

New revenue

sources

Transport for London

August 2021

FINAL

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1. Executive Summary

The pandemic had a seismic impact on TfL's finances, creating a recurring gap that must be fixed. TfL is committed to working with Government to identify a solution to this structural funding gap so the city's transport network can support both regional and national policy priorities. The Financial Sustainability Plan (FSP), published in January 2021, laid out long-term options, including the recommended scenario of Decarbonise by 2030. This scenario assumed a new source of income of £500m would be delivered by 2023/24, while still leaving a funding gap of £1.6bn.

This review represents the development of the feasibility of this new income assumption, as well as TfL's recommendations and implementation plans for raising additional revenue of between £0.5bn - £1.0bn by April 2023, as required by the 1 June funding agreement. This is one of several workstreams where TfL is actively seeking to manage as much of the funding gap as it can, including reviewing opportunities to accelerate operating efficiencies, reviewing the pension scheme, assessing service level changes, and identifying different levels of capital investment.

This review sets out the current state of TfL's income (**Section 2**), reviewing existing revenue sources before the pandemic and how they have evolved historically. TfL is significantly more reliant on fares income than its international peers. While all transport authorities have suffered dramatic income losses irrespective of their funding sources, this reliance on public transport revenue means this review has considered a wider set of new funding sources than increased fares. London also has a long history of innovative road user charging schemes to achieve important policy aims. For example, the original Congestion Charge (CC) and more recently the Ultra Low Emission Zone (ULEZ) have helped reduce traffic volumes and emissions while improving sustainable travel and air quality.

TfL has already adapted its income during the pandemic. RPI +1 was used in 2021 as a core business planning assumption. While road user charging schemes were initially suspended to support critical workers, in June 2020 the Congestion Charge was temporarily increased from £11.50 to £15 and extended to evenings and weekends. ULEZ will also be expanded to cover inner London from October. The ongoing cost of fare concessions above those typically available elsewhere in England have been met by an increase to the existing TfL element of the GLA council tax precept and road user charging revenue.

The assessments of options in this review (**Section 3**) have been carried out against the appraisal criteria agreed with Government in June 2021. These criteria cover the impact of options on economic and Mayor's Transport Strategy outcomes; the financial impacts including the level of net income and whether it is sustainable; and the feasibility of the options, including high-level technical, legal, and stakeholder considerations. These assessments led to the recommendations in **Section 4**. The review recommends three overarching areas for further development. Each of these areas contains several options which remain under consideration and on which no decision has been made by the Mayor or TfL.

Optimising the fares system with a focus on consistency: Increases beyond RPI+1 per cent are not recommended, due to the risk this creates to economic recovery and due to our existing over-reliance on fare revenues. However, there are smaller changes that can be made to fares which create more consistent systems and increase revenue. Options for consideration include making permanent the restriction that the 60+ and Freedom Pass concession can only be used after 09:00; introducing an all-day peak fare to Heathrow; increasing the deposit for an Oyster card; and withdrawing from the Travelcard Agreement.

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Incremental options on taxation: Many people and groups benefit from the transport network – beyond those that pay at the point of its use (through public transport fares or road user charges). Funding through taxation is a way of ensuring this wider group of beneficiaries contributes to the cost of operating and improving the network. Building on TfL’s existing retention of business rates and council tax income through the GLA precept, several options remain for further development. These include further incremental increases in council tax and, subject to necessary legislative changes, an online delivery tax that responds to the congestion and emissions impact of small deliveries, as well as options to devolve the equivalent amount of Vehicle Excise Duty that London pays but does not currently receive.

Changing the way we charge for road use: If further fares and taxation options are not deemed appropriate to raise the income required, increased charges for road use have a role to play. Road congestion leads to increased carbon emissions, worse safety and bad experiences for critical freight and services, as well as those who need to drive. Schemes developed to improve these policy outcomes could also provide income to reinvest in the transport system (and provide a stronger alternative to cars). Options for further consideration include changes to the existing Congestion Charge (where we are already consulting on making the £15 charge permanent and extending the hours of operation), the Greater London Boundary Charge (which is currently undergoing a feasibility study), a London-wide Ultra Low Emission Zone, London-wide carbon charge, or workplace parking levy. Next generation road user charging – for example using distance-based pricing – cannot be delivered by the timescales required by the latest funding agreement but could potentially provide an ongoing long-term funding source and a new model for how to pay for road use in London and beyond.

The options above would require similar approaches to implementation (also set out in **Section 4**). Further policy development and impact assessment, along with the appropriate public consultation and engagement and consideration of the need for a charging scheme to be in conformity with the Mayor’s Transport Strategy, would need to take place before any option could move to approval, design, and delivery.

The development of these options requires a collaboration between TfL, the Mayor, and Government. This is because many of the options presented here require specific action or commitment from Government to enable implementation.

No new income source of this magnitude is easy to identify and implement; any policy will need a mix of consultation, equalities assessment, mitigating measures and stakeholder engagement. Nonetheless, by presenting three credible option areas, narrowing down which interventions could be pursued, and setting out a roadmap for partnership with national Government, we are helping make London’s transport system more sustainable and better prepared for the future.

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2. Introduction

2.1. Background

Before the pandemic, we were on track to achieve financial sustainability by covering the costs of our day to day operations by 2022/23; largely as a result of taking around £1bn out of our net cost of operations since 2015/16. However, as has been shown during the pandemic, we are heavily reliant on farebox income for the majority of our revenue and significantly more so than other transport authorities around the world. This means TfL is very exposed to extreme demand shocks and has limited mitigations to apply when they occur.

The severe reduction in passenger income during the pandemic has required substantial direct Government support. The most recent Funding and Financing agreement includes a commitment to achieve financial sustainability by April 2023, as well as identifying new or increased, recurring income of between £0.5 to £1bn per annum from 2023.

This report sets out the work done to identify, review and evaluate potential new income options and their feasibility. It goes on to outline our recommendations and how they could be implemented.

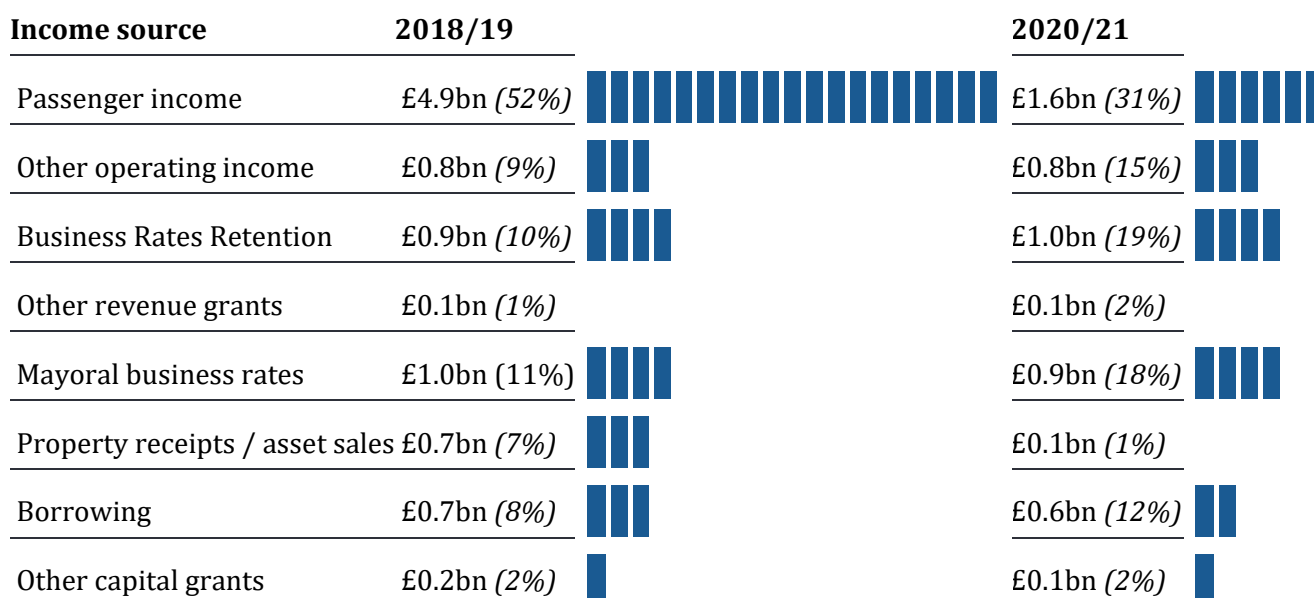


Figure 1: Summary of TfL revenue sources

Passenger income

Background and historical trends

Passenger income is TfL's largest revenue source, accounting for half of all income before the pandemic, and over 70 per cent of operating income. These figures were projected to rise even further under our 2019 plan.

This reliance on fares income is very high compared to our international peers as shown in Figure 2.

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Operating income from public transport fares

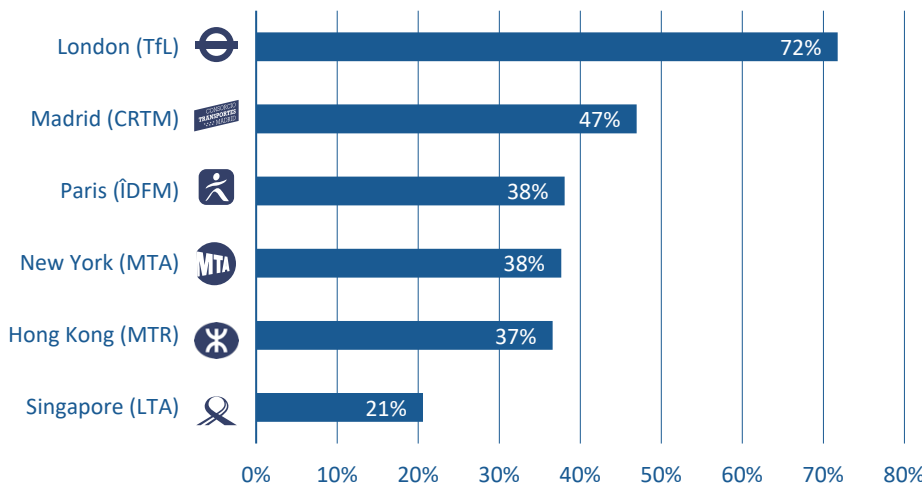


Figure 2: International comparisons of operating income

The Mayor is responsible for setting TfL's fares, noting that Travelcard prices and the cost of the multi-modal pay as you go (PAYG) Travelcard caps are set by agreement with the train operating companies (TOCs) in line with National Rail fares. Over the long-term, TfL and National Rail fares have risen along a similar trajectory as shown by Figure 3.

TfL and National Rail changes vs. inflation

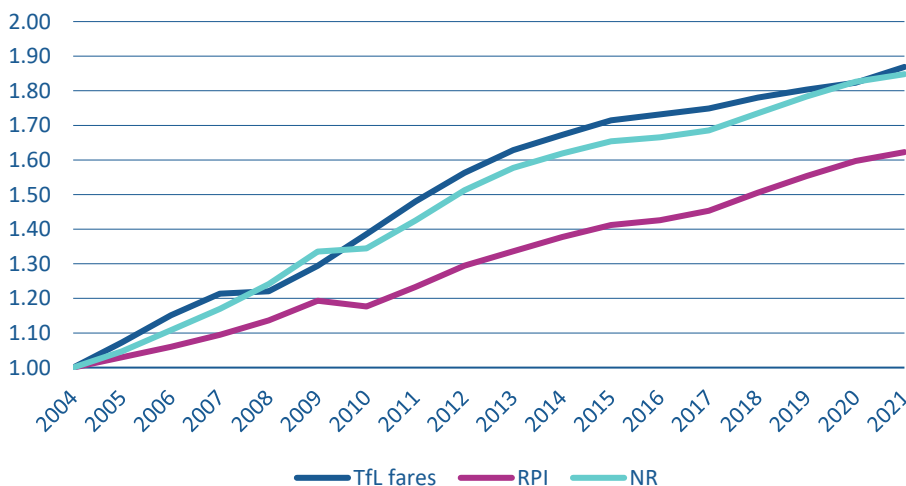


Figure 3: TfL and National Rail changes vs. inflation

TfL provides discounted and concessionary fares. These fares contribute to two significant policy objectives. The first is to ensure that the transport network remains accessible and inclusive to all Londoners. Secondly, young person concessions encourage the use of public transport early in life, creating habits that increase the use of sustainable travel later in life.

During the pandemic

As a condition in the October 2020 Extraordinary Funding and Financing Agreement, if the Mayor and TfL wished to continue to offer travel concessions above those typically available elsewhere in England (such as

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free travel for all Londoners aged under 18 and 60-65, apart from statutory entitlements including under the Education Act 1996) then the costs of the additional benefits must be met without using HMG funding and without recourse to additional borrowing, savings, service changes or deferrals.

The ongoing cost of these concessions has been met by an increase to the existing TfL element of the GLA council tax precept and road user charging revenue.

The October 2020 settlement included a condition that required an increase of RPI+1 (2.6 per cent) on fares under the Mayor's control, which was completed in March 2021.

Existing plans

TfL has an assumption within the FSP and in its Revised Budget of an overall fares increase of RPI+1% on fares under the Mayor's control in 2022.

The Financial Sustainability Plan assumed fare rises (in London and nationally) of RPI+1 per cent in all years from 2020/21 to 2024/25. However, any actual fares changes are subject to a decision by the Mayor, taking into account the Government's decision regarding TOC fares and thus Travelcards.

Other operating income

Background and historical trends

TfL has a variety of other sources of operating income it is responsible for, beyond public transport fares, business rates and other grants. These sources are collectively known as other operating income.

