

**European Commission Consultation:  
"Preparation of an Impact Assessment on the Internalisation of External  
Costs"  
Submission from Transport for London**

**Introduction**

Transport for London (TfL) is the integrated statutory body responsible for London's transport system. It came into existence in July 2000 as a result of the Greater London Authority Act 1999. It is a functional body of the Greater London Authority and reports to the Mayor of London. TfL's role is to implement the Mayor's Transport Strategy and to manage the transport operations for which the Mayor is responsible. The Act merged 14 predecessor entities into a single organisation able to take a holistic view of London's transport needs. London Underground became part of TfL in 2003.

TfL manages London's buses, trams, Underground services, the Docklands Light Railway, river services, licenses London's black cabs and mini cabs, is responsible for London's major highways including all of London's 6,000 traffic signals, and promotes cycling and walking initiatives. From November 2007, TfL became responsible for the new London Overground suburban train services which operate on the north London rail network. TfL also provides funding (circa £161M 2008/09) to London's 33 Borough councils for local transport schemes.

TfL welcomes the opportunity to comment on the European Commission's consultation: "Preparation of an Impact Assessment on the Internalisation of External Costs." TfL's response is set out in the following note, rather than on the internet based form which does not lend itself to additional comment. TfL has developed expertise in this area as a result of the Central London congestion charge and would be pleased to share this further with the European Commission.

**1. External costs**

**In your opinion, do you think that road transport imposes nuisances on other transport users and society?**

Whilst TfL acknowledges that road transport imposes nuisances on other transport users and society, it also provides substantial benefits to them. The key issue is to strike an appropriate balance between these benefits and the costs imposed.

The overall goals for transport in London are to support economic growth, to tackle climate change and enhance the environment, and to improve social inclusion. The key objectives to deliver these goals include improving journey time and reliability across the transport system, ensuring efficient and reliable movement of freight and services, influencing a shift to more sustainable modes of transport, and reducing CO<sub>2</sub> emissions. In meeting these objectives TfL seeks to balance the competing demands on the road network from freight, public transport, and private vehicles while encouraging more people to walk and cycle. By taking a balanced approach TfL believes it is possible to ensure that the transport system supports economic growth, while minimising the impact of different forms of transport on society.

## **2. Internalisation of costs**

### **2.1 Do you agree that it is important to internalise the external costs generated by transport?**

TfL agrees that the principle of internalising the external costs generated by transport is important. Indeed, London has introduced road user charging to try to ensure a more efficient utilisation of scarce road space. Charging drivers in central London reflects the fact that they impose significant costs on other road users and society.

Internalising external costs in practice requires finding appropriate mechanisms and policy levers which can efficiently address externalities. This is complicated by the difficulties in meaningfully quantifying some of the external costs involved and, in some instances, the lack of appropriate policy levers.

TfL believes that other policy objectives, such as influencing a shift towards more sustainable modes of transport or goals such as improving social inclusion, are an important aspect of transport policy. In some cases focusing exclusively on addressing externalities may not be the most appropriate means of achieving the desired outcome. For example, using the current price of carbon, measures designed to influence a shift towards more sustainable modes of transport as part of a broader strategy to bring about longer term reductions in CO<sub>2</sub> emissions may not appear feasible, particularly given the relative scale of other monetised impacts such as the value of time. In the longer term, perhaps less direct or measurable, these effects may be worthwhile and desirable. The application of any model should also take explicit account of, and if necessary redress, impacts on social exclusion and equality

Ultimately, democratically elected leaders will want to make investment choices and policy decisions that meet their priorities for their localities, city or country, and schemes may be undertaken for a variety of reasons. It is appropriate that decisions about the design and objectives of any scheme are taken at a local level, in accordance with the principle of subsidiarity, in response to specific local conditions. It is vital that this principle is respected.

## **3. Policy options**

### **3.1.2 In road transport which actions would you favour to tackle congestion costs?**

Measures should be feasible, effective, worthwhile and acceptable. This approach is likely to need the inclusion of measures to increase the capacity and attractiveness of public transport options; better management of road networks; and measures to manage demand, including pricing.

TfL's activities in addressing congestion include:

#### **Public transport**

- Record levels of investment in improving the public transport network. This includes significant enhancements to London Underground, rail and bus services including improvements to the information available to passengers, using technology

to give priority to buses at traffic signals and expanding the operating hours of bus lanes.

### **Traffic and congestion management**

- Successful implementation of the western extension to the Central London congestion charging scheme in February 2007. The initial results from TfL monitoring indicate that traffic in the area of the western extension of the zone is down some 15 per cent, in line with expectations.
- Improving the enforcement of parking and traffic controls on TfL's road network, and renewing and modernising London's traffic signal systems.
- Improving management of road and street works by introducing notifications of plans for work on the borough Strategic Road Network, auditing major works and providing mitigation against them.
- Providing an online service to utilities and highways managers to share advance plans for network maintenance to increase the potential for co-working and reduction of traffic impacts.

