Input=Central%20London%2C%20London%2C%20UK&locationId=ChIJ6ygANs4EdkgRpYPhXmVq8Gk&scenario=Base%20Year&type=Ptal

this case further underlines that road pricing or road user charging would struggle to meet the definition of a charge.

Even this is not the whole story. Driving in Outer London may often be the most rational choice, but for most Londoners, the position of the Greater London boundary is not their foremost consideration. Many Londoners feel the car is their best option for journeys outside of London. This is particularly the case when the public transport alternative would involve travelling into Central London before travelling out again. Again, road pricing – even if it only applied to the London-based section of a journey – would increase the cost of those journeys, without doing anything to improve them.

In January 2017 I published a report entitled *A Breath of Fresh Air*.[23] In that report I explained why the Mayor's plans would be ineffective, expensive and damaging for many ordinary Londoners. Not least amongst my concerns was the vast cost of installing the number-plate recognition cameras to cover such a large area. Whilst the initial ULEZ required very little additional infrastructure, the expanded ULEZ is estimated to cost at least £780 million. The Centre for London's report envisions three interlinking technologies for their road pricing plans: "(1) a web platform and a smartphone app for user registration, journey planning and payment; (2) in-vehicle satellite navigation or smart app for journey verification; and (3) roadside cameras for added enforcement."[24] The cost of covering the whole of London with cameras would be enormous and any revenue raised would have to cover that cost to break even before making any sort of profit that could be reinvested in London's roads.

Meanwhile the issues with the expanded ULEZ would be magnified by a London-wide road pricing scheme. The impact on many ordinary Londoners, who need to drive to hospital or to take their children to school or for whom public transport and bicycles are unsuitable, would be considerable. Londoners who cannot easily afford to replace their cars with a newer model could easily find themselves forced off the road.

Given 80% of journeys in London are on the roads, significantly increasing costs via road pricing would have a huge impact on motorists as well as on the private hire and taxi industries.

It is worth looking at just how much Londoners might expect to pay if a road pricing scheme were to be introduced. The Centre for Economics and Business Research's (CEBR's) road pricing report *The Future of Road Transport – Abolishing Traffic Jams*[25] proposed the following figure:

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[23] https://www.glaconservatives.co.uk/uploads/1/1/7/8/117899427/breath-of-fresh-air.pdf

[24] https://www.centreforlondon.org/wp-content/uploads/2019/04/Next-Generation-Road-User-Charging.pdf, Page 50

[25] https://cebr.com/reports/the-future-of-road-transport-abolishing-traffic-jams/

- Price per mile: £0.08
- Average miles travelled per year: 6,488
- Average cost per year per driver: £519.04
- Total numbers of cars in London: 2,600,000
- Total cost of scheme to London: £1,349,504,000

Given that the average driver pays £731 a year in motoring taxes[26], an additional £519 would represent a 71% increase.

Sadiq Khan's Mayor's Transport Strategy[27] contains the following claim:

> "A new approach to funding and delivering the transport network is therefore required. This must include addressing the fundamentally inadequate and unfair way in which road use is paid for in London, with motorists paying too little, and in effect being subsidised by public transport fare payers. Measures such as road user charging (where appropriate), land value capture and the devolution of financial powers to local level are essential to delivering an efficient and fair funding system."

The claim that motorists are subsidised by public transport users does not stack up. Setting aside the point made earlier, that most Londoners use a mixture of modes of travel and cannot easily be categorised as simply 'a motorist' or 'a pedestrian' or 'a cyclist', it is notable that the most recent TfL annual bus subsidy is £722 million[28]. In addition, TfL provides in excess of £318 million[29] of concessionary travel across its network, taking the level of publicly funded subsidy to well over £1 billion per annum. By comparison, London's 2.6 million drivers[30] will collectively pay £1.9 billion[31] in motoring taxes.

The further claim that there is effectively a shortfall in TfL's roads budget due to a lack of devolution is also untrue. It relies on a deliberate misreading of how TfL's budget works. The Mayor, in his role as Chair of the TfL Board, ultimately chooses how to spend TfL's budget. There are not separate pots of money that must be spent within specific areas. If he wishes to spend more money on London's roads or buses or on building the Silvertown Tunnel then he can choose to do so. It is a matter of priorities.