Figure 4 shows a breakdown of these income sources from the 2019 Business Plan by business area:

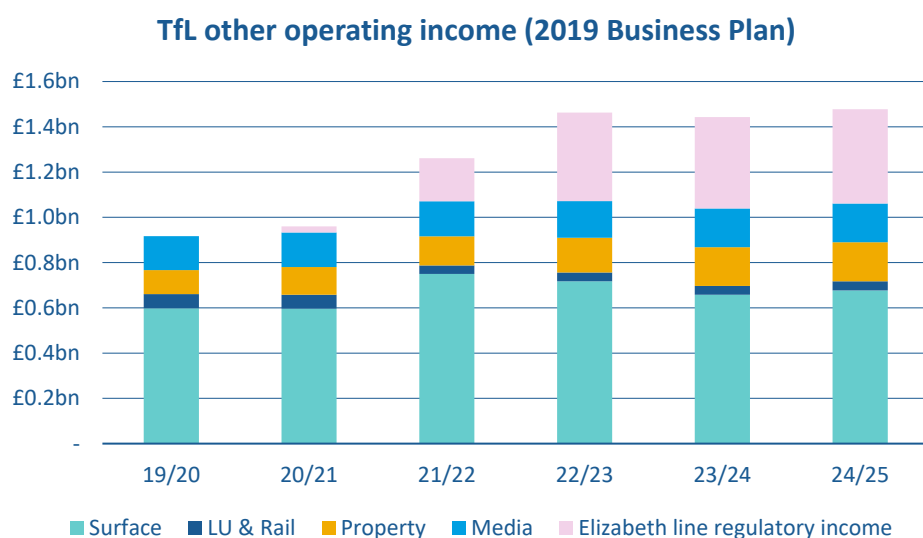


Figure 4: Sources of other operating income

- **Surface:** this covers streets, buses and other smaller services. The majority of income comes from streets, due to our existing road charging schemes (RUC), including the Congestion Charge (CC), Low Emission Zone (LEZ), and the Ultra-Low Emission Zone (ULEZ). Surface other operating income peaks in 2021/22 with the expansion of the ULEZ before this income declines as compliance against the required vehicle standards improves.
- **Elizabeth line regulatory income:** This income relates to the central section and is netted off to zero by access charge costs. It is included here for completeness

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- Property: TfL's Commercial Development business produces operating income through commercial and residential lettings
- Media: TfL has one of the largest advertising estates in the UK and has contracted partnerships to extract value from this asset.

During the pandemic

Other operating income is subject to many of the same pressures as public transport demand and has been lower during the pandemic. For example, Media income in 2020/21 was £50m, a third of what we had previously forecast as our advertising sites received less footfall and companies reduced their marketing budgets. Similarly, property income was reduced by over 40 per cent.

The CC, LEZ and ULEZ were suspended at the start of the pandemic to support critical workers moving around London, particularly those providing services to the NHS, as well as freight and other vehicles supporting London's supply chain requirements whose journeys were essential to the early response to the national emergency caused by the pandemic.

In accordance with the Government's funding agreement in May 2020 a temporary package of measures to change the CC Scheme was implemented on 15 June 2020 to prevent streets in central London becoming unusably congested and to support the reallocation of road space to support safe walking and cycling and to support certain key workers. The temporary changes included increasing the charge from £11.50 to £15 and expanding into evenings and weekends.

Existing plans

The ULEZ will be expanded to inner London in October 2021 as planned, bringing in significant additional income which will then diminish as compliance improves. We are also currently consulting on future changes to the Congestion Charge scheme.

TfL is developing proposals for its property development business to operate without financial support from TfL – with a separate workstream working with the DfT on this plan.

TfL will introduce a new user charge for the Silvertown and Blackwall tunnels once the Silvertown Tunnel is completed. The charge is necessary to manage demand for the tunnels and to ensure that the local road network can accommodate future traffic levels and mitigate air quality impacts with the new tunnel in place. The charge will also provide a source of revenue to help fund the construction and operation of the new Silvertown tunnel.

Business rates retention (operating and capital)

Background and historical trends

TfL has only received funding from retained Business Rates since 2013. Prior to this, all of our support from taxation was provided via grants from the Department for Transport. As shown in Figure 5, the transfer began with half of the General Grant in 2013/14, followed by the Investment Grant (as a pilot in 2017/18). The remaining half of the General Grant has been phased out as part of the 2015 Spending Review funding agreement.

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Funding history by Government

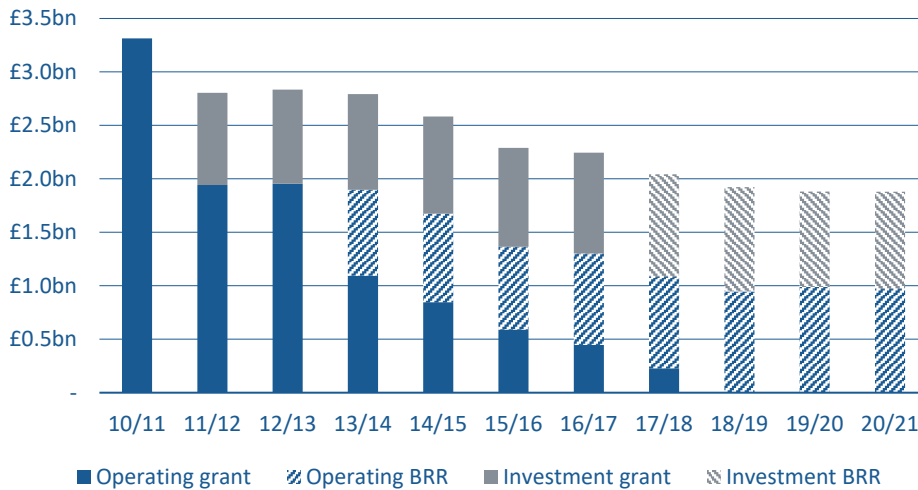


Figure 5: TfL funding history by Government

During the pandemic

TfL's income from retained business rates in 2019/20 and 2020/21 was consistent with pre-pandemic forecasts. This is due to changes in income from ratepayers taking time to flow through and impact on the amount of funding available.

Existing plans

There is a clear benefit to businesses from public transport investment, especially in Central London. Our forecasts represent our current best view of how our existing Business Rates Retention (BRR) allocation will change over time, as shown in Figure 6. This assumes no changes to the business rates system but some negative impact to receipts given impact of the pandemic on business rate payers. The existing Business Rates Supplement is expected to be required to help repay Crossrail loans until 2041.

Business rates: change in forecast

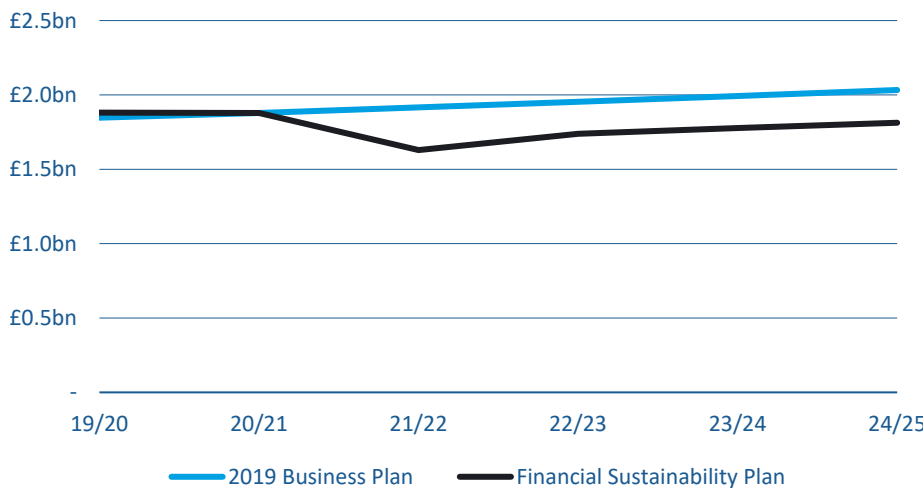


Figure 6: Business rates forecast compared to pre-pandemic

Property receipts / asset sales

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Background and historical trends

TfL has a significant asset base, including its portfolio of property and land holdings.

Commercial Development was set up in TfL in 2012, and now consolidates all commercial property assets from across the TfL group. Under the current arrangements, commercial development is required to be capital neutral, with a significant proportion of the funding in the existing plan coming from the disposal of selected non-operational property assets. While property sales are a normal part of managing any commercial asset base, an overdependence can produce poor value for money and is financially unsustainable for the business in the longer term.

Outside of commercial development, TfL also completed the sale and leaseback of the Elizabeth line rolling stock fleet in 2018, which released approximately £1bn to reinvest in infrastructure including delivering a fleet of new Piccadilly line trains, the first of which will appear in London from 2023. The lease costs add to our operational expenditure.

During the pandemic

TfL has been cautious regarding property receipts and asset sales in the current market, when value for money may be harder to obtain.

Existing plans

The June 2021 funding agreement contains a workstream focused on commercial development options. The scope of this workstream is to “agree a plan for housing delivery through a dedicated commercial property company that meets the shared ambitions of the Mayor and HMG to deliver housing in a high demand area and to provide an increased revenue stream”. These plans are being developed separately to this income review and are not considered further in this report. The financial impact is also not material within the timeframe of this report.

There are other assets which could be considered for sale and leaseback but this approach to borrowing creates ongoing operating costs which make achieving long-term financial sustainability harder.

Borrowing

Background and historical trends

TfL started with zero debt on its balance sheet. However, over the past 20 years we have used borrowing, alongside other funding sources, to fund improvements to the transport network.

When managing TfL’s borrowing, TfL is required to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Prudential Code, under which it must ensure all of its borrowing is prudent and sustainable. TfL must also take into account arrangements for the repayment of debt and consider the impact on overall fiscal sustainability. All borrowing must be for capital purposes.

Before the pandemic, TfL’s total debt rose to £12bn, reaching the limits of affordability, which means it can no longer continue to borrow significantly in future, unless new significant additional revenue sources are in place. TfL considers a range of factors when assessing the affordability of debt, including the prudential borrowing framework and certain financial ratios.

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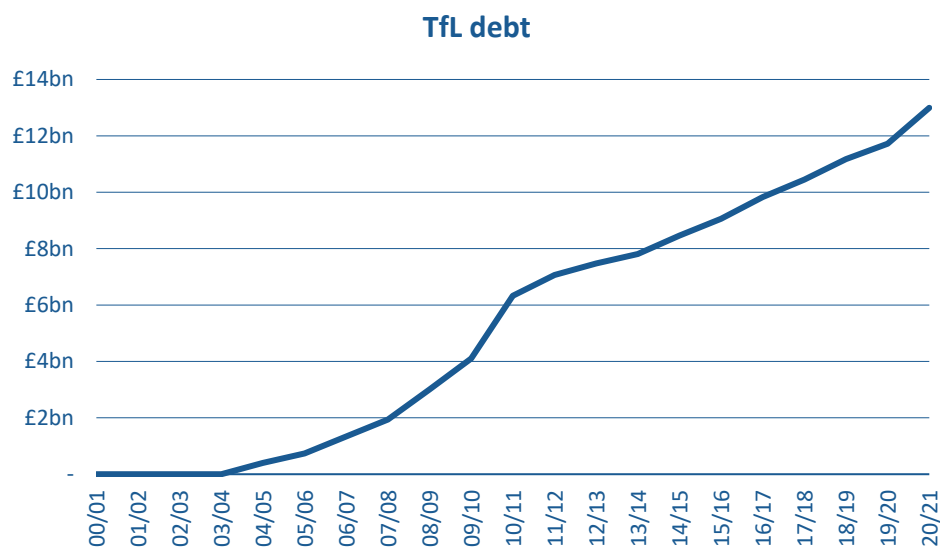


Figure 7: TfL debt levels

During the pandemic

The significant reduction to TfL's revenues as a result of the coronavirus pandemic has further impacted affordability of existing borrowing as well as any potential future borrowing.

The May 2020 funding agreement (covering 1 April to 17 October 2020) included £505m of additional borrowing from the Public Works Loan Board (PWLb). The October 2020 funding agreement (covering 18 October 2020 to the 31 March 2021) included £95m additional borrowing from the PWLB.

TfL's existing borrowing has also become more expensive to service during the pandemic due to Moody's downgrade of the organisation's credit rating in June 2021. Moody's noted that the downgrade reflected "TfL's intrinsic financial strength has been durably and materially weakened by the pandemic, and that the limited level of financial support provided by the Government of the United Kingdom, and the absence of clarity on ongoing financial support arrangements, at a time when TfL faces a long-lasting shortfall in ridership post pandemic, signals that this erosion in its financial strength is unlikely to be reversed."

Existing plans

In order to demonstrate financial sustainability over the long term, TfL must cover not only the financing costs, but also the debt principal repayments. To reach and maintain financial sustainability TfL will only be able to make debt repayments in the years in which it generates an operating surplus.

TfL is not planning to undertake any additional borrowing in the next few years due to affordability constraints. It is also unlikely TfL will have sufficient resources to make any principal repayments earlier than 2024/25.

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2.2. Equity map

Table 1 below summarised the different beneficiaries of London's transport network (before the pandemic), and how much they each contribute to TfL's overall income.