### **Modal shift**

- Innovative programmes aimed at influencing travel choice, such as personalised travel planning, school and workplace travel plans and promoting car clubs and car sharing are changing travel behaviour and reducing reliance on private car use.
- Encouraging cycling and walking by improving safety, providing cycle networks and promoting the health benefits of these modes.

### **Freight**

- Providing freight operators with online information to assist delivery and route planning and supporting consolidation centres and other initiatives.
- TfL's Rail Freight Strategy proposes measures to remove between 110 and 176 million lorry miles from UK roads each year which would also significantly reduce harmful gas emissions and road accidents.

### **3.1.7 Do you think the EU should do something in the field of internalisation of externalities?**

Whilst there may be some merit in non-binding guidance from the European Commission in a number of areas relating to externalities, TfL opposes a generally applicable model. This could end up being a prescriptive and unwieldy instrument which would have the unintended effect of limiting innovation and pioneering policies. There are particular dangers in adopting such an approach with externalities as there are limits to the applicability of complex theoretical approaches to real world problems.

The key to success in urban charging is tailoring schemes to local conditions and the flexibility to respond to new public policy challenges as they arise. For this reason, schemes may be undertaken for a variety of reasons and not just to address externalities. Examples include raising revenue to fund investment and influencing a shift to more sustainable modes of transport. It is appropriate that decisions about the design and objectives of any scheme are taken at the local level, in accordance with the principle of subsidiarity, in response to unique local conditions.

TfL believes the European Commission can add most value by establishing a central forum to demonstrate and showcase experience, good practice and develop common standards. The forum could be a stand alone group or integrated into existing EU level working groups as a regular item. It would also be helpful if the European Commission could act as a repository of information and collate all applicable European legislation and case law. Should any written guidance be produced this should be non-binding.

TfL has found the existence of the European standards for air pollution emissions extremely helpful and has used them for the implementation of the Low Emission Zone and the development of proposals for emissions related congestion charging. In a similar way, the European Commission should encourage local schemes to base their parameters on agreed European standards. Given the complexity of pricing a number of externalities, it may also be helpful if the European Commission developed non-binding guidance and best practice examples. As already noted in this response, the use of standards should not be mandatory.

### **3.6.2 Are there other policy options you would suggest?**

### **3.6.3 Are there other pricing instruments you would suggest for congestion, noise, accidents, air pollution or climate change?**

### **3.6.4 Are there other non-pricing instruments you would suggest for congestion, noise, accidents, air pollution, climate change?**

TfL believes that the pricing mechanism can be used to incentivise change in individual behaviour and, more broadly, influence the market. For example, the Mayor of London's proposals for emissions related congestion charging aim to incentivise those who continue to drive in the Congestion Charging zone to switch to cars that emit less CO<sub>2</sub>. This is an example of a market based instrument seeking to promote more sustainable individual transport choices. Similarly London's Low Emission Zone brings forward by some three to four years the air quality and associated health benefits which would have otherwise been brought about by the natural vehicle replacement cycle.

Regulation and enhancing capacity are other ways that can be considered for influencing transport externalities.

## **4. Use of revenues**

### **4.1 In your opinion, revenues from external costs should go to... the mode of transport that has been charged or taxed? Transport in general? The general public budget?**

London's experience suggests that hypothecating revenues from charging schemes for reinvestment in the transport system (covering a range of areas such as public transport, walking and cycling and road maintenance) has been important in promoting public acceptability. However, the use of revenues should be a decision for member states and local transport authorities under the principle of subsidiarity. TfL does not support mandatory hypothecation at a European level.

## 5. General comments

TfL understands the value of ensuring the compatibility of road charging schemes across the European Union and supports moves to address interoperability between them. From its experience of successfully implementing such schemes, TfL believes that this is the most effective approach to ensuring the efficient working of the Single Market without limiting the ability of national and local authorities to design schemes to address unique local conditions. However, adopting a one-size fits all approach to charging schemes across the European Union will not work due to significant variations in local, regional and national political, economic and social conditions.

TfL supports the principle of internalising externalities. Naturally enough, this would have to take account of variations in domestic policy (notably taxation) which may already at least partially internalise externalities. For example, in the UK some externalities from car-based transport are already addressed through fuel duty, whereas in many member states fuel duty rates are much lower. Therefore, any attempt to address externalities through one particular policy lever, such as charging without addressing others such as taxation, may have a distorting effect with negative impacts on the efficient functioning of the Single Market.

TfL believes that the appropriate role for the European Commission is to provide non-binding guidance, act as a repository of legislation and case law, and to facilitate the sharing of best practice and the development of common standards where appropriate.

Finally, TfL strongly believes that the European Commission should consult widely on the final details of the internalisation of external costs model, assuming such a model is published by June 2008. Stakeholders should be consulted further and over a longer consultation period (TfL suggests six months), on the implications of applying such a model in the real world before the European Commission considers making any further proposals, such as possible amendments to the Eurovignette Directive. TfL would strongly oppose the definitive adoption of a model and its potential incorporation into a revision of the Eurovignette Directive without this further opportunity for stakeholder comment.

Michèle Dix / Malcolm Murray-Clark  
Transport for London

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