Public and stakeholder consultation on a Variation Order to modify the Congestion Charging scheme

Scheme Description and Supplementary Information

January 2014
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1. Introduction

1.1 Purpose of the document

TfL is proposing a number of changes to the Congestion Charging scheme and is undertaking statutory consultation to seek views on the proposed changes. Those wishing to respond to the consultation can do so through the online consultation portal: tfl.gov.uk/ccyourviews. A hardcopy leaflet and questionnaire is also available on request.

This document provides supplementary information on the Congestion Charging scheme and the proposed changes.

The powers to create and operate a charging scheme in London are contained within Schedule 23 to the Greater London Authority (GLA) Act 1999, which states: “A charging scheme must be in conformity with the Mayor’s Transport Strategy”.

Proposal 129 of the Mayor’s Transport Strategy (MTS) sets out that the Congestion Charging scheme will be kept under review with variations made to ensure it remains effective in reducing traffic and congestion in central London and to improve the operation of the scheme. The scheme has had a number of modifications since it was introduced in February 2003, including to its area, discounts and exemptions, charge and penalty charge level, payment methods, operation and service providers.

TfL’s Business Plan includes a proposal to increase the Congestion Charge daily charge in 2014 in line with inflation. The increase would help to maintain the relative financial deterrent effect of the charge in comparison to other transport costs and public transport fares, ensuring the decongestion effects of the scheme are maintained.

In addition, in October 2015 the Congestion Charging scheme service provision contract will expire; this provides TfL with an opportunity to review the operation of the scheme in order to reduce the costs of operating the scheme and to enhance customer satisfaction. In light of this, changes are also being proposed under the reletting of the Congestion Charging contract.

The Mayor of London, Boris Johnson, has asked Transport for London (TfL) to consult on proposals to modify the scheme to:

- Increase the daily charge
- Enable discount applications and renewals to be made online
- Allow Direct Debit payments for CC Auto Pay
- Enable changes to the NHS Reimbursement Scheme

And to make the following minor administrative amendments to:

- Allow customers to amend the date of a pre-paid charge on the day of travel (rather than in advance)
- Make a change to the Residents’ Discount vehicle seat capacity
- Include reference to card payment failures
- Update the definition for recovery vehicles

The legal framework for the operation of the Congestion Charging scheme is set out in the Greater London (Central Zone) Congestion Charging Order 2004 (the “Scheme Order”) which should be amended when any change to the scheme is proposed. Changes are contained in a Variation Order, which must be made and consulted on by TfL before it can be confirmed by the Mayor (with or without modifications) which will enable the changes to the scheme to come into effect.

The consultation will run for 10 weeks from Monday 6 January 2014 to Friday 14 March 2014.

This document provides information on the proposals set out in the Greater London (Central Zone) Congestion Charging (Variation) Order 2013 (the “Variation Order”) and sets out the forecast impacts of the proposals.

If implemented, the proposals would come into effect on:

- The date the Mayor confirms the Variation Order for the minor administrative amendments (expected May 2014)
- 16 June 2014 for the charge increase
- 1 November 2015 for all other changes

1.2 Description of the Congestion Charging Scheme

The Central London Congestion Charging scheme was introduced in February 2003. The primary objective of the scheme is to reduce traffic and congestion in central London, and the scheme has been successful in doing this.

Since its introduction, there have been a number of changes to the scheme, including to the level of the daily charge and penalty charge, the charging area, payment methods and to the discounts and exemptions from the charge.

The Congestion Charge applies to all motorised vehicles being driven on or kept on a public road within the zone from 7am to 6pm, Monday to Friday, unless they are exempt (see below on exemptions) or registered for a discount. The £10 daily charge is payable in advance or before midnight on the day of travel. Drivers paying by midnight on the next charging day after travelling in the zone pay £12.

Congestion Charging Auto Pay (CC Auto Pay) is an automated payment system which automatically records the number of days a vehicle travels within the charging zone each month and bills the account holder’s payment card accordingly. Drivers registered for CC Auto Pay avoid penalty charges for forgetting to pay the charge and pay a reduced daily charge of £9. An annual £10 registration charge per vehicle applies for registration with CC Auto Pay.
Drivers can also pay online, or pay by phone, in advance, by midnight on the day of travel or by midnight on the following charging day. In addition, drivers can register with TfL to pay by mobile phone text message before midnight on the day of travel and can pay the charge in advance by post. TfL needs to receive payment 10 days before the date of travel if paying by post.