Beneficiary group	Nature of benefit	Funding element	2018/19
Public Transport users	Directly use the public transport network to access work, leisure, health and other opportunities.	Fares + share of borrowing	£6.2bn
Private Vehicle users	Private drivers and passengers use the road network to access work, leisure, health and other opportunities. Greater public transport use also reduces road congestion and journey times. Commercial operators use the road network to deliver goods to residents and businesses.	Other operating income (exc. Media / property) + share of borrowing	£1.2bn
London residents	All residents - whether they use the network or not - benefit from being in a city with a well-connected transport system. Public transport has significant decarbonisation and air quality benefits. Residents who own their homes also benefit from increased property prices, especially near new infrastructure.	Council tax precept to fund concessions (£15 on band D)	£6m <i>£43m was added to this in 2021/22</i>
London businesses	Businesses benefits from access to a strong employment market enabled by the transport network, as well as access to a wide customer catchment.	Business rate retention. Also MCIL and BRS for Crossrail (not included in total here)	£2.0bn
Business customers	These are businesses that pay TfL for a specific service and product, enabling them to meet their objectives. This includes property income, property receipts and advertising / income	Property and media income, asset sales	£0.5bn
Businesses and residents outside London	Unless they use public transport or drive into London's road user charging schemes, they pay nothing towards TfL's ongoing capital or operating costs; all of the UK benefits from a successful capital that net exports tax revenue and is a competitive advantage to all UK cities.	None currently	£0.0bn

Table 1: Equity map of TfL income sources

2.3. Equality

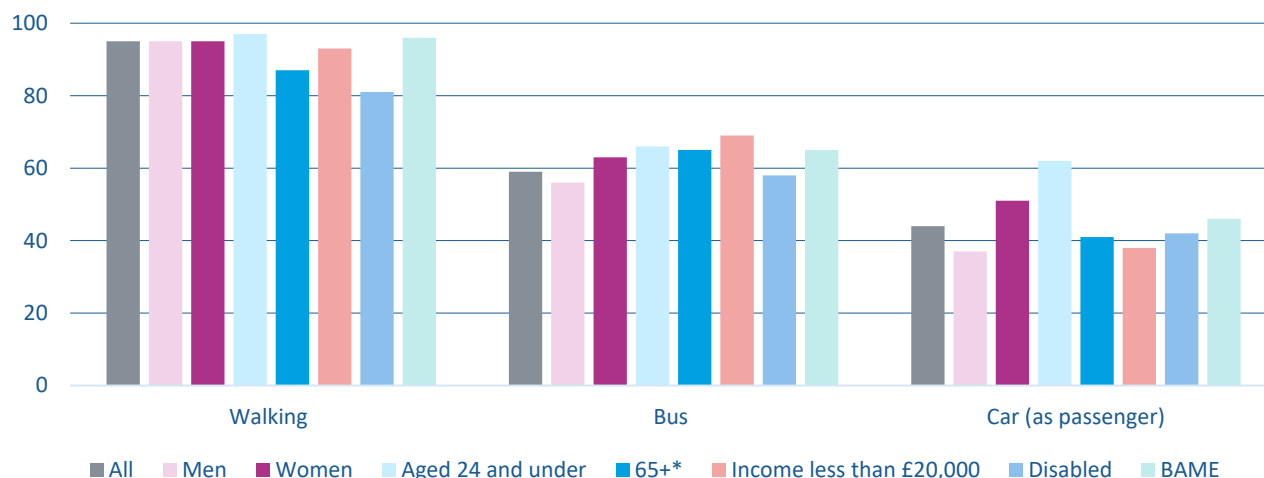
The Equality Act 2010 requires TfL to have due regard to equality implications in the exercise of its functions when developing and delivering its services. We have utilised existing research including summary information from the TfL 'Travel in London: Understanding our diverse communities 2019' report to consider potential impacts on equality for London's communities in the options assessments detailed in this document. The report uses data from the Office for National Statistics (ONS) 2011 Census and TfL's 2016/17 London Travel Demand Survey (LTDS) to describe profiles of equality groups within London's communities and identifies barriers faced by these groups when accessing different modes of transport.

TfL believes Every Journey Matters and it is important to understand the key issues that affect travel use for everyone impacted, including those sharing protected characteristics under equality legislation when proposing any increase in fares and for any RUC or WPL proposals. Travel experiences are individual and will

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be influenced by a number of factors such as age, gender and income. Age continues to impact on a number of factors such as technology use, type of ticket used and barriers to increased public transport usage.

Top Modes of Transport Used at Least Once a Week



* 65+: 3rd most used transport mode – 43 per cent Car (as driver)

Table 1 below summarises TfL's document 'Understanding Diverse Communities' and outlines the population and some of the key factors affecting travel for the various equality groups.

Group	Per cent of London Population	Factors Affecting Travel
BAME	40 per cent Projected to grow to 46 per cent by 2041	<ul style="list-style-type: none"> BAME Londoners are younger, which drives their concerns around cost of travel.
Women	51 per cent In line with other parts of the UK	<ul style="list-style-type: none"> Significantly greater proportion of women had experienced a specific worrying incident (37 per cent, compared with 28 per cent of men) More likely to be a car passenger (51 per cent compared with 37 per cent of men)
Older (over 65)	11 per cent Expected to grow to 16 per cent of the London population by 2041	<ul style="list-style-type: none"> Considerably more likely to have a disability
Younger (under 25)	32 per cent Expected to make up 29 per cent of the London population by 2041	<ul style="list-style-type: none"> Higher bus use is driven by affordability
Disabled	14 per cent	<ul style="list-style-type: none"> 84 per cent say their disability limits their ability to travel 21 per cent (compared to 16 per cent all Londoners) have been completely / temporarily put off travelling due to a worrying incident Freedom passes most common ticket held (61 per cent)
Low-Income	28 per cent	<ul style="list-style-type: none"> Those living in low income households are more likely to be over 65, disabled or BAME
LGB	2.6 per cent Higher proportion of Londoners classify themselves as LGB than in the UK as a whole (2.0 per cent)	<ul style="list-style-type: none"> More likely to experience unwanted sexual behavior (all 10 per cent /LGB 16 per cent) More likely to experience hate crime (all 22 per cent /LGB 30 per cent)

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Table 2: Summary of Understanding Diverse Communities 2019 (based on data from 2016/17)

A number of barriers prevent people from using public transport more frequently, with cost of travel commonly mentioned. Where proposing fares increases, due regard is given to certain groups whose travel experiences are determined by cost, such as for those living in a low-income household, BAME and younger people. These groups typically use the bus more frequently compared to other modes of public transport. Whilst cost of travel is a lower barrier for older Londoners (aged 65+), fares option proposals concerning those aged 60+ will require further assessment to determine impacts on older Londoners that do not yet have access to a Freedom Pass.

Proposed roads income options would help in achieving reductions in traffic and vehicle emissions which are harmful to human health. Older and younger groups are likely to benefit most, as would those on low incomes who often live in areas of poorest air quality. Whilst additional costs of driving may particularly impact those on low incomes, these groups are less likely to travel by car and more likely to walk or travel by bus. Particular regard should be given to groups more likely to use cars for accessibility or safety concerns, including women and disabled people, and therefore less likely to be willing or able to switch transport modes.

The potential revenue-raising taxation options do not relate to travel and therefore do not have a direct effect on MTS measures. These options will have equality impacts outside of TfL and is a consideration for the GLA/Mayor and HMG. Equality impacts of some of the taxation options should be given due regard in relation to groups that live in low-income households (such as women, disabled people, BAME Londoners and older people, who are more likely to live in low-income households than other Londoners): for example, council tax is regressive so impacts those on low incomes more.

The high-level assessments in the Appendix include further key information and detailed outcome assessments based on factors agreed between HMG and TfL/GLA. These assessments consider some of the equality impacts of proposed options on London's communities. Any proposals which are taken forward will be subject to further equality and other impact assessment as appropriate; their findings, including the availability of potential mitigations to adverse impacts, must be taken into account before any decision to implement them is taken.

3. Appraisal process

3.1. Approach

The following activities were set out in the June 1 funding agreement.

- | | |
|-------|---|
| (i) | The Criteria for options assessment will be agreed between HMG and TfL/GLA before commencing the review by the delivery date [completed] |
| (ii) | The review working group will report monthly to the Oversight Group who shall also be consulted on the shortlist of options by 05 July 2021 [completed] |
| (iii) | The Options Review and Feasibility Study shall be completed with recommendations and submitted to DfT by the delivery date. TfL will also submit an implementation plan for the recommended option or options for agreement with HMG [this report] |

3.2. Agreeing the assessment criteria

It was agreed that all options should be assessed against three key categories: outcome, financial and feasibility. The purpose of the assessment criteria is to do the following;

Outcome Assessment: assess the economic impact of the option as well as any impact on key outcomes core to the Mayor's Transport Strategy

Financial Assessment: assess the financial impact of the option considering income generated, implementation costs, recurring costs and Net Present Value

Feasibility Assessment: assess the feasibility of delivering the option taking into account technical, legal and stakeholder considerations as well as identifying suitable benchmarking

The assessment criteria were agreed as follows:

Outcome Assessment:

Economic impacts

Impact on economic recovery/growth (both transport benefits/disbenefits and wider impacts on the economy)

Business impacts, i.e. impact on access to businesses/footfall

- Change in end to end journey time for commuters and businesses
- Change in cost of travel for commuters and businesses
- Change in reliability for commuters and businesses

Productivity, i.e. impact on London's economic output

- Wider economic impacts (indication of job productivity and agglomeration impacts)
- Change in vitality of high streets and town centres
- Change in new housing delivery

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MTS contribution How will the initiative secure or facilitate the implementation of the MTS outcomes?	Safe , i.e. meeting TfL's statutory safety responsibilities; London's streets will be safe & secure
	Mode Share i.e. 80 per cent of all trips in London to be made by active, efficient and sustainable modes by 2041
	Active , i.e. London's streets will be healthy, and more Londoners will travel actively
	Efficient , i.e. London's streets will be used more efficiently & have less traffic on them
	Green , i.e. London's streets will be clean and green
	Connected , i.e. The public transport network will meet the needs of London
	Accessible , i.e. Public transport will be safe, affordable and accessible to all
	Quality , i.e. Journeys by public transport will be pleasant, fast and reliable
	Sustainable , i.e. Active, efficient & sustainable travel will be the best option in new developments
	Unlocking , i.e. Transport investment will unlock the delivery of new homes & job
Sharing the cost	Review balance of how much groups that benefit from the transport network contribute to its costs
Equality	What is the anticipated equality impact of the initiative considered to be, subject to full equality impact analysis?
Financial Assessment:	
Income level	£ of new revenue p.a. once initiative is live
Upfront cost	£ of cost to deliver - including capex and opex
Recurring cost	£ of opex once initiative is live
Abstraction	£ of revenue reduced or added to other TfL services, or to other public sector services
Net Present Value	Identifying today's value of future net income streams, using an appraisal period of 25 years and a discount rate of 3.5 per cent (consistent with the Green Book)
Sustainability	Is this income source recurring, or does it reduce over time; does it make funding more resilient to future shocks
Volatility	How stable is the income assessment e.g. to economic downturns
Feasibility Assessment:	
Timescale	Date of likely go live including all stages (consultation, approvals, design, delivery and any need for revision of the MTS)

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Technical difficulty	Rating of level of difficulty and complexity in the ability to design and deliver the solution
Legal	Identify proper legal basis for proposals including available powers and where they are insufficient, identify possible route to securing them
Stakeholder alignment	Rating of the potential reaction from positive to negative of stakeholders to the proposals. Split into different stakeholders.
Delivery conflict	Rating of how delivering this initiative makes delivery of other initiatives more or less challenging.
Benchmarking	Brief description of comparison to other UK or Worldwide cities where relevant

3.3. Identifying the shortlist

In arriving at our shortlist of options we sought to meet criteria as outlined in the funding letter;

- Options should provide a recurring revenue income stream from 2023. Therefore, options that only provided a one-off income benefit (e.g. asset and property disposals) were discounted
- Options should be within the Mayor's or TfL's current statutory powers, noting that a legal review will be necessary on any preferred option. Some options not within existing statutory powers have been retained based on their contribution to the other assessment criteria; Government support will be required for legislation for these.

Given the size of the challenge presented to us, that is generating between £0.5bn-£1bn per annum, we considered options that generated a material new revenue stream. That is not to say that lower value revenue generating options are discounted. These types of options are considered part of business as usual and our own long-standing desire to become financially sustainable.

As agreed with DfT, we also considered all revenue options that had been identified as part of the Independent Review undertaken in December 2020. Options considered by the Independent Panel included options that were not within the Mayor's current statutory powers and as such these have also been considered in this report.

The shortlist can be summarised into three broad categories; fares, roads income and taxation. Some of the annual net income figures are indicative as for example, different levels of charge or tax increase could be set.

Fares options

Ref	Option	Implementation	Net income p.a.
1	Optimise January 2022 RPI+1 change for future revenue	-	£10m
2	All-day peak fare between Zone 1 and Heathrow	-	£10m
3	Restrict 60+ concession for use only after 09:00	-	£40m
4	One-off 10p increase on bus and tram fares	-	£50m
5	Increase charge for Oyster card	-	£5m
6	Fares revision of RPI + 2 in January 2022	-	£75m
7	Significant uplift in all fares including travelcards	-	£500m
8	Withdrawing from the Travelcard Agreement	-	£55m
9	Changes to Zoning/Pricing	-	£35m

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Taxation options

Ref	Option	Implementation	Net income p.a.
1	Council tax: Increase Mayoral precept	-	£400m
2	Council tax: general increases on a reformed base	-	£500m
3	Mayoral CIL (post CR1)	-	-
4	VAT slice: Retention of 0.5 per cent of London VAT take	-	£500m
5	VAT supplement: 0.5 per cent increase in London	-	£500m
6	Retain Vehicle Excise Duty collected in London	-	Up to £500m
7	Online delivery tax	-	£500m

Roads income options

Ref	Option	Implementation	Net income p.a.
1	Changes to Congestion Charge: Central London	£7m	£70m
2	Greater London Boundary Charge	£220m	£700m
3	London-wide TfL Workplace Parking Levy	£100m	£100 - 300m
4	Hybrid distance-based charge: Inner and Central London	£270m	£1.0bn
5	Expand ULEZ for vans to outer London	£195m	£50m
6	London-wide ULEZ	£260m	£300m
7	London-wide carbon charge	£325m	£550m

Assumptions

These numbers are based on high-level estimates and assumptions. For example, fares income estimates are particularly dependent on the extent to which demand returns. Road income estimates are dependent on the extent to which different types of car trip return, the mix of residents and non-residents driving in different parts of the city and final scheme design including charge levels and discounts and exemptions. As options are progressed for further discussion, further modelling and analysis will be undertaken and we expect the estimates to change as we refine our understanding.