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26 https://www.independent.co.uk/life-style/motoring/motoring-news/uk-drivers-pay-average-of-731-a-year-in-tax-figures-show-a6821201.html

27 https://www.london.gov.uk/sites/default/files/mayors-transport-strategy-2018.pdf, Page 287

28 http://content.tfl.gov.uk/tfl-budget-2019-20.pdf, Page 62

29 https://www.london.gov.uk/moderngov/documents/s72272/Appendix%206%20-%20TfL%20Follow%20up.pdf

30 http://content.tfl.gov.uk/technical-note-12-how-many-cars-are-there-in-london.pdf, Page 1

31 Calculated by multiplying the 2.6 million drivers in London by the £731 a year in motoring taxes referred to above.

Vehicle Excise Duty and TfL's finances

Under Sadiq Khan, Transport for London has chosen to scrap all proactive road maintenance. This has meant a £200 million short-term saving, which will cost Londoners more in the long run as making repairs at short notice when they become necessary costs more than maintaining roads so that fewer repairs are required. The Mayor and his team have sought to blame the Government for this choice, highlighting the elimination of the Department for Transport's grant and the lack of devolution of Vehicle Excise Duty (VED).[32]

It is worth taking both these points in turn. It is the case that, in November 2015, the Department for Transport and Transport for London agreed to the ending of the DfT grant in 2018.[33] This was two years after TfL had been told that the ending of the grant was going to happen at some point. It is crucial to note that this announcement was before any Mayoral candidates had announced their manifestos. In other words, when Sadiq Khan subsequently released his manifesto and promised Londoners that they would not "pay a penny more for their travel in 2020 than they do today"[34] he was entirely aware that the DfT grant would be discontinued. Similarly given the current Mayor repeatedly described Transport for London as "inefficient and flabby" before his election[35] and continued to describe it as "flabby"[36] seven months after he was elected, it is clear that he has no right to claim the ending of the grant as a mitigating factor in TfL's financial woes.

Vehicle Excise Duty is slightly different. VED is an annual tax paid for any vehicle that is parked on UK roads. The amount paid varies "based on either engine size or fuel type and CO2 emissions, depending on when the vehicle was registered. Other types of vehicle have their own rates."[37]

Currently, the Government hypothecates revenue raised from Vehicle Excise Duty (VED) in England to a national roads fund. In this way taxes on motorists are invested directly back into the strategic road network. However, VED raised by London-registered vehicles (around £500m) is

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32 https://www.standard.co.uk/news/transport/all-major-improvements-to-london-s-roads-put-on-hold-for-two-years-a3772076.html

33 https://www.bbc.co.uk/news/uk-england-london-34923879

34 https://www.standard.co.uk/comment/comment/sadiq-khan-how-i-could-freeze-our-transport-fares-from-now-until-2020-a3147976.html

35 https://d3n8a8pro7vhmx.cloudfront.net/themes/569cb9526a21db3279000001/attachments/original/1457451016/x160668_Sadiq_Khan_Manifesto.pdf?1457451016, Page 31

36 https://www.london.gov.uk/press-releases/mayoral/mayor-cuts-waste-at-tfl

37 https://www.gov.uk/calculate-vehicle-tax-rates

spent on roads outside the capital despite the fact that 90 per cent of Londoners' journeys take place entirely on London's roads.[38]

There has been cross-party support for the devolution of VED revenue to London. London strategic roads are red routes, which are the responsibility of TfL. Therefore it would make sense if a significant percentage of VED revenue were to be given to TfL to spend on London's red routes.

Nevertheless, despite this cross-party agreement, it is still unreasonable to seek to use the lack of VED devolution as an excuse for TfL's failure to properly maintain London's strategic route network. In the context of TfL's total budget, £200 million per annum is relatively small. TfL has a duty to properly maintain London's red routes and is failing in that duty because the Mayor is unwilling to cut costs elsewhere is unacceptable. The reality is that the majority of what TfL does loses money – for example, the bus subsidy (i.e the amount of public funds used to cover a loss-making service) is now at £722 million[39]

In 2017/18 nationwide road taxation (including fuel duty and VED) was £34.24 billion.[40] In comparison, expenditure on the UK's roads was just £10.59 billion.[41] This means that expenditure equates to 29.9% of taxation. Whilst there are no specific figures available pertaining to London motorists, given that Londoners are also liable for the Congestion Charge and, potentially, for the ULEZ charge, it is clear that the Capital's motorists are already paying more than their fair share.