Drivers who do not pay the charge by midnight on the next charging day after travelling in the Congestion Charging zone, pay the charge for an incorrect vehicle registration or pay for an incorrect date of travel are liable to receive a Penalty Charge Notice (PCN). The penalty charge is issued at £130 and is reduced to £65 if paid within 14 days or is increased to £195 if not paid within 28 days.

Residents living within, or in close proximity to, the Congestion Charge zone are entitled to register for a 90 per cent discount. Residents’ Discount holders registered for CC Auto Pay are charged £0.90 per day. Residents’ Discount holders can also pay in advance: £5 for five consecutive charging days (paid in advance), £20 for a month (20 consecutive charging days) and £252 for a year (252 consecutive charging days).

Some vehicles are automatically exempted from paying the Congestion Charge, including motorbikes, London licensed taxis and minicabs, emergency services vehicles, buses and coaches, NHS vehicles that are exempt from vehicle excise duty and vehicles used by disabled people that are exempt from vehicle excise duty. In addition, drivers of electric vehicles and cars and vans which emit 75g/km or less of CO₂ and that meet the Euro 5 standard for air quality can register for the 100 per cent Ultra Low Emission Discount. Blue Badge holders and drivers of vehicles with nine or more seats can also register for a 100 per cent discount.

A 100 per cent reimbursement of the daily charge applies for certain eligible journeys undertaken by NHS patients and staff. Drivers undertaking journeys for NHS work or treatment which are eligible for reimbursement must pay the charge and then apply to be reimbursed. This process was previously managed by the Primary Care Trusts, whose functions have been taken over by Clinical Commissioning Groups.
2. Description of the proposed changes

2.1 Increase the daily charge from £10 to £11.50

Since its introduction in 2003, the Congestion Charge has delivered a significant reduction in traffic and congestion by using the charging mechanism as a deterrent to driving into the Central London area. Traffic and congestion negatively impact on London’s productivity and efficiency.

As a result of inflation, real-term costs of driving within the Congestion Charging zone have decreased since the charge was last increased in January 2011. The financial deterrent of the charge has therefore eroded over this time and it is necessary to increase the charge in order to maintain the effectiveness of the scheme in limiting congestion. TfL is therefore proposing to increase the daily charge to address this.

Increasing the charge also helps to maintain the relative deterrent effect of the charge in comparison to other transport costs and public transport fares. This helps to ensure the decongestion effects of the scheme are sustained. This is of benefit to all who travel in the Congestion Charging zone, including private and commercial motor traffic and those using public transport, walking or cycling.

Table 1 sets out the current charges payable through the various payment channels and the changes proposed in this consultation.

Table 1: Proposed charge increases

<table>
<thead>
<tr>
<th>Payment method</th>
<th>Current charge</th>
<th>Proposed charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(since 2011)</td>
<td>(from June 2014)</td>
</tr>
<tr>
<td>Standard daily charge</td>
<td>£10</td>
<td>£11.50</td>
</tr>
<tr>
<td>CC Auto Pay / Fleet Auto Pay</td>
<td>£9</td>
<td>£10.50</td>
</tr>
<tr>
<td>Pay Next Day</td>
<td>£12</td>
<td>£14</td>
</tr>
<tr>
<td>Residents CC Auto Pay (daily)</td>
<td>£0.90</td>
<td>£1.05</td>
</tr>
<tr>
<td>Residents charge for five consecutive charging days</td>
<td>£5</td>
<td>£5.75</td>
</tr>
<tr>
<td>days (paid in advance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents monthly charge (20 consecutive charging</td>
<td>£20</td>
<td>£23</td>
</tr>
<tr>
<td>days paid in advance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents yearly charge (252 consecutive charging</td>
<td>£252</td>
<td>£289.80</td>
</tr>
<tr>
<td>days paid in advance)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Rationale behind the level of increase**

Inflation between the last charge increase in 2011 and 2014, the year the proposed increase would be introduced, is estimated to be 13 per cent.