These numbers also do not consider the demand on other public transport modes. For example, the options on roads may impact bus speeds which would lead to higher demand for buses and therefore higher bus revenue. Further work will be undertaken to fully understand these impacts as options are progressed.

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3.4. Summary of option assessment

The table below summarises the assessments, which can be found in the appendix. The assessments aim to provide a preliminary indication of anticipated impacts taking into consideration how the option may affect outcomes, finance and feasibility. The appendix should be read in full to get a more comprehensive understanding of the anticipated impacts. However, it is important to note that the assessments undertaken are high-level and do not constitute a complete and thorough assessment that would normally be undertaken as part of a feasibility study or business case.

The impacts outlined under equality do not constitute a full Equality Impact Assessment and further detailed work will need to be done should any of these options be selected for progressing further and before any decisions are made.

The finance column shows the total implementation costs (where relevant) as well as the average net income once the intervention is introduced. The average net income figure is calculated up to 2027/28.

Fares options summary

Ref	Option	OUTCOMES		FINANCE	FEASIBILITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
1	Optimise January 2022 RPI+1 change for future revenue, with focus on rail increase	<ul style="list-style-type: none"> • Focuses fares increases on areas of growth • Will encourage bus travel by keeping fares affordable and stimulate economic activity in local high streets • Potential small shift from rail to car, mitigated by shift from car to bus • Encourages behaviour change to better utilise network capacity as buses tend to have more spare capacity 	<ul style="list-style-type: none"> • Negative impact on customers with lower incomes who travel by rail but preferable for low-income customers than raising bus fares 	Income p.a. £10m	<ul style="list-style-type: none"> • Increase structural funding gap for bus network, potentially necessitating service reductions in future to ensure service is financially sustainable. 	January 2022
2	All-day peak fare between Zone 1 and Heathrow	<ul style="list-style-type: none"> • Small shift from public transport (PT) to car • Raises barriers to PT access for low income groups • Focuses fares increase on a journey generally made only occasionally • Increased PT user contribution 	<ul style="list-style-type: none"> • Raises barriers to public transport access for lower income groups, noting that a high proportion of the journeys are being made by customers who are flying out of Heathrow 	Income p.a. £10m	Potential impact on CAZ economic recovery as a result of above inflation increase	Early 2022

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Ref	Option	OUTCOMES		FINANCE	FEASIBILITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
3	Restrict 60+ concession for use only after 09:00	<ul style="list-style-type: none"> Some shift to private vehicles possible as PT cost increases. Balanced positive and negative impacts with shift to more private vehicle use or walking/ cycling 	<ul style="list-style-type: none"> Increase in barrier to travel at relevant times for over 60s on low incomes 	Income p.a. £40m	Potential reduced accessibility for lower socio-economic groups	Early 2022
4	One-off 10p increase on bus and tram fares	<ul style="list-style-type: none"> Increased cost for customer groups with lower income Marginal impact on high street footfall Potential shift to active travel, especially for low income groups Potential shift to private cars for local journeys, increasing congestion and reducing bus speeds Potential increased emissions if shift to private cars 	<ul style="list-style-type: none"> Focuses fares increase on customer group with lower incomes on average 	Income p.a. £50m	Fares increase higher than RPI+1 increase (at a time when RPI is relatively high) which may impact ridership, Wider negative impact on economic growth	Early 2022
5	Increase charge for Oyster card	<ul style="list-style-type: none"> Increased cost to individual commuters/leisure travellers and businesses that provide cards to their staff Encourages further migration to contactless 	<ul style="list-style-type: none"> Marginally negative impact on customers with low income 	Income p.a. £5m	None identified	Early 2022
6	Fares revision of RPI + 2 in January 2022	<ul style="list-style-type: none"> Potential negative impact on economic recovery of CAZ due to above inflation increases to rail fares, especially in Zone 1 Potential shift to private cars, increasing congestion and emissions Potential small reduction in journeys, resulting in reduced retail footfall 	<ul style="list-style-type: none"> Negative impact on customers with low income 	Income p.a. £75m	Risk that suppressing passenger demand damages London's economic as option likely to reduce demand (especially as at a time when RPI is relatively high)	Early 2022
7	Significant uplift in all fares including travelcards	<ul style="list-style-type: none"> Reduced footfall as significant increase is likely to reduce passenger demand materially. Potential negative impact on London's GVA due to reduced footfall Potential shift to private car use with potential for shift to active travel for short journeys 	<ul style="list-style-type: none"> Negative impact on customers with low income Disproportionate negative impact on customers with protected characteristics within low income group 	Income p.a. £500m	Risk that suppressing passenger demand damages London's economic as option likely to reduce demand	Early 2022

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Ref	Option	OUTCOMES		FINANCE	FEASIBILITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
		<ul style="list-style-type: none"> Also, potential for increased congestion and emissions Raises barriers to PT access for people with low income Marginal safety impacts 				
8	Withdrawing from the Travelcard Agreement	<ul style="list-style-type: none"> Positive impact on journey time and ease of travel due to focus on contactless and PAYG. Increased cost for some commuters, subject to number of trips made over a year. Promotes demand for public transport alongside walking and cycling due to Seamless PAYG travel and simpler ticketing propositions 	Some impact on older customers due to digital exclusion	Income p.a. £55m <i>including cost savings</i>	Level of complexity for implementation due to considerations around phasing out valid travelcards and technical aspect of ensuring the capping rules are consistent across Travelcards and other travel products	Late 2022/23
9	Changes to Zoning/Pricing	<ul style="list-style-type: none"> Will lead to adverse customer and stakeholder reaction Reduced share for TfL rail modes due to standard elasticity impacts Potential impact to make green modes less attractive, but more financially sustainable 	<ul style="list-style-type: none"> Negative impact on low income workers that live outside Zone 1 Reduces fares for commuters / residents in Zone 1, who tend to be wealthier than average 	Income p.a. £35m	<ul style="list-style-type: none"> Implementation likely to be time and effort intensive due to significant one-off re-working of fares data Planning needed to ensure it falls within standard fares revision process Refund process to accommodate existing season tickets, cost not included in current estimates 	Late 2022

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[Sections detailing non-fares options, taxation and road user charging, removed for relevance].

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4. Recommendations

The analysis and assessment set out as part of the appraisal process described in Section 3 has enabled TfL to significantly narrow down the options that merit further development work.

This section presents three overarching recommendations, which each have options for further exploration. These recommendations focus on the options from the assessment that meet the criteria. With the exception of changes to the fares system, many of the options presented here require specific action or commitment from Government to enable implementation.

4.1. Optimising the fares system with a focus on consistency

Passenger income is already TfL's predominant source of revenue and is set to grow further with a fare rise of RPI+1 per cent planned in January 2022. The FSP also contained a planning assumption RPI+1 in each subsequent year up to 2024/25. Further increases beyond this level are not recommended due to the risks this creates to economic recovery and keeping the network accessible to all users – particularly for services.

However, fares and ticketing is a system which can always be improved on, especially to bring about greater consistency. The following options are recommended for further consideration:

Restrict 60+ concession for use only after 09:00

This restriction is already in place temporarily and could be made permanent subject to full impact assessment and a decision by the Mayor supported by appropriate justification. The restriction of the concession will increase the barrier to travel at the relevant times for persons over 60 who are not eligible for a Freedom Pass. However, as the restriction is only in the morning peak, it would predominantly impact people still in employment – noting that 60 to 65 year olds will still have access to other concessions available to working age adults in receipt of various benefits, such as Jobseeker's Allowance, to mitigate the effect of withdrawing the pass on those with lower incomes.

Changes to zoning / pricing

TfL's zoning system is easily understandable by customers; however, its simplicity means it does not perfectly reflect the shape of the network. Some changes can be made to this:

- Stratford and associated stations reverting from the boundary Zones 2/3 to Zone 3 (income £10m - £15m p.a.), to reflect changes in London geography and Stratford's continued growth as a travel hub. This change would make similar distances travelled cost the same.
- Applying an all-day peak fare for LU journeys between Zone 1 and Heathrow (income £10m p.a.), to reflect that demand to Heathrow do not conform to the usual peak periods

Charge £7 for Oyster card

TfL currently charges £5 for an Oyster card, increasing this would raise £5m a year. The charge has not been revised since 2009. The main purpose is cost recovery, and this could also provide an incentive for customers to retain and use the card, however currently c.80 per cent of cards are used for less than a week. Contactless payment offers a viable alternative in these cases. For nearly all of them, contactless is an alternative.

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The deposit is designed to cover the difference between the entry threshold (the minimum balance on the card that allows you to start a journey) and the maximum fare (around £8 in most cases) to cover TfL for customers going into negative balance. However, fare changes since 2009 means there is now a significant gap.

Withdrawing from the Travelcard Agreement

Travelcards are a range of tickets which are valid for use on National Rail services in London, as well as TfL services. Travelcard users are now a minority as customers gain many of the same benefits from other ticket types due to the introduction of Contactless and Oyster Pay As You Go. With the offer of daily and weekly capping, these products offer more flexibility to most customers. Moving customers to PAYG and retiring all magnetic tickets will simplify retailing, while reducing costs (by c.£20m p.a.) mainly due to a reduction in commission payments. Income would also increase by c.£35m p.a., due to a reduction in fraud associated with magnetic tickets and the end of special discounts for annual tickets.

The Travelcard Agreement allows TfL to withdraw with 13 months' notice.

4.2. Incremental options on taxation

[Section removed for relevance].

4.3. Changing the way we charge for road use

[Section removed for relevance].

4.4. Implementation plans

Implementation plans can be broken down into four stages:

- Policy development and impact assessment
- Consultation and engagement
- Finalising consultation and approvals
- Design, procurement and delivery

Many of these features are common between different options. For example, all roads options have very similar activity in the first three stages; only the design, procurement and delivery stages are substantially variable on the specific option. The same applies for fare options. Taxation options are less common, although in some cases (such as transfer of London's share of VED) are very straightforward subject to the necessary legislation being passed.

To support this, we have presented common implementation plans for each of the three categories of options (fares, roads, taxation), and then noted where scheme specifics would affect these general plans.

How we implement these options is also dependant on how discussions evolve with Government – the design and delivery stage is particularly dependent on this, including where legislation is required. There is great value in us working collaboratively on this; we share the same need to decarbonise transport (as the Transport Decarbonisation Plan notes we need to “use our cars differently and less often”), create a more stable funding stream for TfL and support London's recovery. As we progress these discussions, we can fill in some of the specific activity under the delivery stage.

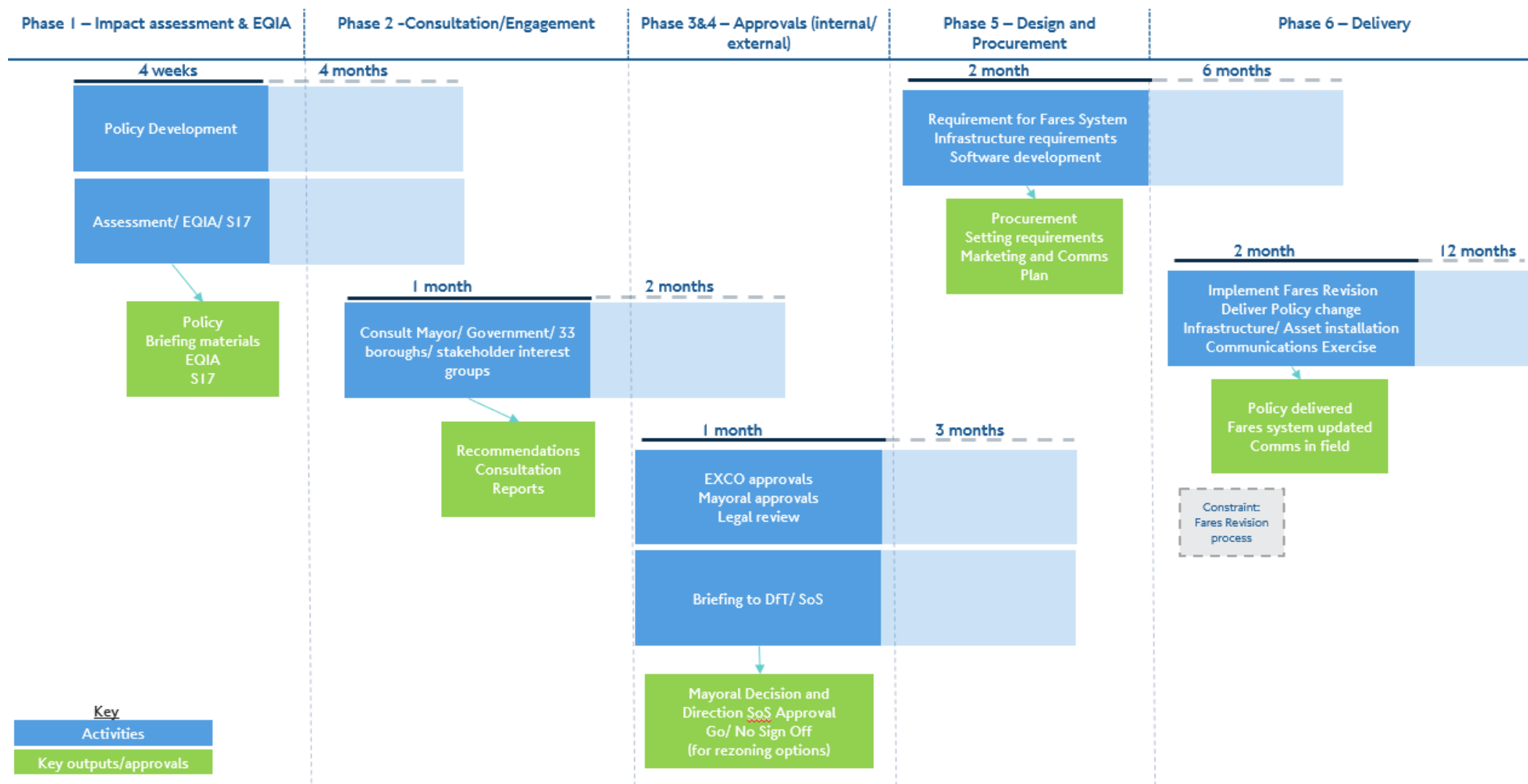
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This collaborative approach, alongside the requirements set out in the implementation plans, means for many of these options it will not be possible to have made a decision by 12th November – the deadline set out in the funding agreement.

