

The Proposed Congestion Charge Extension and Office Occupiers

Independent research from EGi's London Office Database, part of Estates Gazette Group, has concluded that office occupiers would only contribute a small portion of the revenue needed to make the proposed extension financially viable. The proportion derived from each company's employees, however, varies significantly and as such huge ill-feeling exists towards the proposals.
The revenue shortfall would have to be principally made up by retail customers and there is doubt that revenues from the extension will meet the costs.
The extended zone will not lead to office relocations – but will lead to stronger political opposition toward the Mayor.

Introduction

If the strong feelings over the existing congestion charge zone are anything to go by, backers of the proposed extension are in for a rough time.

Even London First, the pioneers of the original zone, have called for the expansion plans to be scrapped, expressing doubt as to whether it is a good use of funds and concern that congestion in the central zone will increase. The Liberal Democrat candidate for Mayor, Simon Hughes, would scrap plans to extend the zone and the Tory candidate Steven Norris would scrap the existing zone altogether.

The Association of London Government has stated that it is unclear "whether the proposed western extension would represent a…….cost effective means of tackling congestion".

Much of the criticism comes from retailers, who are understandably concerned over the impact on their trade. The John Lewis Partnership, for instance, commissioned a study through Professor Michael Bell of Imperial College. The report – which separated the impact of the zone from other economic factors - concluded that the existing zone has cost Oxford Street retailers £300 million – a 5.52% decrease in trade. The Partnership is seeking a business rating assessment to reflect the impact on property values and others may follow suit. Any extension will hit retailers in West London hard and John Lewis told us that it has similar fears for its Peter Jones store on Sloane Square.

Nelson Bakewell's Michael Chudzynski recently told Estate Gazette Group's EGTV that retailers in the proposed zone had to make the choice between locating inside or outside the zone and DTZ's Kevin Farrow stated that retailers found the extension difficult to justify. The London Retail Consortium has requested "extensive, independent research" before the new scheme is implemented –

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Transport for London's consultation is not good enough - and Westminster Council itself has branded the consultation "a farce".

The existing zone, however, has (according to TFL) reduced traffic delays by 30%; prevented 70,000 vehicle journeys a day – 1/3rd of all traffic - and generated almost £70 million to be spent on public transport – extending the zone must be tempting.

Office Occupiers

Little has been heard from the office occupiers within the proposed extension zone.

Research from EG*i*'s London Office Database (LOD), part of Estates Gazette Group, has found that:

- There are over 700 companies within the proposed extension zone.
- These companies occupy a total of almost 7 ½ million sq ft of office space – room for around 50,000 staff.
- Of the 270 companies who participated in the survey, 50% had allocated car parking spaces
- However, this equates to parking for only 4% of staff
- Over thirty companies have taken space so far this year within the proposed extension zone.

The tables below illustrate that companies will be affected in different ways. Those with the largest amount of spaces may not have the largest proportion of their staff using them – but the amount they will collectively contribute over a year (assuming £25 per employee per week over a 48-week working year) is significant.

Very few companies, however, would consider paying the congestion charge for their staff. Although £1,200 p.a. is a lot of extra money for the average employee living in London to find, companies are still signing for space in the proposed zone and the existing zone has shown that the charge has not led to significant office relocation. What it will do, however, is lead to collective dissent and a further voice of criticism to the Mayor.

Top 10 Occupiers by number of allocated spaces*

Company	Address	Size (sq ft)	Staff	Spaces	%	Revenue gained
Monsoon	Harrow Road, W2**	65,000	300	**43**	14	£51,600
Society of Motor Manufacturers	Halkin Street, SW1	10,000	100	**40**	40	£48,000
National Audit Office	Buckingham Palace Road, SW1	150,000	800	**40**	5	£48,000
British Waterways	Paddington Central, W2	10,872	35	**30**	86	£36,000

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BHP Billiton	Neathouse Place, SW1	93,754	200	**28**	14	£33,600
Royal Danish Embassy	Sloane Street, SW1	32,400	45	**27**	60	£32,400
Identica Partnership	Notting Hill Gate, W11	10,764	60	**20**	33	£24,000
Electrical Contractors Association	Palace Court, W2	6,458	60	**20**	33	£24,000
Jupiter International	Grosvenor Place, SW1**	20,000	400	**20**	5	£24,000
Initiative Media	Eccleston Square, SW1	20,000	250	**16**	6	£19,200

Top 10 Occupiers by % of staff with spaces allocated*

Company	Address	Size (sq ft)	Staff	Spaces	%	Revenue gained
British Waterways	Paddington Central, W2	10,872	35	**30**	86	£36,000
Royal Danish Embassy	Sloane Street, SW1	32,400	45	**27**	60	£32,400
Syracuse University	Lancaster Road, W11	16,146	15	**8**	53	£9,600
Society of Motor Manufacturers	Halkin Street, SW1	10,000	100	**40**	40	£48,000
RAC	Connaught Place, W2	8,073	8	**3**	38	£3,600
Icelandic Embassy	Sloane Street, SW1	7,599	8	**3**	38	£3,600
Identica Partnership	Notting Hill Gate, W11	10,764	60	**20**	33	£24,000
Electrical Contractors Association	Palace Court, W2	6,458	60	**20**	33	£24,000
Comshare	Chelsea Manor Street, SW3	22,604	45	**15**	33	£18,000
Lonmin plc	Halkin Street, SW1	11,012	20	**6**	30	£7,200

** Only those that responded to the survey*
*** At edge of proposed zone*

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Property agent FPDSavills has 39 staff and 9 parking spaces at its branch on Kensington Church Street, W8 – which falls within the proposed extension zone. Justin Summer, Director, was hugely critical. His employees will be negatively affected and moving locations was not an option due to the nature of the business. He added that the biggest impact of the extension would be to change the way many use the existing zone: up to now, people have been parking just outside the zone and using public transport to get in. Extending the zone will disrupt this model and put many off.