The Weighted Average Increase\(^1\) across the payment methods listed in Table 1 is 16 per cent. Assuming inflation of 13 per cent, this results in a real-term price increase of just three per cent.

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\(^1\) The Weighted Average Increase is derived based on the price increases across the methods and the percentage of customers using each method
The proposed rise is placed slightly (3 per cent) above inflation to ensure that:

i. The charge retains its deterrent effect for a few years beyond the price increase in 2014 (exact number of years dependent upon future inflation rates). This means that the charge will remain effective without the charge level having to be increased again in the short-term.

ii. The charge levels are rounded to the nearest 50p to be clear and memorable to customers.

2.2 Enable discount applications and renewals to be made online
Currently, discounts on the Congestion Charge (for example the Ultra Low Emission Discount) are applied for by post. Customers have indicated they would prefer to apply for discounts online, scanning and uploading the supporting evidence rather than having to post it, or post the evidence if they are unable to scan it. This removes the need to complete lengthy forms and reduces the administration burden for both customers and TfL.

The new service provision contract will provide an opportunity to allow online registration for discounts, discount renewals, daily charge refunds and charge amendments. TfL proposes that the new system will be introduced in late 2015.

Whilst the vast majority of applications would be made online, TfL would continue to accept postal applications for Blue Badge Discount applications and in cases where the customer was unable to apply online.

2.3 Allow Direct Debit payments for CC Auto Pay
CC Auto Pay is an automated payment system which records the number of days a vehicle travels within the charging zone each month and bills the account holder’s debit or credit card.

This change would allow customers registered for CC Auto Pay to pay their account via Direct Debit. This service has been requested by customers and is already available for Fleet Auto Pay customers.

The change would take place in late 2015 when the new service provision contract commences.

2.4 Changes to the NHS Reimbursement Scheme
A 100 per cent reimbursement of the daily charge applies for certain journeys undertaken by NHS patients and staff. The NHS Reimbursement Scheme does not currently allow the charge to be reimbursed if it was paid via CC Auto Pay and this facility has been requested by customers.

The introduction of the new service provision contract would allow a unique payment reference to be generated for each CC Auto Pay payment which could be used in reimbursement applications. TfL therefore proposes to allow NHS patients and employees who meet the eligibility criteria for the NHS Reimbursement Scheme to apply for reimbursements for charges paid by CC Auto Pay. This change would come into force in late 2015 when the new service provision contract commences.
The restructure of the NHS has meant that Primary Care Trusts have been abolished and their functions have been taken over by Clinical Commissioning Groups. TfL proposes to update the Scheme Order to reflect this change. The proposed changes will ensure that the original intention of the NHS reimbursement scheme is maintained, i.e. that the charge does not act as a barrier to receiving NHS care, in recognition that NHS treatment is universal and free at the point of delivery.

2.5 Minor administrative changes
The following changes are minor administrative amendments to update the Scheme Order. The primary rationale is to ‘clean up’ the Scheme Order and align it to what is carried out within the operation in practice.

- **Allow customers to amend the date of a pre-paid charge on the day of travel:** This proposed change would allow a customer who has purchased a charge in advance but can no longer travel on that date to apply the charge purchased to a future date.

- **Amend the vehicle seat capacity requirement for the Residents’ Discount:** This proposed change would remove the seating capacity of vehicles that can be registered for the 90 per cent Residents’ Discount. This change will have a beneficial effect on customers because vehicles with nine or more seats are already eligible for the 100 per cent 9+ Seat Discount. This prevents residents applying for a less advantageous discount.

- **Include reference to card payment failures:** This change will update the section in the Scheme Order which refers to dishonoured cheque payments to include card payment failures, Direct Debit failures and indemnity claims. It allows TfL to treat the daily charge as not being paid where any kind of payment has bounced or been returned as unpaid.

- **Update the definition for recovery vehicles:** The definition of an “accredited recovery organisation” refers to an out of date industry standard. This change updates the Scheme Order to reflect the current international standard for quality management systems in relation to a certified accreditation body².

Subject to the results of the consultation and the Mayor’s decision, these changes would come into force when the Mayor signs the Instrument of Confirmation in May 2014.