For each category we have considered an illustrated plan which highlights dependencies and overlap, followed by a more comprehensive table which outlines key activities, outputs and key variations, where known.

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Fares options high-level implementation plan (note: fares changes are not normally consulted publicly)



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Fares option – High-level implementation plan

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)
Impact assessment & EQIA	<ul style="list-style-type: none"> Identify objectives Carry out feasibility study Impact assessment EQIA S17 Crime and Social Disorder Act assessment Data Protection Impact Assessment Preparation of consultation materials Legal review Internal and City Hall review and sign off materials 	<ul style="list-style-type: none"> Feasibility report Briefing materials on option EQIA DPIA S17 	4 weeks – 4 months
Consultation/Engagement	<ul style="list-style-type: none"> Develop stakeholder engagement plan – internal/external Carry out internal and external engagement Identify actions 	<ul style="list-style-type: none"> Stakeholder engagement plan Consultation report Key recommendations 	1 – 2 months
Internal Approvals	<ul style="list-style-type: none"> Engage with TfL Executive Committee Engage with City Hall Report to Mayor Mayoral Decision Form Legal review Materials signed off by TfL EXCO MD submitted to Mayor 	<ul style="list-style-type: none"> EXCO Paper Report to Mayor Mayoral Decision Form Go/No go decision 	1 – 3 months
External Approvals (applicable to certain options)	<ul style="list-style-type: none"> Engage with DfT/ SoS Briefing to DfT/ SoS 	<ul style="list-style-type: none"> Approval letter/ SoS decision (would be required for rezoning options) Go/ No go decision Final Sign-off 	1 -3 months
Design and Procurement	<ul style="list-style-type: none"> Marketing activity Software development Fares System changes 	<ul style="list-style-type: none"> Design/procurement process Functional requirements Messaging and collateral Agreed delivery date Marketing and Communications plan 	2 -6 months

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Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)
Delivery	<ul style="list-style-type: none"> • Deliver Policy change option • Implement Fares Revision • Staff Comms • Infrastructure changes/ renewals • Communications Exercise 	<ul style="list-style-type: none"> • Implementation of option • Marketing/ Communications activity • Staff Communications • Implementation and asset installation • Software deployment 	3 – 12 months

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Taxation options

[Section removed for relevance].

Council tax precept increase – High level implementation plan

[Section removed for relevance].

Roads options

[Section removed for relevance].

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5. Appendix: assessments

This appendix is contained within a separate document.

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New revenue sources

Appendix: assessments

Transport for London

August 2021

FINAL

A. Fares options	3
1: Optimise January 2022 RPI+1 change for future revenue	Error! Bookmark not defined.
2: All-day peak fare between Zone 1 and Heathrow	3
3: Restrict 60+ concession for use only after 09:00	Error! Bookmark not defined.
4: One-off 10p increase on bus and tram fares	Error! Bookmark not defined.
5: Increase charge for Oyster card	6
6: Fares revision of RPI + 2 overall in January 2022	Error! Bookmark not defined.
7: Significant uplift in all fares including travelcards	Error! Bookmark not defined.
8: Withdrawing from the Travelcard Agreement.....	Error! Bookmark not defined.
9: Zone 1 extended to Canary Wharf plus Stratford reverted to Zone 3.....	Error! Bookmark not defined.
B. Taxation options	Error! Bookmark not defined.
Outcome assessment overview	Error! Bookmark not defined.
1: Council tax: Increase Mayoral precept	Error! Bookmark not defined.
2: Council tax: general increases on a reformed base	Error! Bookmark not defined.
3: Mayoral Community Infrastructure Levy (post Crossrail 1).....	Error! Bookmark not defined.
4: VAT slice: Retention of 0.5 per cent of London VAT take	Error! Bookmark not defined.
5: VAT supplement: 0.5 per cent increase in London	Error! Bookmark not defined.
6: Retain Vehicle Excise Duty collected in London.....	Error! Bookmark not defined.
7: Online delivery tax	Error! Bookmark not defined.
C. Roads options.....	Error! Bookmark not defined.
1: Changes to Congestion Charge: Central London	Error! Bookmark not defined.
2: Greater London Boundary Charge	Error! Bookmark not defined.
3: London wide TfL Workplace Parking Levy.....	Error! Bookmark not defined.
4: Hybrid distance-based charge: Inner and Central London	Error! Bookmark not defined.
5: Expand ULEZ for vans to outer London.....	Error! Bookmark not defined.
6: London wide ULEZ.....	Error! Bookmark not defined.
7: London-wide carbon charge	Error! Bookmark not defined.

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A. Fares options

2: All-day peak fare between Zone 1 and Heathrow

Key information	
Charge the peak fare all day for journeys made on the tube stations serving Heathrow Airport and stations within Zone 1. Applying peak fares to these off-peak journeys would be an above inflation increase.	
Proposed delivery date	Early 2022
Net income raised p.a.	£10m
Option recommended by panel	Yes – small fares increases recommended
Within current powers?	Yes

Outcome assessment	
Outcome	Impact expected
Business impacts	Above inflation increases to rail fares, especially involving Zone 1, could be criticised as harming the economic recovery of the Central Activities Zone (CAZ).
Productivity	Above inflation increases will lead to a small reduction in journeys, possibly increasing costs for workers.
Safety	No material impact expected.
Mode Share	May lead to a small shift from public transport to car/ taxi.
Active	No material impact expected.
Efficient	No material impact expected.
Green (excluding Carbon)	No material impact expected.
Carbon/Net Zero	No material impact expected.
Connected	No material impact expected.
Accessible	Raises barriers to public transport access for low income groups.
Quality	No material impact expected.
Sustainable	No material impact expected.
Unlocking	No material impact expected.
Sharing the cost	Increase in public transport user contribution.
Equality	Londoners with protected characteristics who rely on and pay to use public transport Londoners are likely to be negatively affected by the proposed fare increase. Further consideration will need to be given to the other potential equality impacts of this proposal.

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Financial assessment							
£m cost / £m income	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Gross income	4	9	9	10	10	10	10
Abstracted income from other TfL services	-	-	-	-	-	-	-
Implementation costs (opex)	-	-	-	-	-	-	-
Implementation costs (capex)	-	-	-	-	-	-	-
Recurring costs (opex - with business area)	-	-	-	-	-	-	-
Recurring costs (opex - indirect cost e.g. T&D, marketing)	-	-	-	-	-	-	-
Net Income	4	9	9	10	10	10	10

Other financial information	
Sustainability	Reflects level of public transport use
Volatility/Risk	Stable
Pays back by	Immediately
NPV	£178m

Feasibility assessment	
Technical difficulty	Minimal technical difficulty in implementing as TfL routinely implements new fares packages each January and is already committed to raising fares by at least RPI+1 in January 2022.
Legal considerations	Describe available powers; Fares changes on the TfL network within Mayor's powers. Full assessment, legal review and (if appropriate) consultation will be required before any decision about implementation can be made. Describe additional powers that may be required and possible route to securing powers; n/a
Stakeholder alignment	
Customers	Negative impact Above inflation fares increases have a negative financial impact on customers
Businesses	Negative impact Could be seen as hindering London's economic recovery by increasing costs for workers

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Feasibility assessment	
Boroughs	Neutral impact Little direct impact on boroughs
Accessibility groups	Neutral impact No impact expected
Green groups	Neutral impact Unlikely to see a shift to car or other modes, fare will be below other PT options to zone 1
High level implementation	
Full Impact Assessment & EQIA	4 weeks
Consultation/Engagement (where appropriate)	4 weeks
Approvals	4 weeks
Delivery	January 2022
Delivery conflict with other projects	Should be part of a fares revision
Benchmarking	The peak fare is lower than other PT options to between Heathrow and Zone 1. TfL Rail and Heathrow Express offer higher fares for journeys between Heathrow and Zone 1.

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5: Increase charge for Oyster card

Key information	
To change the cost that a customer pays for a new Oyster card from £5 to £7	
Proposed delivery date	Early 2022
Net income raised p.a.	£5m
Option recommended by panel	No
Within current powers?	Yes

Outcome assessment	
Outcome	Impact expected
Business impacts	Impacts individual commuters/leisure travellers and businesses that provide cards to their staff.
Productivity	No material impact expected.
Safety	No material impact expected.
Mode Share	Marginally positive impact if customers switch to using contactless.
Active	No material impact expected.
Efficient	No material impact expected.
Green (excluding Carbon)	No material impact expected.
Carbon/Net Zero	Marginally positive impact if customers switch to using contactless, resulting in reduced demand for Oyster card production.
Connected	No material impact expected.
Accessible	Marginally negative impact caused by an increase in the cost of a card.
Quality	No material impact expected.
Sustainable	No material impact expected.
Unlocking	No material impact expected.
Sharing the cost	Marginally positive impact as the additional £2 for the cost of a card will contribute to transport network costs.
Equality	No material impact expected on people with the nine protected characteristics. Marginally negative impact on customers with low income.

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Financial assessment							
£m cost / £m income	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Gross income	3	7	7	7	7	7-	7
Abstracted income from other TfL services	-	-	-	-	-	-	-
Implementation costs (opex)	-	-	-	-	-	-	-
Implementation costs (capex)	-	-	-	-	-	-	-
Recurring costs (opex - with business area)	-	-	-	-	-	-	-
Recurring costs (opex - indirect cost e.g. T&D, marketing)	-	-	-	-	-	-	-
Net Income	3	7	7	7	7	7	7

Other financial information	
Sustainability	Possible income reduction over time, if customers switch to contactless
Volatility/Risk	Some volatility/risk if economic downturns cause fewer people to travel
Pays back by	Immediately
NPV	£122m

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Feasibility assessment	
Technical difficulty	Low – this is a simple configurable value in the ticketing system that can be changed at no cost in conjunction with a Fares Revision, which are scheduled three times a year. If implemented outside a Fares Revision, may incur costs.
Legal considerations	Describe available powers; Subject to this charge being justifiable on a cost recovery basis, within TfL's existing powers. Full assessment, legal review and (if appropriate) consultation will be required before any decision about implementation can be made. Describe additional powers that may be required and possible route to securing them; n/a
Stakeholder alignment	
Customers	Mixed impact Customers new to the system after the change will not be aware of the previous lower cost. Existing customers that need a replacement card will pay a higher price
Businesses	Mixed impact Potential increased revenue from the higher cost balanced against potential decrease in customers switching to contactless
Boroughs	Neutral impact No impact
Accessibility groups	Negative impact Customers accessing discounts (such as Job CentrePlus, Disabled Rail card etc) can only do so on an Oyster card so will be negatively impacted by this increase
Green groups	Positive impact Customers switching to contactless may result in reduced production of Oyster cards
High level implementation	
Full Impact Assessment & EQIA	c. 4 weeks
Consultation/Engagement (where appropriate)	Not required
Approvals	c. 4-8 weeks (plus Fares Revision timelines)
Delivery	Earliest January 2022
Delivery conflict with other projects	None
Benchmarking	Worldwide, charges for smartcards vary. Some transport authorities provide them free of charge, some charge a non-refundable fee and some charge such a fee on a card that expires. The cost of an Oyster card is refundable if the card is still in use after a year and contactless payment methods offer an alternative to Oyster. Not giving the £7 back after a year would save some money. Note that this does not apply to TfL's concessionary scheme Oyster photocards. Note that the Visitor Oyster card fee should, logically, also increase to £7.

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F1457 A1 Equality Impact Assessment (EqIA) form

N.B: the completed form should be emailed to the [Diversity and Inclusion team](#)

Policy	All-day peak fares between Zone 1 and Heathrow
---------------	--

Accountable	Head of Revenue Analysis: Payments	Dale Campbell
	Signature	Date

DRAFT

Produced By	Product Manager	Arnold Cohen
	Signature	Date

Reviewed By	Head of Revenue Analysis: Payments	Dale Campbell
	Signature	Date
	Senior Product Manager	Lucy Preston
	Signature	Date

Document History	Version	Date	Summary of changes
	0.1	25/03/22	1st draft
	0.2	21/04/22	2nd draft
	0.3	30/05/22	3rd draft
	0.4	28/07/22	4th draft (estimated £12m pa, not £24m pa extra revenue)

Printed copies of this document are uncontrolled.

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To be used in conjunction with: G1060

Project Related Documents	Doc No.	Document title	Relevant Section(s) of this Document
	1	Heathrow Entries and Exits 2019	Q1
	2	Seizing the opportunity: advancing inclusion and diversity at Heathrow Airport	Q3
	3	Heathrow Airport Travel Report 2019	Q4
	4	The economic impact of reduced activity at Heathrow	Q4

Step 1: Clarifying Aims

Q1. Outline the aims/objectives/scope of this piece of work

A peak-only basis for TfL's rail fares between Zone 1 and Heathrow Airport stations (target date September 2022)

Summary

Due to TfL's reliance on passenger fares for the majority of its operating income, the effect of the pandemic on its finances has been devastating, requiring Government support to keep public transport in London operating. Passenger numbers continue to recover but are still significantly below pre-pandemic levels at 74% on the Tube and 81% on buses. As part of the conditions for providing ongoing Government financial support, TfL is required to work towards financial sustainability, including exploring revenue-raising options.

It is recognised that mass transit links from Heathrow Airport to central London are a key part of London's tourism offer. TfL seeks a more appropriate fare structure which can make an additional contribution towards investment on related service improvements, such as the Heathrow spur which gives passengers fast, direct access to many new destinations via the Elizabeth line.