The Electrical Contractors Association has 20 parking spaces for its 60 employees at Palace Court, W2. Director David Pollock was also highly disparaging of the scheme. He informed us that there was no significant congestion problem and failed to see the financial justification of any extension.

British Waterways, who only signed for its Paddington space at Sheldon Square, W2 in March this year, also disapproves. It needs cars for work and its employees will collectively have to pay between £35,000 and £50,000 a year for the privilege – but it obviously did not affect the decision to move to Paddington.

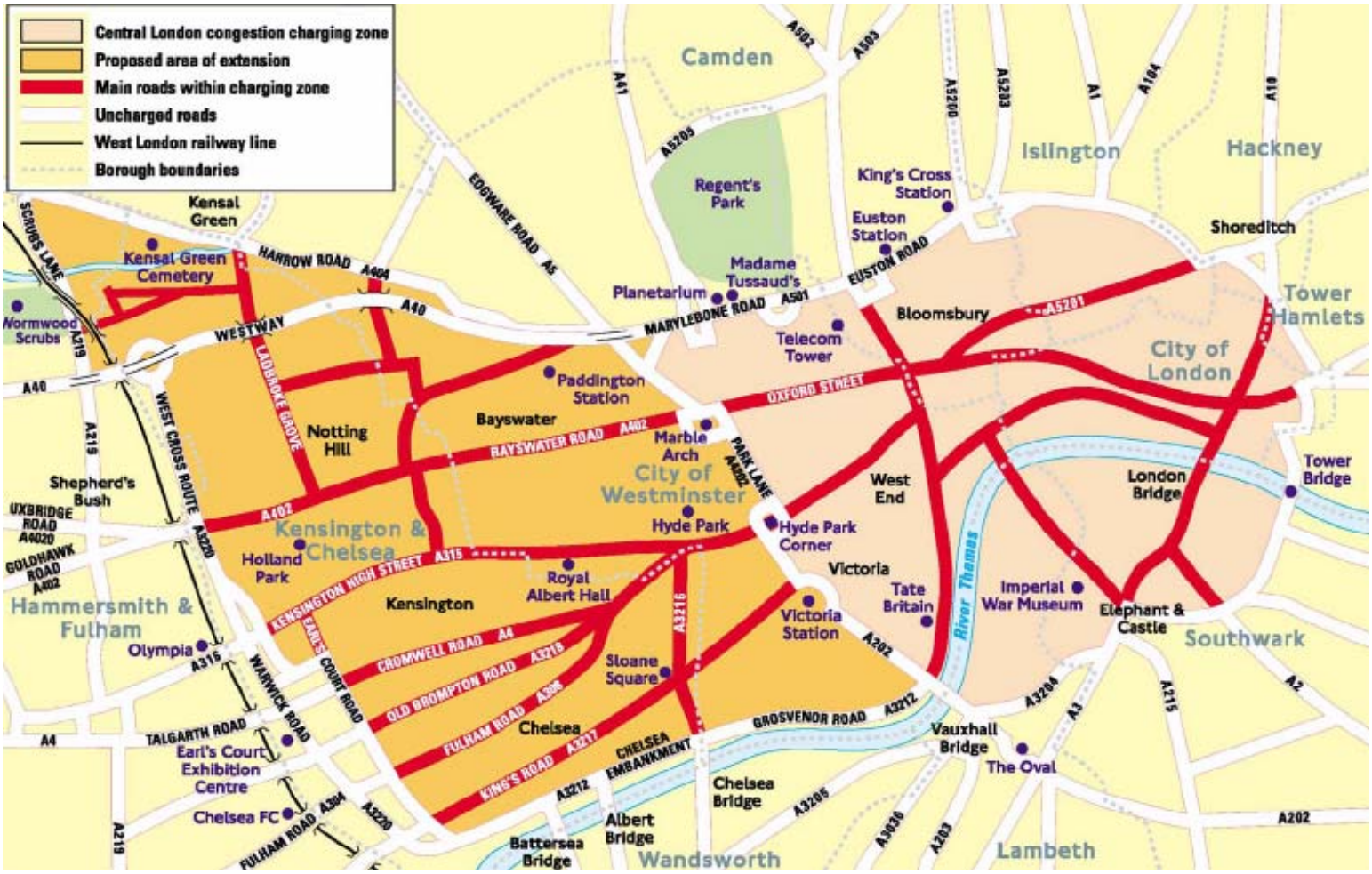
Thames Water are not exempt from the charge and its contractors have to cross the zone daily. It calculates that the existing zone costs it an extra £100,000 a year and this will double under the new proposals.

Conclusion

The proposed extension has been strongly criticised. However, our research indicates that only around 4% of office staff in the proposed zone have allocated spaces - generating around £2 million p.a. in revenue. This is a lot of money, but the start up and annual running costs quoted of £120 million and £60 million respectively means that the difference will have to come from elsewhere. Retail customers will be relied on to meet much of the remainder, and retailers within the zone are right to be concerned. However, they are expected to pay a huge proportion of the cost and questions over the extension's financial viability must be asked.

Consultation into the proposed zone extension is continuing. Subject to this, the Mayor will decide whether to extend the zone after the mayoral elections in June. The strength of opposition towards the extension is such that it may not be Ken Livingstone making that decision.

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Further Information

If you have any questions about this topic paper or data held in London Office Database please contact Theresa Keogh, Product Manager or Bill Page, Senior Research Analyst on 020 7411 2868. To find out more or to arrange a presentation of the London Office Database subscription service, please contact the sales team on 020 7411 2677 or email sales@egi.co.uk.

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