

22nd October 2009

Greater London Authority
Strategic Finance (3rd floor)
City Hall
The Queen's Walk
London SE1 2AA

Dear Sir / Madam,

Crossrail Business Rate Supplement

South London Business (SLB) fully supports investment in London's railway network, and believe Crossrail will benefit London. However, we are very concerned by the proposed business rate supplement (BRS) which will be used to fund Crossrail. Businesses have made clear to us their concern about the implementation of the BRS and request their views be considered.

Business rates and the cost of premises were key issues for the 370 south London businesses responding to SLB's bi-annual survey earlier this year. Therefore SLB undertook an additional survey on business rates and the proposed supplementary business rate. A snapshot of business opinion is provided below.

Whilst the vast majority of businesses felt London would benefit from Crossrail at 86%, nearly two thirds (60%) of respondents stated their businesses will not benefit. The majority of businesses felt that the Crossrail link will provide little or no benefit to South London and will primarily benefit commuters.

Two thirds (70%) of respondents felt that businesses should not pay the Crossrail levy. Of primary concern to businesses was the arbitrariness and undemocratic way the levy is being imposed in relation to benefit from Crossrail. Some businesses indicated they would consider relocating out of south London if the increase in business rates increased the cost of premises in the area too much. Retailers observed that the retail sector will be affected disproportionately by the Business Rate Supplement due to the high rateable value attributed to retail premises.

This is set against a backdrop that almost half (49.3%) of respondents stated that the level of business rates their organisation currently pays is unacceptable, and nearly three-

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quarters (72%) of respondents indicated that the increase of the business rate multiplier by 5% in April 2009 had a negative impact on their business.

Alternative solutions regarding Crossrail and the levy included:

- The levy should benefit all public transport schemes across London (such as East London line / tram link) not just Crossrail so all businesses would gain benefit;
- Businesses should be targeted across the geographic route of the rail link – not just London based businesses;
- Residents in London should be levied as many felt commuters would benefit the most;
- Using the current business rates or corporation tax to fund Crossrail rather than increasing tax;
- The levy should be tailored to the level of benefit the area will receive, and reduced in areas where benefit is marginal;
- The levy should be set at a maximum of 1p per pound of rateable value.

Of primary concern with regards to the collection and enforcement of the Crossrail levy was staggering or phasing in the levy to reduce cash-flow issues for firms and tailoring the levy to businesses ability to pay.

72% of respondents agreed that the Mayor / GLA should provide a written update on Crossrail for inclusion with the annual business rates bills, with clear progress against milestones, timescale and budget. Businesses indicated they would also like updates on other local transport improvements, policing & crime, and how their business rate contributions are spent in general.

The view of businesses was inconclusive on whether empty properties should be exempt from the Crossrail levy. Although just over half (53%) felt empty premises should be exempt, one quarter felt they shouldn't be, whilst one fifth were unsure.

Solutions to levying empty premises were proposed:

- The business rate could be backdated within that financial year, if/once a property starts generating income;
- Empty properties pay a reduced rate towards Crossrail particularly during these tough economic times;
- Empty properties can apply for relief for 3 months, and thereafter be liable to encourage landlords to find tenants for the premises.

Many businesses were firmly of the view that empty buildings had the same benefit or lack of from the Crossrail project and therefore should still pay the levy. Several respondents went so far as stating that a levy on empty premises might encourage landlords to make better use of premises and lower their rent to more reasonable prices to attract business users.

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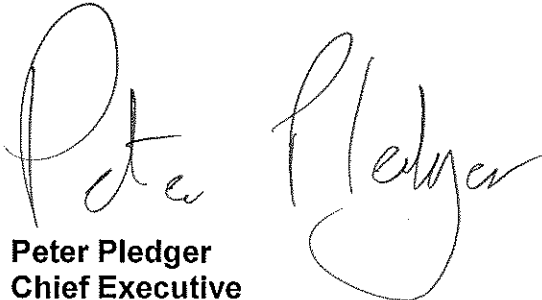
There is a concern that the local south London economy will suffer because of the Crossrail levy. Nearly two thirds of businesses (60%) declared they would have serious financial difficulties if business rates increased due to the Business Rate Supplement. When combined with a lack of awareness in the business community - 53% of respondents - that a business rate revaluation will occur next April in addition, this could result in serious cash-flow issues or even business failure.

There was a clear message from businesses that they want to see their business rates spent on carrying out local improvements where their businesses directly benefited such as tram link extensions, the East London line and local Business Improvement Districts.

Clearly if businesses support Cross Rail but not the supplementary business rate some other method to fund the project needs to be identified. Obviously, the announcement of an extra tax on business in the middle of a recession is unlikely to be welcomed with glee by the business community.

We urge the Mayor and Transport for London to consider other alternative funding methods, and the feedback we have received from businesses.

Yours sincerely



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Chief Executive

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