Establishing a standard peak-only basis for single rail fares between Zone 1 and Heathrow (which also applies to journeys between Zone 2-6 and Heathrow, via Zone 1) will reflect the reality that services in the off-peak to Heathrow are a special case as they can be just as busy as services in peak hours.

Selecting only fares between Zone 1 and Heathrow aims to focus on tourist traffic, while minimising potential negative impacts on others who might be affected (see below).

It is estimated that changing London Underground and Elizabeth line single off-peak fares between Zone 1 and Heathrow to peak fares will raise an extra £12m pa for TfL and is an important contribution to the revenue TfL is required to raise further to government funding settlements

Background and proposal

Heathrow Stations are located in TfL fare Zone 6. Underground journeys from central London to Heathrow have represented very good value. In March 2022, London Underground Zone 1 to Heathrow fares were £5.50 peak and £3.50 off-peak. This off-peak fare and even the peak fare are lower than most other fares to Heathrow from central London including taxi, National Rail and coach. The Heathrow Connect service from Paddington was taken over by TfL Rail in 2018, and has been rebranded as the Elizabeth line. The single fares from a Zone 1 Underground station, changing at Paddington onto the Elizabeth line, to Heathrow are £12.80 peak and £10.80 off-peak. (Paddington itself, for historical reasons, has its own fare scheme with Elizabeth line journeys to Heathrow costing £11.50 peak and £10.80 off-peak.)

In both morning and evening peaks, the above peak fares apply in both directions with no "contraflow" off-peak fare in the evening peak in the direction towards central London.

Services to Heathrow can be busier, at certain off-peak times as in peak hours. An indication of this is in 2019 Underground demand on the Piccadilly line to Heathrow was higher on both Saturday and Sunday than on an average weekday.

This proposal was suggested as part of the funding settlement with the government dated 1 June 2021 which required the Mayor and TfL to undertake a joint options review and feasibility study of mechanisms within existing powers to generate between £0.5bn and £1bn of additional net revenue per annum from April 2023 (“the Review”). The Review sought to identify viable new sources of income that could be delivered to raise additional revenue of between £0.5bn and £1bn by April 2023, as required by the 1 June funding agreement. This range of required additional revenue was identified in TfL’s Financial Sustainability Plan (FSP) published in January 2021. The FSP noted that a build-up of a considerable debt burden, and the reduction and then withdrawal of its government grant, meant that TfL was showing a projected funding gap estimated at between £0.5bn and £1bn per annum from the mid-2020s onwards. The FSP noted that the pandemic led to a crisis for TfL’s immediate financial position, but that with its effect on longer-term travel demand in London, it could also impact the organisation’s long-term finances and funding gap. A constrained assessment placed the long-run demand reduction at 20 per cent below previous forecasts, which would increase the long-term funding gap by an additional £1bn per annum. This would increase the gross average funding gap to circa 2bn per annum between 2023/24 and 2029/30.

TfL will continue to face a significant financial challenge as the impact on demand from the pandemic persists. The FSP identified additional revenue per annum of circa £2bn per annum would need to be generated to fill TfL’s projected funding gap. This need persists today. It is important that action is taken to generate this additional revenue to enable TfL to reach financial sustainability. This will enable TfL to cease being reliant on the extraordinary government funding settlements that have been necessary as a result of the impact of the pandemic on fares income. These government funding settlements have been short-term, and TfL requires certainty about its long-term funding arrangements in order to function properly. Financial sustainability is key to the continued long-term delivery of an effective and efficient transport network, which will positively impact all customers and London. Not achieving financial sustainability would result in TfL requiring further short-term financial support, which may not be forthcoming. The consequences of this are highly uncertain but would be likely to include substantial cuts in service and significantly reduced ability to invest in maintaining and improving London’s transport network to support growth in London’s population and economy.

It is considered that the proposal is an important contribution to TfL achieving financial sustainability from a sustainable, recurring, new revenue source that can deliver by April 2023; is in line with the criteria outlined in the funding settlement; is consistent with the Mayor’s Transport Strategy; and will have marginal negative impacts on TfL’s ambition to achieve net-zero-carbon by 2030.

It is now proposed that the Mayor approves the proposal. This document is the Equality Impact Assessment (“EqIA”) of the proposal and must be considered by the Mayor when considering any Mayoral Decision on whether to approve the proposal.

Q2. Does this work impact on staff or customers? Please provide details of how.

Customers

Having no off-peak fare between Zone 1 and Heathrow stations will not affect PAYG caps or Travelcard fares. Any uncapped trip(s) made by Adult or Discounted PAYG customers between Zone 1 and Heathrow outside of peak hours will be impacted.

For London Underground only trips, each single off-peak PAYG Adult trip is impacted by £2 and Discounted trips (where a discount applies) are impacted between £0.10 and £3.20 as shown below:

	Peak	Off-peak (current)	Impact of Peak-only
Adult	£5.50	£3.50	£2.00
Apprentice	£5.50	£3.50	£2.00
18+ Student	£5.50	£3.50	£2.00
16+	£2.75	£1.75	£1.00
11-15	£0.90	£0.80	£0.10
Jobcentre Plus	£2.75	£1.75	£1.00
National Railcards & Gold Cards	£5.50	£2.30	£3.20
Disabled Persons Railcard	£3.65	£2.30	£1.35

For trips from Zone 1 to Heathrow involving the Elizabeth line, each single off-peak PAYG Adult trip is impacted by £2 and Discounted trips (where a discount applies) are impacted between £0.10 and £5.70 as shown below:

	Peak	Off-peak (current)	Impact of Peak-only
Adult	£12.80	£10.80	£2.00
Apprentice	£12.80	£10.80	£2.00
18+ Student	£12.80	£10.80	£2.00
16+	£6.40	£5.40	£1.00
11-15	£0.90	£0.80	£0.10
Jobcentre Plus	£6.40	£5.40	£1.00
National Railcards & Gold Cards	£12.80	£7.10	£5.70
Disabled Persons Railcard	£8.45	£7.10	£1.35

There are principally two categories of customers who will be affected by the proposal, as per the fares increases identified in the tables above. First, are those people travelling to and from Heathrow via Zone 1 irregularly for tourism purposes. This will include domestic (London/ rest of UK) and international travellers

Second, are people travelling to and from Heathrow and Zone 1 on a regular basis such as Heathrow workers. These regular commuters will continue to benefit from daily and weekly

capping which is unchanged by this proposal. Capping limits the amount they pay for their travel.

Staff

There are no material impacts on TfL staff.



Step 2: The Evidence Base

Q3. Record here the data you have gathered about the diversity of the people potentially impacted by this work. You should also include any research on the issues affecting inclusion in relation to your work

Consider evidence in relation to all relevant protected characteristics;

- Age
- Disability including carers¹
- Gender
- Gender reassignment
- Marriage/civil partnership
- Other – refugees, low income, homeless people
- Pregnancy/maternity
- Race
- Religion or belief
- Sexual orientation

The evidence base for this EqIA has been collated from a combination of desk-based research and representations made by stakeholders and customers. Elements of the evidence base are included in Step 3, the Impacts section, of this EqIA. The representations received from stakeholders and customers are summarised in Step 4, the Consultation section, of this EqIA. These are referred to at Step 3.

The proposal will affect any customer travelling to or from Heathrow via Zone 1. TfL demand data suggests that most people travelling to Heathrow do so irregularly for tourism purposes. Those who need to travel more regularly to Heathrow such as Heathrow Airport workers may be more affected.

¹ Including those with physical, mental and hidden impairments as well as **carers** who provide unpaid care for a friend or family member who due to illness, disability, or a mental health issue cannot cope without their support



Step 3: Impact

Q4. Given the evidence listed in step 2, consider and describe what potential short, medium and longer term negative impacts this work could have on people related to their protected characteristics?

Protected Characteristic		Explain the potential negative impact
Age	N	<p>There is no impact specifically related to any one adult age group. Of those affected by the proposal, younger age groups (11-17) eligible for TfL's concessionary travel schemes will be impacted less because of their discounts (see previous section). Apprentices (typically young adults) are likely to be on low incomes and do not benefit from reduced impact due to the concessionary fares available to 11-17s and therefore, may be impacted more.</p> <p>Londoners with a 60+ or Older Persons Freedom Pass will not be affected as they always travel free at off-peak times.</p>
Disability including carers	Y	<p>London residents eligible for London Councils' Disabled Persons Freedom Pass concessionary travel scheme will not be affected.</p> <p>Non-London residents can have their Disabled Person's Railcard linked to their Oyster to access cheaper concession. Those eligible for a Disabled Railcard will be impacted by £1.35 instead of £2 per relevant trip because of their discount.</p> <p>However, carers and people with disability may be more negatively impacted because of lower incomes (ONS 2021 figures show disabled people's median hourly earnings to be 14% lower than non-disabled).</p>
Gender	N	<p>Of those affected by the proposal, women may be more negatively impacted than men as women's earnings are on average lower than men (ONS 2021 figures show women's median hourly earnings to be 15% lower than men's).</p>
Gender reassignment	N	None

Marriage/civil partnership	N	None
Other – e.g. refugees, low income, homeless people	N	<p>The Heathrow Airport workforce is likely to be impacted by the proposed change much more than others arriving at or leaving Heathrow because of how frequently they are travelling to and from the airport. They are also likely to travel more often than the average worker at off-peak times because of shift work. It is estimated that about 8 out of 10 weekly trips are made off-peak on average, implying an extra expense of £16 per week. However, these workers will continue to benefit from daily and weekly capping which is unchanged through this proposal. Those workers who already benefit from daily and weekly capping will pay no more for their travel as a result of this proposal.</p> <p>Some evidence suggest the median Heathrow Airport salary appears to be less than the median UK salary of about £26,000 (ONS, 2021).</p> <p>However, 'Heathrow Travel Report 2019' shows that only about 7% of approximately 72,000 workers at Heathrow Airport travel to work by TfL's rail services. This proposal would only see those resident in Zone 1, or that commute via Zone 1 affected. As 13% of the workforce are known to live nearby in the borough of Hounslow alone, it is expected that the number of those commuting from as far away as Zone 1 would represent a relatively small number affected. Many of those workers will already be paying lower fares by avoiding Zone 1 on their commute and as such will still be charged off-peak fares where appropriate.</p> <p>Any Heathrow staff with a Railcard who are currently paying £7.10 for off-peak trips from Zone 1 to Heathrow via the Elizabeth line would potentially suffer a very large increase per trip, namely £5.70 (However, they may be able to do a slower but much cheaper journey on the Piccadilly line instead, perhaps via Earls Court or Hammersmith instead of via Paddington.)</p> <p>A large proportion of those travelling to and from Heathrow Airport are likely to be tourists, however there is no evidence that tourists generally have relatively low incomes. In addition, any impact on tourists is likely to be extremely short term, very probably restricted to one trip to and from Zone 1 for each visit.</p>

Pregnancy/maternity	N	None
Race	N	Black, Asian and Minority Ethnic Londoners are more likely to live in low-income households and are more likely to cite affordability as a barrier to transport. Research suggests that, although the Heathrow workforce has an above-average proportion of staff from Black, Asian and Ethnic Minority backgrounds, these staff are likely to commute from boroughs local to Heathrow that are unaffected by the proposed change to fares between Zone 1 and Heathrow.
Religion or belief	N	None
Sexual orientation	N	None

Q5. Given the evidence listed in step 2, consider and describe what potential positive impacts this work could have on people related to their protected characteristics?

Protected Characteristic		Explain the potential positive impact
Age	N	It is considered that the Proposal is an important contribution to TfL achieving the necessary additional revenue in order to achieve financial sustainability by April 2023. Not achieving financial sustainability would result in TfL requiring further short-term financial support, which may not be forthcoming. The consequences of this are highly uncertain but would be likely to include substantial cuts in service and significantly reduced ability to invest in maintaining and improving London's transport network to support growth in London's population and economy. Achieving financial sustainability will ensure TfL can deliver an efficient and effective public transport network in the long-term, which will have positive impacts for all customers and London.
Disability including carers	N	As above
Gender	N	As above
Gender reassignment	N	As above
Marriage/civil partnership	N	As above
Other – e.g. refugees, low income, homeless people	N	As above
Pregnancy/maternity	N	As above
Race	N	As above
Religion or belief	N	As above

Sexual orientation	N	As above
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Step 4: Consultation

Q6. How has consultation with those who share a protected characteristic informed your work?

List the groups you intend to consult with or have consulted and reference any previous relevant consultation? ²	If consultation has taken place what issues were raised in relation to one or more of the protected characteristics?
Heathrow Airport	<p>Heathrow airport highlighted that together with the Elizabeth Line premium, the proposed Piccadilly Line premium would place little incentive for passengers or colleagues to shift from car to public transport. They suggested the proposal actively discourages sustainable travel and will have a heavy negative impact on commuters.</p> <p>They suggested that the introduction of the premium Elizabeth Line fare has led to Heathrow staff usership significantly fall to almost zero per cent in comparison to when they had a colleague discount on TfL Rail. They'd expect a similar fall on the Piccadilly Line, with colleagues turned away by the hike in prices, (£5.50 instead of £3.50, or £80/month extra), and instead pushed towards less sustainable transport.</p> <p>Their main concern is therefore for Heathrow staff, who use the Piccadilly Line to access the airport for shifts outside of peak times and who'd then be subject to a peak fare at all times of the day just to get to work. This would not only affect the Heathrow staff who live in Zone 1, but all those whose journey takes them into Zone 1 to access the London Underground.</p> <p>They also pointed out that the aviation industry has a significant number of vacancies and they are actively trying to make it as easy as possible for prospective colleagues to access the airport. They believe this proposal will make it harder to recruit.</p>
London Borough of Hounslow	<p>The borough was reassured to hear that residents in Hounslow will not be directly impacted by any changes as the all-day peak fare would apply only to those travelling from or via Zone 1. They did, however, highlight that it does mean that people working at the airport and living beyond Earls Court on the Piccadilly line would need to pay the higher fare if the proposals go ahead. They also noted that in this situation, weekly price capping would apply and help to minimise costs for frequent trips to airport terminals.</p> <p>From a borough perspective, they would ask that transport</p>

² This could include our staff networks, the Independent Disability Advisory Group, the Valuing People Group, local minority groups etc.

