

# National Infrastructure Commission Call for Evidence

## Submission from London Chamber of Commerce and Industry

8<sup>th</sup> January 2016

### Introduction

London Chamber of Commerce and Industry (LCCI) has been a voice of London business for over 130 years. We are the largest capital-focused business advocacy organisation, representing the interests of over 3,000 companies from small and medium-sized enterprises through to large, multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.

As the voice of London business we seek to promote and enhance the interests of the capital's business community through representations to the Mayor and the GLA, central Government, Parliament and the media, as well as relevant international audiences. Through member surveys and commissioning research, LCCI seeks to inform and shape the debate on key business issues.

This submission focusses on the National Infrastructure Commission's second challenge – large-scale transport infrastructure improvements in London, as outlined in its terms of reference.

### **1. What are the major economic and social challenges facing London and its commuter hinterland over the next two to three decades?**

LCCI believes that London faces two significant challenges. The first is the acute undersupply of housing in the capital. The second is the need for sustained investment in London's transport system, in order to service London's rapidly increasing population.<sup>1</sup>

Research undertaken by ComRes on behalf of LCCI in May 2015 found that housing was the top infrastructure priority for London.<sup>2</sup> It is, consequently, essential that the role of investment in London's transport infrastructure to help address London's chronic undersupply of housing is recognised.

### **2. What are the strategic options for future investment in large-scale transport infrastructure improvements in London - on road, rail and underground - including, but not limited to Crossrail 2?**

LCCI strongly supports the development and construction of Crossrail 2. It represents a strategic investment in London's future infrastructure needs. The successful delivery of Crossrail 2 would help address the two pressing issues; London's housing crisis and transport 'capacity crunch' which are both impacted by the capital's increasing population and levels of employment.

<sup>1</sup> It is expected that the population will grow to 10 million by 2030 (<https://tfl.gov.uk/info-for/media/press-releases/2015/june/-tfl-annual-report-published>)

<sup>2</sup> ComRes survey of 1,016 members of the London public, 156 London councilors and 510 London business decision makers for London Tomorrow *London's future infrastructure: Who pays and how do we deliver?* May 2015

By improving transport connectivity across the capital, Crossrail 2 has the potential to unlock the development of tens of thousands of new homes, particularly in the Upper Lee Valley and even the Stanstead Corridor, and LCCI believes that the project should be viewed as an essential component of overall efforts to reach housing targets.

Concurrently, with the rapid increase in London's population (expected to reach 9 million by 2020 and 10 million by 2030) it is also essential that London increases its overall transport capacity to accommodate the increase in the number of commuters into and through the capital.

LCCI recognises, however, that there are other, smaller scale infrastructure projects in London that need to be taken forward. The wider South East of London is experiencing rapid population growth and the regeneration of East London has seen increased investment by the business community. However, road connectivity in the area is poor, especially in comparison to West London. Within the M25 there are 23 fixed road crossings across the River Thames west of Tower Bridge (not including Tower Bridge itself)<sup>3</sup> but just two to the east.<sup>4</sup> This is detrimental for businesses in East London who are disadvantaged in comparison to their competitors on the other side of the capital. Whilst LCCI supports the current proposals for the Silverton Tunnel, we believe that new, fixed river crossings should also be constructed at Gallions Reach and Belvedere.

Finally, tube upgrades are especially needed on the Piccadilly and Bakerloo lines, together carrying over 800,000 passengers a day, where rolling stock is over 40 years old. 42% of London business decision makers see Bakerloo and Piccadilly line upgrades as very important.<sup>5</sup>

- **How should they be prioritised, taking account of their response to London's strategic transport challenges, including their impact on capacity, reliability, journey times and connectivity to jobs?**

Crossrail 2 has the potential to deliver new rail capacity and also maximise London's potential for business and residential development. Any infrastructure project needs to tackle these two interrelated issues in order that London can remain competitive and productive as its population grows.

LCCI believes that Crossrail 2 is vital to London's future. However, new river crossings in the East and improvements to existing infrastructure are also hugely important and will need to be delivered.

- **What might their potential impact be on employment, productivity and housing supply in London and the southeast?**

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<sup>3</sup> East of Tower Bridge but east of M25 crossing of River Thames at Egham, there are the following fixed road crossings of the River Thames: A308 (at Staines), M3 (at Chertsey), B375 (at Chertsey), A244 (at Walton), A309 (at Hampton Court), A308 (at Kingston), A505 (at Richmond), A316 (at Richmond), South Circular Road (at Kew), A316 (at Mortlake), A306 (at Hammersmith), A219 (at Putney), A217 (at Wandsworth), A3220 (at Battersea), A3031 (Albert Bridge), A3216 (Chelsea Bridge), A202 (Vauxhall Bridge), A3203 (Lambeth Bridge), A302 (Westminster Bridge), A301 (Waterloo Bridge), A201 (Blackfriars Bridge), A300 (Southwark Bridge) and A3 (London Bridge).

