

Consultation Response

May 2017

Response to the consultation on changes to the central London Ultra Low Emission Zone (ULEZ)

- Balfour Beatty recognises the need to address the illegally high levels of air pollution (particularly nitrogen dioxide (NO_x) and Particulate Matter (PM)) present across London and other UK cities and largely caused by diesel vehicles.
- Sustainability and environmental protection are at the heart of Balfour Beatty's approach. We believe strongly that we must look after the environment. We therefore constantly invest in new vehicles within our fleet to ensure that we are bringing in the most up to date and sustainable technology, over time, as well as using the cleanest and most modern plant.
- Unfortunately, most of our existing fleet is diesel. Changing the entire fleet will take time and incur considerable costs. Any new charge will impact on our business by increasing our cost base and eroding our profits. The construction sector operates on very slim margins, typically 2-3%. The sector is post-cyclical and is therefore still recovering from the economic slowdown earlier in the decade. Many companies are currently generating profit at the lower end of this range or no profit at all. This impacts directly on investment capacity - whether in skills, technology or plant.
- It is important to note that the reason Balfour Beatty, and many other companies, invested in diesel fleets, is because the Government promoted diesel as a low carbon emissions (lower Co₂) fuel. It was seen as a positive step to invest in a diesel fleet, and incentives included lower fuel and tax costs. It is therefore our view that whatever financial incentives are introduced by the Government to phase out non-compliant diesel cars, must also be applied to business fleets. There also needs to be some phased delay in removing diesel's tax advantage until businesses can adjust to the new approach.
- Furthermore, while it is obviously right to address NO_x and PM from the forms of transport highlighted in the proposed measures, these only represent half of the emissions. The rest come from other forms of transport and industry, over which City Hall cannot exercise any control. Businesses such as Balfour Beatty and those in our supply chain are therefore carrying the financial burden of these measures, while other polluters are seeing no impact.

- In our view, it is therefore only fair that industry is now given the commensurate support it needs to switch to cleaner alternatives.
- Any measure which has a negative impact on the construction industry, for example, higher tax or the need to replace diesel machinery and vehicles, is likely to have a subsequent impact on the delivery of other parts of the Mayor's programme for London, including house building or improvements in other infrastructure.
- The impact on Balfour Beatty via our supply chain is difficult to quantify, as we have no exact assessment of how many vehicles various subcontractors are using on Balfour Beatty schemes; however, bringing forward these measures has the potential to have a significant impact on margins. If companies in the supply chain are forced out of business, the industry will lose both capacity and capability, at a critical point in UK infrastructure development.
- Those subcontractors that survive will pass the costs on to companies such as Balfour Beatty, resulting in an increased cost for delivering projects in London – or even the inability of the industry to deliver on priorities such as building new homes in the required volume.
- Balfour Beatty backs calls for a transitional fund to help companies who could possibly go out of business without such support, as well as calls for an economic assessment of the impact of the charge, carried out by TfL. In our view, if there is to be an exemption for black cabs on business viability grounds, there should be similar measures for other businesses.
- Balfour Beatty believes that there must be coordination between these proposed measures and wider Government policy, such as the air quality plan due to be published by Defra and potentially similar schemes in other major cities.
- At a higher level, it is our view that this issue highlights again that further investment is vitally needed in London's transport system, via commitments to schemes such as Crossrail 2, for example, so that there are suitable alternatives to car travel.

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