	<p>modelling is carried out to better understand the potential effects of the proposals on the road network, particularly as vehicles pass through Hounslow via the A4 and M4. There may be a slight rise in the use of taxis and/or private cars but this should be mitigated by keeping fares low enough to be competitive with alternatives to public transport.</p>
Heart of London Bid Authority	<p>Heart of London Bid Authority highlighted that the West End economy is largely dependent on visitors – whether domestic or overseas – and commuters. This meant that during lockdown, it was disproportionately hit; and since then, a decline in international visitors and changed ways of working have meant that footfall continues to be below pre-2020 numbers. This situation has been exacerbated by the recent staff shortages at Heathrow, which has led to passenger disruption, cancelled flights, and an increased perception that visiting the UK is not worth it right now.</p> <p>They believe we should be doing everything that we can to market London as a world-class destination for all budgets. All parties – including businesses, local government, national government, and transport operators – should work together to ensure that those visiting London have a safe, sustainable and enjoyable experience. This is for sound commercial reasons. Pre pandemic tourists were spending approximately £15bn a year in London.</p> <p>A move to implement an all-day peak fare on Tube and Elizabeth line services to Heathrow that start or go via Zone 1 would mean that the cost of a one way-ticket (if paid for by Oyster or contactless) would rise from £3.50 to £5.50. This is a material increase in percentage terms in the cost of the cheapest way of getting between Heathrow and Central London.</p> <p>They recognise that this proposal assumes most people affected will be tourists, and within the context of a tourist travelling by plane, staying overnight, and spending money in London's numerous venues, £2 each way may not be game changing. They also recognise the budget pressures TfL faces.</p> <p>They are concerned that implementing the proposal would make London less affordable as a destination for budget-conscious travellers, including larger groups and younger visitors. This goes directly against our work to make London's attractions as accessible as possible. It also affects Londoners on a lower income travelling overseas, often not for the purposes of tourism.</p> <p>It will also affect those who need to travel between Zone 1 and Heathrow for work purposes, who will be disproportionately hit by what is effectively a 57% increase. This would exacerbate an already critical recruitment crisis at Heathrow. For low paid workers, this would drive inequality and fuel the cost-of-living</p>

	<p>crisis.</p> <p>At a time when there is significant commentary around inflation being used to artificially inflate prices where there is a captive audience, we also think that increasing the cost of the cheapest way of getting into central London by 57% would be tactically short-sighted and would be seen as a tourist tax by the back door, especially by political opponents. A political row around this would reinforce international perceptions that London / the UK is not open for business. This will only be damaging for London's tourism and hospitality sector, which is already battling major economic headwinds.</p> <p>They are also concerned about the fact that this policy only targets Zone 1, increasing the perception of central London as somewhere only suitable for high-spending tourists.</p> <p>They believe given the action taken by the Mayor to drive London tourism both domestically and internationally, including through a £10m campaign to help drive international tourists back to London, they believe that all policy should be trying to make tourism into London more affordable and accessible</p>
New West End Company	<p>The New West End Company shared with us some data from their Economic Impact report due to be published in Autumn 2022. The recent research as part of Colliers Elizabeth Line survey asked why they tend to use a station/ route rather than another nearby.</p> <p>For the majority of customers asked (62.4 per cent) said that it being closest to their destination was the most important factor followed in second by shortest journey time (11.3 per cent). Only 2.1 per cent said that they would use the mode because it was cheaper. This therefore suggests that price is not the most prominent factor.</p>

Q7. Where relevant, record any consultation you have had with other projects / teams who you are working with to deliver this piece of work. This is really important where the mitigations for any potential negative impacts rely on the delivery of work by other teams.



Step 5: Informed Decision-Making

Q8. In light of the assessment now made, what do you propose to do next?

Please select one of the options below and provide a rationale (for most EqIAs this will be box 1). Please remember to review this as and when the piece of work changes

1. Change the work to mitigate against potential negative impacts found	
2. Continue the work as is because no potential negative impacts found	
3. Justify and continue the work despite negative impacts (please provide justification)	<p>Negative impacts mainly restricted to occasional ones (for tourists). Biggest negative impact is for those working at Heathrow and commuting from or via Zone 1, but this group is estimated to be low in number. However, Heathrow workers will continue to benefit from daily and weekly capping which is unchanged through this proposal, limiting the amount they pay. Those commuting to Heathrow from National Rail stations beyond London via Zone 1 would continue to pay an off-peak price. The proposed Underground price, while significantly increased, remains low relative to prices of other ways of getting to Heathrow. Also, together with Heathrow Airport Limited, we are considering re-instating a discounted scheme for Heathrow Airport workers, this would be subsidised by Heathrow Airport Limited. Given the above, and the importance of achieving financial sustainability, it is considered that the proposal is justified despite the negative impacts.</p>
4. Stop the work because discrimination is unjustifiable and no obvious ways to mitigate	

Step 6: Action Planning

Q9. You must address any negative impacts identified in step 3 and 4. Please demonstrate how you will do this or record any actions already taken to do this. Please remember to add any positive actions you can take that further any positive impacts identified in step 3 and 4.

Action	Due	Owner
Contact Tony Caccavone, Surface Access Director, HAL to ask if there is any information on the number of staff commuting from Zone 1, and any information on concessionary fares available for staff e.g. on Heathrow Express.	Early June	Arnold Cohen

Step 7: Sign off

Signed Off By	EqIA Author	Arnold Cohen Product Manager
	Signature	Date
	EqIA Superuser	Name Job Title
	Signature	Date
	Senior accountable person	Dale Campbell Head of Revenue Analysis: Payments
	Signature	Date
	Diversity & Inclusion Team Representative	Name Job Title
	Signature	Date



F1457 A1 Equality Impact Assessment (EqIA) form

N.B: the completed form should be emailed to the [Diversity and Inclusion team](#)

Project * Programme Strategy Policy*	To increase the non-refundable Oyster card fee from £5 to £7
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Accountable	Head of Revenue Analysis: Payments	Dale Campbell
	DRAFT Signature	Date

Produced By	Product Analyst	Gursharan Bilkhu
	Signature	Date

Reviewed By	Head of Revenue Analysis: Payments	Dale Campbell
	Signature	Date
	Senior Product Manager	Lucy Preston
	Signature	Date

Document History	Version	Date	Summary of changes
	0.1	14.03.22	First draft
	0.2	25.05.22	Reviewed by superuser
	0.3	15.07.22	Updated version sent to EqIA Team
	0.4	12.08.22	Reviewed by Legal

* Delete as appropriate (the Accountable person should always be at least one management level higher than the Responsible person).

Project Related Documents	Doc No.	Document title	Relevant Section(s) of this Document
	1	Oyster Deposit Briefing Note	All
	2	Alternative ticketing options to an Oyster card	All

Step 1: Clarifying Aims

Q1. Outline the aims/objectives/scope of this piece of work

Summary

Due to TfL's reliance on passenger fares for the majority of its operating income, the effect of the pandemic on its finances has been devastating, requiring Government support to keep public transport in London operating. Passenger numbers continue to recover but are still significantly below pre-pandemic levels at 74% on the Tube and 81% on buses. As part of the conditions for providing ongoing Government financial support, TfL is required to work towards financial sustainability, including exploring revenue-raising options.

One option that was explored as a means of generating part of this revenue was to increase the fee for obtaining an Oyster card from £5 to £7 and remove any reimbursement of the fee. This is anticipated to generate additional revenue of £15m per annum (£5m per annum from the increase in the fee, and £10m per annum from removing the reimbursement). We anticipate that some customers will migrate to using contactless, which provides a quicker means of paying for travel and removes the need to queue at ticket machines. It is intended to seek a Mayoral Decision to approve this proposal, with effect from 4 September 2022, as part of the September 2022 Fares Revision.

Background and proposal

When the Oyster card was first introduced in 2003, a number of intended benefits were identified, including: helping to reduce transactions and costs at busy stations; reducing ticket hall queues; and improving support for customers needing to buy a ticket before travelling.

Since 2003 around 120m cards have been issued. In the year prior to January 2020 (that is, prior to the start of the COVID-19 pandemic), nearly 9m cards were issued. Of these, 2m cards were surrendered for a refund of their PAYG credit within four weeks of issue and fewer than 1m were still in use after 12 months. This means that a small proportion were given PAYG credit to the value of their £5 Oyster card fee.

The large-scale use of the refund system by short-term visitors prior to the pandemic increased the number of transactions at some of our busiest stations and added to ticket hall congestion, as well as adding to operational costs.

To help reduce the number of customers seeking short-term refunds, it is proposed that the fee for a standard Oyster card be increased and the PAYG credit made 12 months later is stopped.

Increasing the Oyster Fee from £5 to £7 is expected to encourage more customers to retain and keep using their Oyster card for more than four weeks and therefore reduce the number of customers seeking short-term refunds of Oyster Credit and the resources required to process this. This is anticipated to generate additional revenue of £5m per annum, calculated up to 2027-2028.

Currently the £5 Oyster Card fee is automatically reimbursed as PAYG credit if the card is still in use after 12 months. It is proposed that this automatic reimbursement is stopped. It is anticipated that ceasing Reimbursement would generate additional revenue of an average £10m per annum calculated up to 2027-28. While demand is suppressed due to the pandemic, it is anticipated that ceasing Reimbursement will generate approximately

£5m in the first year, but it is anticipated to increase to £10m per year up to 2027-28 as demand recovers.

This proposal was originally suggested as part of the funding settlement with the government dated 1 June 2021 which required the Mayor and TfL to undertake a joint options review and feasibility study of mechanisms within existing powers to generate between £0.5bn and £1bn of additional net revenue per annum from April 2023 ("the Review"). The Review sought to identify viable new sources of income that could be delivered to raise additional revenue of between £0.5bn and £1bn by April 2023, as required by the 1 June funding agreement. This range of required additional revenue was identified in TfL's Financial Sustainability Plan (FSP) published in January 2021. The FSP noted that a build-up of a considerable debt burden, and the reduction and then withdrawal of its government grant, meant that TfL was showing a projected funding gap estimated at between £0.5bn and £1bn per annum from the mid-2020s onwards. The FSP noted that the pandemic led to a crisis for TfL's immediate financial position, but that with its effect on longer-term travel demand in London, it could also impact the organisation's long-term finances and funding gap. A constrained assessment placed the long-run demand reduction at 20 per cent below previous forecasts, which would increase the long-term funding gap by an additional £1bn per annum. This would increase the gross average funding gap to circa 2bn per annum between 2023/24 and 2029/30.

TfL will continue to face a significant financial challenge as the impact on demand from the pandemic persists. The FSP identified additional revenue per annum of circa £2bn per annum would need to be generated to fill TfL's projected funding gap. This need persists today. It is important that action is taken to generate this additional revenue to enable TfL to reach financial sustainability. This will enable TfL to cease being reliant on the extraordinary government funding settlements that have been necessary as a result of the impact of the pandemic on fares income. These government funding settlements have been short-term, and TfL requires certainty about its long-term funding arrangements in order to function properly. Financial sustainability is key to the continued long-term delivery of an effective and efficient transport network, which will positively impact all customers and London. Not achieving financial sustainability would result in TfL requiring further short-term financial support, which may not be forthcoming. The consequences of this are highly uncertain but would be likely to include substantial cuts in service and significantly reduced ability to invest in maintaining and improving London's transport network to support growth in London's population and economy.

It is considered that the proposal is an important contribution to TfL achieving financial sustainability from a sustainable, recurring, new revenue source that can deliver by April 2023; is in line with the criteria outlined in the funding settlement; is consistent with the Mayor's Transport Strategy; and will have marginal negative impacts on TfL's ambition to achieve net-zero-carbon by 2030. It is estimated that the proposal will generate an average of approximately £15m net revenue per annum calculated up to 2027-28.

Implementing a non-refundable fee in the proposal will reduce the number of customers getting a refund from a ticket machine at stations, which will contribute to fewer queues and less congestion in ticket halls.

To lessen the impact of other planned changes to tickets for visitors, there will still be the option to purchase a Visitor Oyster card at the current £5 fee until after summer 2023. Visitors must purchase this card ahead of their visit to London and will need to factor in time for it to be sent to them. In the 12 months prior to the pandemic over 81,000 Visitor Oyster cards were distributed, with the majority split between customers from the United

States of America (32.3 per cent) and the United Kingdom (26 per cent). The country with the next largest quantity of purchases was Italy at 6.2 per cent.

We will continue to promote the use of contactless, ensuring customers are made aware it's a secure and quick way to pay for travel, while removing the need to queue at ticket machines to top up an Oyster or buy a ticket. Research shows that 90% of card transactions in the UK are made by contactless, indicating that people are comfortable using contactless as a means of payment.

We will communicate these changes through our website, on Passenger Fare Lists at stations and on station ticket machines.

It is now proposed that the Mayor approves the proposal. This document is the Equality Impact Assessment ("EqIA") of the proposal and must be considered by the Mayor when considering any Mayoral Decision on whether to approve the proposal.



Q2. Does this work impact on staff or customers? Please provide details of how.

Customer

This proposed change will impact customers who purchase a standard Oyster card from the 4 September 2022. Those who purchase an Oyster card after this date will need to pay £7 instead of £5. This will affect customers who do not currently have an Oyster card but buy one rather than using contactless bank cards or paper tickets. This could be because they do not have a contactless bank card or prefer not to use it for travel and /or do not wish to purchase paper tickets.

This would not affect holders of a standard Oyster card where a £5 fee has been paid. The fee will also still be returned automatically to the Oyster card as PAYG credit if the card is still in regular use after 12 months. Additionally, customers with a TfL's concession Oyster photocard and Freedom Pass holders are not impacted by this change.