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3. Impacts

3.1 Impact Assessment
The Impact Assessment of the Variation Order considered the impacts of the proposed changes on a range of categories, based on the MTS primary and secondary objectives. The impact assessment identified that the proposed changes would have a positive effect on traffic, congestion and economic efficiency. The full Impact Assessment is available at tfl.gov.uk/ccyourviews. A summary of the key traffic, congestion and economic impacts of the proposed changes are presented below.

No effects were identified on equality, air quality, CO₂ emissions, health and wellbeing, safety and security or the physical and built environment.

3.2 Revenue and costs

Charge increase
By law, net revenues from the Congestion Charging scheme must be used to improve transport in London. Any positive change in net revenue would therefore positively impact on the level of investment available to fund other improvements to the transport network in London.

It is estimated that increasing the daily charge from £10 to £11.50 would contribute £82.7m in additional Gross Income over the course of the 5 years to 2017/18. To put this in context, in the financial year 2012/13, the Gross Income raised by the Congestion Charging scheme was £222m³. Over the last decade, £1.2bn net revenue has been generated and has been fed straight into ongoing investment in the capital’s transport infrastructure.

Other amendments
It should also be noted that the minor operational changes discussed earlier in this document, such as accepting discount applications and renewals on line will enable greater efficiency and therefore contribute to reducing costs for TfL in operating the scheme. More details on this are provided in the accompanying Impact Assessment.

3.3 Impacts on traffic and congestion
The Congestion Charge works by providing a financial deterrent which influences how people choose to travel into central London. If the real-term cost of this financial deterrent is eroded with inflation (for example, in comparison with public transport fares), then traffic volumes may increase. This would impact on journey time and congestion which would have a negative impact on London’s economic productivity and efficiency.

If no changes were made to the Congestion Charging scheme charges and the status quo was maintained, an increase in traffic volumes in the Congestion Charging zone would be expected. This is because, with inflation, the real-term costs of driving within the Congestion Charging zone have decreased since the charge was last increased in January 2011. This decrease in real-terms has the effect of eroding the deterrent effect of the Congestion Charge.

The impacts of an increased charge on traffic volumes, congestion and hence journey reliability is expected to be slightly positive; the deterrent effect of the charge would be maintained, therefore reducing the likelihood of drivers being attracted back into the zone. The increase in costs may deter some drivers from travelling by car, thereby reducing traffic volumes in the zone.

3.4 Conclusion
The proposed changes to the Congestion Charging scheme would have a small positive economic impact through:

- Maintaining the deterrent effect of the charge in order to prevent an increase in traffic volumes and congestion, which could negatively affect London’s economic productivity
- Maintaining TfL’s income from Congestion Charging, the net revenue of which must be spent on improving transport (as required by Schedule 23 to the GLA Act 1999), which is of benefit to all Londoners
- Better meeting users’ requirements
- Reducing scheme implementation and ongoing administrative costs
4. **Next steps and timetable**

This Scheme Description and Supplementary Information document is provided as part of the statutory consultation on the Variation Order.

The consultation runs from Monday 6 January 2014 to Friday 14 March 2014. Information on how to respond to the consultation, including an online form, is available from tfl.gov.uk/ccyourviews.

Following the close of the consultation, TfL will prepare a report to the Mayor reflecting the comments received during the consultation and provide the Mayor with all of the responses it receives. The Mayor will then make a decision on whether or not to go ahead with the proposals and confirm the Variation Order, with or without modifications, and sign the Instrument of Confirmation.

Should the Mayor confirm the proposals, the next steps in the process would be as shown in Table 2:

**Table 2: Timetable**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2014</td>
<td>Minor administrative charges (see Paragraph 2.6) implemented, following the signing of the Instrument of Confirmation</td>
</tr>
<tr>
<td>16 June 2014</td>
<td>Daily charge increased from £10 to £11.50, alongside increases in other payment channels (see Table 1)</td>
</tr>
<tr>
<td>1 November 2015</td>
<td>The following changes would be implemented with the relet of the service provision contract:</td>
</tr>
<tr>
<td></td>
<td>• Online registration for discounts open</td>
</tr>
<tr>
<td></td>
<td>• Direct Debit for CC Auto Pay enabled</td>
</tr>
<tr>
<td></td>
<td>• NHS Reimbursements for charges paid by CC Auto Pay enabled</td>
</tr>
</tbody>
</table>