As explained earlier, the revenue from VED is also relevant to the wider argument on road pricing because road pricing's adherents recognise that it could not simply be an additional charge but would need to replace other funding streams. From the perspective of the Mayor, this would mean devolution of these funding streams to him. However, to be clear, the argument that the devolution of VED revenue would be sufficient to justify the introduction of road pricing is deeply flawed. What it would do, is change the financial backdrop against which such a decision would be made. The Mayor has made some extremely poor choices with regard to TfL's finances, many of which I have detailed in my most recent *Cost of Khan* report[42], including his decision to scrap all spending on proactive road maintenance, which has led to a £900 million road maintenance backlog.[43] It seems entirely feasible and quite likely that this decision is a

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[38] https://www.london.gov.uk/sites/default/files/devolution_-_a_capital_idea_lfc_2017.pdf, Page 61

[39] http://content.tfl.gov.uk/tfl-budget-2019-20.pdf, Page 62

[40] https://www.racfoundation.org/data/road-user-taxation-highways-spending-data-chart

[41] Ibid

[42] https://www.glaconservatives.co.uk/uploads/1/1/7/8/117899427/cost_of_khan_3.pdf

[43] https://www.route-one.net/articles/Driving/TfL___900m_road_maintenance_backlog_generating_disruption

deliberate attempt to try to pressure the Government into giving the Mayor more money or to make road pricing seem like a necessity.

The Government should call the Mayor's bluff and devolve VED revenue to the Mayor, with the single requirement that it must be spent on road maintenance. Furthermore, the Government should make explicitly clear that any attempt to introduce road pricing would mean that VED revenue would be withdrawn.

A further advantage of devolving VED funding in this way, would be that TfL could then be expected to restore funds to the Local Implementation Plan (LIP) funding budget. LIP funding is the process by which TfL provides "boroughs with financial support for schemes to improve their transport networks."[44] Since Sadiq Khan became Mayor, LIP funding has been heavily reduced. For example in the 2016 TfL Business Plan the projected level of LIP funding for 2018/19 was £223 million. However this predicted figure was not met and the actual spend for 2018/19 was just £174 million.[45] Thus a Mayor, who had explicitly promised not to cut LIP funding, had delivered a £49 million reduction - representing a 22% cut. The Mayor has previously accepted the case for fiscal devolution to the boroughs. In June 2016 he replied to my question on LIP funding by saying "whatever party they are from, council leaders and councillors know their patches far better than officials here. I am a firm believer in devolution meaning giving power down rather than taking power away."[46] The Mayor should commit to restoring LIP funding to its previous level.

Although the devolution of VED revenue would be a sensible and important step, it is important, as previously discussed, not to fall into the trap of believing that without doing so TfL has no ability to deliver the improvements that London's roads need. The Mayor has chosen to make a £200 million annual saving by scrapping the proactive road maintenance budget, but there are better choices available to him.

The key to this lies in the difference between capital and revenue expenditure. Effectively capital spending relates to spending on physical infrastructure such as roads, Tube trains, buses or bridges. 'Revenue' pertains to the money spent on running a service – such as the London Underground - and raised from customers using that service, for example via bus or Tube tickets. This difference explains how TfL can be running a revenue deficit and be under budget on capital spending.

A specific example of this situation was revealed in November 2018 when the London Assembly's Budget and Performance Committee, of which I am the Chairman, published an investigation into TfL's finances entitled *TfL*

[44] https://tfl.gov.uk/info-for/boroughs/local-implementation-plans

[45] https://www.transportxtra.com/publications/local-transport-today/news/55617/tfl-cuts-borough-lip-funds-but-oxford-st--cycling-get-a-boost/

[46] https://www.london.gov.uk/questions/2016/1835-4

Finances: The End of the Line.[47] The investigation looked at the significant capital underspends which TfL accumulates every year.

To quote from the report: "TfL told the committee that it was confident it would end up around £150 million ahead of budget in 2018-19." Although these capital underspends cannot be used to cover TfL's annual deficit, there is a strong case to spend at least some of this money on London's roads. When there is funding available, a £900 million backlog is unacceptable. The Mayor should make a clear and unambiguous commitment to spend a significant amount of TfL's annual capital underspend on improving London's roads.

Conclusion

Whilst it is unsurprising that the current Mayor is desperately scrabbling around for any way he might increase TfL's revenue, he would be well advised to reject road pricing. A London-wide road user charging scheme would be unfair on those for whom a car is a necessity. Sadiq Khan's proposed ULEZ expansion would be damaging and road pricing would be worse still. Introducing it would signify a complete lack of understanding or interest in the differences across London with regard to public transport accessibility and the difficulty of making orbital journeys via public transport in Outer London.

Therefore, I recommend the following:

Recommendation 1: The Mayor should rule out road pricing in London.

Recommendation 2: The Mayor should commit to diverting a set percentage of TfL's annual capital underspend to spend on London's roads.

Recommendation 3: The Government should devolve VED revenue to London, with the condition that the money is hypothecated to spend on road maintenance.

[47] https://www.london.gov.uk/sites/default/files/tfl_finances_-_final.pdf

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