The Oyster Fee increase could also affect existing Oyster card holders who lose their Oyster cards and purchase a replacement rather than using contactless bank cards or paper tickets. Again, this could be because they do not have a contactless bank card or prefer not to use it for travel and /or do not wish to purchase paper tickets.

Most Londoners (there are over [90 million Oyster cards](#) in use) either already have an Oyster card or use contactless. As a result, this cohort are unlikely to be affected by the proposals, unless they lose their Oyster card and buy a replacement.

The increase in fee will further reduce the costs involved in issuing cards and making refunds to short term customers, encouraging them to use contactless instead. Currently, more than 50% of PAYG journeys are made using contactless.

Customers may decide to use contactless payments as an alternative to Oyster, further reducing ticket machine transactions (PAYG top ups, etc.) thereby also reducing queues and congestion in ticket halls.

Where refunds are processed on self-serve ticket machines and staff operated machines at Visitor Centres, the refund is payable according to the card issue date of the surrendered cards. The fee value will be excluded when refunding surrendered cards issued after the change implementation date. Staff will not need to carry out any additional processes.

The most likely customer profiles for use of the £7 oyster cards are UK based infrequent or irregular visitors to London and/or those who do not use contactless, as well as overseas tourists who buy their Oyster cards on arrival, rather than through Visit Britain.

Staff

Staff will not be materially impacted by the proposal.

Step 2: The Evidence Base

Q3. Record here the data you have gathered about the diversity of the people potentially impacted by this work. You should also include any research on the issues affecting inclusion in relation to your work

Consider evidence in relation to all relevant protected characteristics;

- Age
- Disability including carers¹
- Gender
- Gender reassignment
- Marriage/civil partnership
- Other – refugees, low income, homeless people
- Pregnancy/maternity
- Race
- Religion or belief
- Sexual orientation

The evidence base for this EqIA has been collated from a combination of desk-based research and representations made by stakeholders and customers. Elements of the evidence base are included in Step 3, the Impacts section, of this EqIA. The representations received from stakeholders and customers are summarised in Step 4, the Consultation section, of this EqIA. These are referred to at Step 3 of this EqIA, where the potential equality impacts of the proposal are assessed and identified.

The proposal will affect any customer wanting to purchase an Oyster when travelling on the TfL network. The Oyster card is available to anyone travelling in London. It is acknowledged that there are likely to be impacts primarily to low-income groups and tourists travelling to London.

Step 3: Impact

Q4. Given the evidence listed in step 2, consider and describe what potential short, medium and longer term negative impacts this work could have on people related to their protected characteristics?

Protected Characteristic		Explain the potential negative impact
Age	N	<p>Younger age groups eligible for TfL's concessionary travel schemes do not get a standard Oyster card, which currently has a £5 fee. They get an Oyster photocard which has a separate administration fee. The administration fee for photo card applications would remain unchanged.</p> <p>Older Londoners are more likely to be retired, and many live on low incomes. Older London residents eligible for TfL's 60+ concessionary travel scheme do not get a standard Oyster card, which currently has a £5 fee. They get a 60+ London Oyster photocard, which has a separate administration fee. The administration fee for applications would remain unchanged.</p>

¹ Including those with physical, mental and hidden impairments as well as **carers** who provide unpaid care for a friend or family member who due to illness, disability, or a mental health issue cannot cope without their support

		<p>Older London residents eligible for London Councils' Freedom Pass concessionary travel scheme do not pay for an Older Person's Freedom Pass and this would remain unchanged.</p> <p>60+ and older person Freedom pass holders travelling before 9am may be affected, should the Mayor approve in the future a separate proposal to permanently remove free travel from those concessions before 9am. In these circumstances, any holders of the 60+ concession card, or the Older Persons Freedom Pass card, who would need to pay for pre-9am travel could use contactless or buy a paper ticket and avoid the need to buy an Oyster card.</p> <p>Older people who are not residents of London are not eligible for these concessions and so may be impacted by the proposed fee increase. The change would only affect those who do not already have an Oyster card, those that do but need to buy a replacement, and who do not use contactless. However, this is not considered to be a significant negative impact because as it is only a £2 increase and only a one-off payment. They have the option to buy a Visit Oyster card or a paper ticket (which are generally more expensive, but if a one-off journey may be cheaper). For those affected by the removal of the reimbursement, this is also considered unlikely to be a significant negative impact, given the length of time (12 months) that it was previously necessary to obtain the £5 reimbursement. The loss of £5 or £7 over a 12 month period is unlikely to have a significant negative impact.</p> <p>There is also a cost of technology divide that affects older and disabled people. For example, a visually impaired non-Londoner who can afford an Apple watch will probably find paying using the watch the most accessible way to pay for travel when using TfL's services. Another visually impaired person without access to such technology due to cost, will find contactless a lot less accessible. Using cash or a card to top up an oyster card will be the most accessible and affordable way for them to travel.</p> <p>More older and disabled people are getting access to smart technology and are using contactless, but we will still have individuals reluctant or unable to use pay as you go.</p> <p>There is no data available to say how many people in this cohort travel to London.</p> <p>Younger people who are not residents of London are not</p>
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		<p>eligible for these concessions and so may be impacted by the proposed fee increase. The change would only affect those who do not already have an Oyster card, those that do but need to buy a replacement, and who do not use contactless. Younger people are more likely to use contactless and so are less likely to be negatively impacted than affected Older People. This is not considered to be a significant negative impact on younger people because of likely use of contactless; only a £2 increase and only a one-off payment; Visitor Oyster; option to buy a paper ticket (which are generally more expensive, but if a one off journey may be cheaper). For those affected by the removal of the reimbursement, this is also considered unlikely to be a significant negative impact, given the length of time (12 months) that it was previously necessary to obtain the £5 reimbursement. The loss of £5 or £7 over a 12 month period is unlikely to have a significant negative impact.</p>
Disability including carers	Y	<p>Disabled Londoners are more likely to live in low-income households. London residents eligible for a London Councils' Disabled Persons Freedom Pass concessionary travel scheme do not pay for a Disabled persons Freedom Pass and this will remain unchanged. There is no deposit on Freedom Passes.</p> <p>Non-London residents may be affected. Some users in this category may be visitors/or short-term residents.</p> <p>The change would only affect those who do not already have an Oyster card, those that do but need to buy a replacement, and who do not use contactless. However, for those affected by the increase in the fee for the Oyster card, this is not considered to be a significant negative impact because it is only a £2 increase and only a one-off payment. There is also the option to buy a Visit Oyster card or a paper ticket (which are generally more expensive, but if a one-off journey may be cheaper). For those affected by the removal of the reimbursement, this is also considered unlikely to be a significant negative impact, given the length of time (12 months) that it was previously necessary to obtain the £5 reimbursement. The loss of £5 or 7 over a 12 month period is unlikely to have a significant negative impact.</p> <p>Disabled people can link a Disabled Person's Railcard to their Oyster card, and benefit from that discount. Currently they cannot benefit from the same discount when using contactless payments via a bank card. If a disabled person (who is not eligible for a Disabled Persons Freedom Pass) wants to use that benefit, they</p>



		<p>will have to pay a £7 fee for an Oyster card (if they do not already have an Oyster card).</p> <p>See attached Appendix with alternative ticketing options</p> <p>TfL will monitor the impacts on disabled people from outside London and as appropriate will explore the following potential mitigations:</p> <ul style="list-style-type: none"> • Enabling a disabled person's railcard to be associated with a person's bank card • Allowing anyone who links their disabled person's railcard to an oyster card, to get a refund when they surrender the card regardless of amount of use
Gender	N	<p>Women are more likely to be the primary carer at home, so are less likely to be in full-time employment. Women also more frequently cite affordability as a barrier to transport. The increase in the Oyster card fee could therefore have a negative impact on this cohort. Customers who already have an Oyster will not be impacted unless they lose them and purchase a replacement. For those affected by the increase in the fee for the Oyster card, this is not considered to be a significant negative impact because it is only a £2 increase and only a one-off payment. There is also the option to buy a Visit Oyster card or a paper ticket (which are generally more expensive, but if a one-off journey may be cheaper). For those affected by the removal of the reimbursement, this is also considered unlikely to be a significant negative impact, given the length of time (12 months) that it was previously necessary to obtain the £5 reimbursement. The loss of £5 or 7 over a 12 month period is unlikely to have a significant negative impact.</p> <p>For some customers, paying £7 for a new Oyster may be difficult (if they are on very low incomes) or may not be suitable. See below on low incomes. However, there will still be the ability to pay for travel using contactless or by buying a paper ticket.</p> <p>According to research by "statista" women are more likely to use contactless as a means of payment and have a greater trust in it.</p>
Gender reassignment	N	None

Marriage/civil partnership	N	None
Other – e.g. refugees, low income, homeless people	N	<p>Some users in this category may be short term visitors or may not use their cards regularly and therefore would no longer get a refund of the £7 card fee either on surrender or as a PAYG top up after 12 months.</p> <p>As a part of our mitigations, we will encourage trust in contactless transactions such as making it easier to check your transactions with TfL. We will also provide clear and accessible information about the most cost-effective ways to pay for travel.</p> <p>We will communicate through our website the changes to the Oyster card fee.</p> <p>Although the Oyster Fee increase is only a one-off of £2, it is possible that that some people in severe poverty might find this difficult and be negatively impacted. There are a number of concessions available that may support this cohort; these include:</p> <ul style="list-style-type: none"> Job Centre Plus Travel Discount Bus & Tram Discount National Rail Discount schemes Freedom Pass 60+ London Oyster photocard 5-10 Zip Oyster photocard 11-15 Zip Oyster photocard 16+ Zip Oyster photocard 18+ Student Oyster photocard Apprentice Oyster photocard <p>See attached Appendix with alternative ticketing options</p>
Pregnancy/maternity	N	None
Race	N	<p>Black, Asian and Minority Ethnic Londoners are more likely to live in low-income households and are more likely to cite affordability as a barrier to transport. The increase in the Oyster card fee could therefore have a negative impact on this cohort. For impacts on those on low incomes, see above.</p>

Religion or belief	N	None
Sexual orientation	N	None

Q5. Given the evidence listed in step 2, consider and describe what potential positive impacts this work could have on people related to their protected characteristics?

Protected Characteristic		Explain the potential positive impact
Age	N	It is considered that the Proposal is an important contribution to TfL achieving the necessary additional revenue in order to achieve financial sustainability by April 2023. Not achieving financial sustainability would result in TfL requiring further short-term financial support, which may not be forthcoming. The consequences of this are highly uncertain but would be likely to include substantial cuts in service and significantly reduced ability to invest in maintaining and improving London's transport network to support growth in London's population an economy. Achieving financial sustainability will ensure TfL can deliver an efficient and effective public transport network in the long-term, which will have positive impacts for all customers and London.
Disability including carers	N	As above
Gender	N	As above
Gender reassignment	N	As above
Marriage/civil partnership	N	As above
Other – e.g. refugees, low income, homeless people	N	As above
Pregnancy/maternity	N	As above
Race	N	As above
Religion or belief	N	As above
Sexual orientation	N	As above

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Step 4: Consultation

Q6. How has consultation with those who share a protected characteristic informed your work?

List the groups you intend to consult with or have consulted and reference any previous relevant consultation? ²	If consultation has taken place what issues were raised in relation to one or more of the protected characteristics?
Citizens Advice	No issues were raised.
The Salvation Army	No issues were raised.
The Trussel Trust	No issues were raised
The Felix Project	No issues were raised
The Independent Food Network	No issues were raised.

² This could include our staff networks, the Independent Disability Advisory Group, the Valuing People Group, local minority groups etc.

Q7. Where relevant, record any consultation you have had with other projects / teams who you are working with to deliver this piece of work. This is really important where the mitigations for any potential negative impacts rely on the delivery of work by other teams.

Other areas notified:

TfL Legal

TfL Press Office

T&D Analytics

T&D TechDev

Contact Centre Operations

Oyster online team

Rail Delivery Group

Train Operating Companies

Other areas to be notified:

Digital (for website updates)

Operational staff affected by the change



Step 5: Informed Decision-Making

Q8. In light of the assessment now made, what do you propose to do next?

Please select one of the options below and provide a rationale (for most EqIAs this will be box 1). Please remember to review this as and when the piece of work changes

1. Change the work to mitigate against potential negative impacts found	
2. Continue the work as is because no potential negative impacts found	
3. Justify and continue the work despite negative impacts (please provide justification)	<p>The negative impacts will affect short term users, which, although not specific to, may include those with a protected characteristic.</p> <p>Low ridership during the pandemic had a seismic negative impact on TfL's finances, requiring the Mayor to obtain extraordinary funding from Government to keep TfL running. This Government funding has been provided under a series of funding settlements since May 2020, and Government has attached conditions to this funding.</p> <p>This change is one part of a range of activities to help raise revenue and contribute to making us financially viable.</p> <p>It is crucial to the continued long-term delivery of an effective and efficient transport network that TfL achieves financial sustainability as soon as possible, with a target of April 2023.</p>
4. Stop the work because discrimination is unjustifiable and no obvious ways to mitigate	

Step 6: Action Planning

Q9. You must address any negative impacts identified in step 3 and 4. Please demonstrate how you will do this or record any actions already taken to do this. Please remember to add any positive actions you can take that further any positive impacts identified in step 3 and 4.

Action	Due	Owner

Step 7: Sign off

Signed Off By	EqIA Author	Gursharan Bilkhu
	Signature	Date
	EqIA Superuser	Name Job Title
	Signature	Date
	Senior accountable person	Lucy Preston Senior Product Manager
	Signature	Date
	Diversity & Inclusion Team Representative	Name Job Title
	Signature	Date



Attached:

Document 1 Oyster Deposit Briefing Note



Document 1 Oyster
Deposit Briefing No

Document 2 Alternative Ticketing Options to an Oyster card



Document 2
Alternative ticketing