<sup>4</sup> West of Tower Bridge but east of Queen Elizabeth II Bridge/M25 crossing of River Thames at Dartford, there are the following fixed road crossings of the River Thames: A101 (Rotherhithe Tunnel), A102 (Blackwall Tunnel). In addition to the above fixed road crossings, there is also the Woolwich Ferry.

<sup>5</sup> ComRes interviewed 506 London business decision makers between 19<sup>th</sup> May and 11<sup>th</sup> June 2014

Crossrail 2 is a transport project that can help unlock London's housing potential. It has the potential to enable and accelerate the development of 200,000 new homes across the region.<sup>6</sup> The project would deliver jobs to the area by releasing and adding to capacity on longer distance main lines. It can also improve productivity by bringing a greater number of individuals' journey times below 45 minutes.

The population in London will continue to grow, regardless of whether Crossrail 2 is built. This is why it is essential for the issues of transport congestion and housing undersupply to be addressed now. Slow, congested commutes affect productivity and make it harder for businesses to recruit and retain staff. This is why both new homes, but also increased transport capacity across the London network, are required.

New river crossing to the east would also be particularly beneficial for the business community, especially the freight industry and those businesses who rely heavily on freight deliveries for their operation.<sup>7</sup>

### **3. What opportunities are there to increase the benefits and reduce the costs of the proposed Crossrail 2 scheme?**

Highlighting the link between Crossrail 2's benefit as a means to deliver more homes, as well as increased transport capacity, is important. Publicising the project as a piece of vital housing infrastructure can help ensure that routes and station plans are developed mindful of the potential for land development, whether that be for office or residential use.

### **4. What are the options for the funding, financing and delivery of large-scale transport infrastructure improvements in London, including Crossrail 2?**

The economic benefits of Crossrail 2 reach far beyond London and the South East alone. It is a vital piece of national infrastructure that will benefit the UK as a whole. For example, central government will benefit from Crossrail 2 through the increased tax receipts that will result from the economic growth it generates and the new homes built. Contributing to the project is therefore a good investment from the Exchequer's perspective.

Given the direct benefits to London, including its business community, the project will undoubtedly require contributions from the businesses and communities in London that stand to benefit. We would look towards Crossrail as an example which could be followed and consideration should be given to a Business Rate Supplement.

Beyond this we believe devolution has a role to play in helping deliver Crossrail 2. Increasing the proportion of the tax revenue generated by London that is retained by the capital would help allow it to pay for its own infrastructure needs. Moreover, further devolution might be tied to specific infrastructure projects such as Crossrail 2, whereby some of the value created by the project (e.g. increased stamp duty receipts from homes built in unlocked developments) helps pay for the initial investment.

- **What is an appropriate local and regional contribution - given the potential distribution of benefits to business, residents, transport users and the wider economy - and how could this be achieved?**

<sup>6</sup> Crossrail 2: regional and national benefits September 2015

<sup>7</sup> Around 90% of goods are moved around London by road (<https://tfl.gov.uk/info-for/media/news-articles/road-modernisation-reaches-half-way-point>)

As suggested above, the NIC should look at those who will benefit from the scheme in order to decide from where the financing should come. Given the relative lack of fiscal autonomy in London, the NIC should evaluate the benefits of creating a funding mechanism tied to devolved revenue streams such as business rates and stamp duty in order to allow the capital to fund its own infrastructure projects.

- **What innovative funding mechanisms could be considered to support delivery of key schemes?**

As highlighted previously, stamp duty could be devolved to London and linked to specific infrastructure projects in order that funding can be drawn from those who will most directly benefit from the investment in the longer term.

**5. How have major metropolitan areas in other countries responded to similar challenges and priorities? Are there any lessons to be learned and applied in London?**

Cities such as New York and Hong Kong retain a significantly higher proportion of the revenue they raise than London. Currently the Mayor of London retains just 7% of tax raised in the city. In New York the figure is 50%, in Tokyo it is 70%. Consequently, they are able to look strategically at their own, unique infrastructure needs and address them accordingly.

London does not need to reach these levels - but it does need a greater level of tax retention and greater autonomy to tackle the challenges it faces.

**For further information please contact:**

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