



FLICKR.COM

Why is the impact of road user charging on the economy important?

The commercial operation of businesses in towns and cities relies on good access to services for employers, employees and customers alike. The effects of URUC on the physical environment will also be important, particularly for the retail and service sectors.

For most businesses, concerns over a scheme's ability to maintain and improve their business operation would appear to be the major barrier to endorsing urban road user charging. This, combined with a 'fear of the unknown', often creates a lack of confidence, particularly at a political level when a city comes to consider whether or not to introduce road user charging.

There are also external economic impacts that should be considered, including competition between neighbouring cities, which can be affected if one introduces a charging scheme and the other does not.

This is undoubtedly a complex area that requires further research, in particular more substantial and quantified examples of real life schemes.

What is currently known about the impact of road user charging on the economy?

The economic impacts of transport schemes can be difficult to measure or predict. Evidence typically comes from predictive models, attitudinal research and empirical studies of actual schemes.

- **Predictive Studies.** Several studies have used land use-transport models to predict the impact of road user charging on the economy and on activity relocation. The general consensus is that these impacts are quite small. Typically changes in employment and population in charged areas are in the range +1% to -3%, as a net result of increased travel costs and reduced congestion and environmental impact. However, there is a need for post-implementation research to be conducted several years after a scheme is introduced to gain a better understanding of the true impact.
- **Attitudinal evidence.** Research suggests that businesses expect the impacts of road user charging to be positive for the environment and congestion, but



FLICKR.COM

negative for the economy and tourism. Evidence from Stockholm shows that business acceptance of the scheme increased after its introduction, in line with public opinion.

- **Empirical surveys.** Experience in London has demonstrated that, although the introduction of charging in 2003 coincided with an economic slowdown, the effect on the economy was temporary. In the longer term, the effect on indicators such as business population and turnover was found to be negligible. More recent studies have shown that business registrations remained strong, that the retail sector has increased its share of enterprises since 2003, and that many businesses have recognised that decongestion has delivered many benefits to those living.

What further research is needed?

The research community lacks the substantive evidence base of experience and case studies of existing schemes needed to enable decision makers to review the economic impacts of road user charging. This will only change as more schemes become operational and data is collected. Particular emphasis should be given to the differential effects by sector of the economy and size of firm.

Little is known about the relationship between productivity and transport policy. It is generally thought that users who place a higher value on time, such as the freight industry, should benefit from urban road user charging. This is an area of interest in which more research is required.

What can we conclude at present?

The evidence on the impacts of road user charging on the economy is limited. What it does suggest is that any impact is likely to be small, and probably positive. However, firms are likely to perceive that the impacts will be substantial and negative.

This mismatch of expectations needs to be borne in mind in encouraging acceptance of road user charging. It will only be resolved once more empirical evidence becomes available.

DOs

Collect good-quality data to support decisions that will affect the local economy

Consider who will be affected by the introduction of a URUC scheme in economic terms

Consult businesses about the proposed URUC scheme. Get stakeholders involved to create a debate about the pros and cons of URUC

Listen to the concerns of local businesses. Confidence in any proposed scheme is key

Consider what other supplementary measures need to be in place and funded to support URUC and at least maintain, if not improve, local economic conditions

DON'Ts

Do not consider hearsay and popular myth that opposes or supports your URUC scheme without fact-based evidence

Do not ignore local businesses – they are the experience 'on the ground'. Engage local businesses in any proposed URUC scheme before and after implementation.

Do not think that URUC as a measure in itself will 'solve' all your problems – it needs to be part of a package of integrated transport measures

Do not ignore the economic impact on small, medium-sized and large companies which are within, and adjacent to, the proposed pricing cordons

