Transport for London
London Underground

Delays possible – TfL response to recommendations

Recommendation 1

There is a looming funding crisis on the Underground. Irrespective of efforts to attract additional funding and reduce costs, TfL should publish a revised business plan before its draft 2010/11 budget is submitted in December 2009. It should reflect the fact that the cost of the Underground upgrade is increasing, and that there will be a long-term impact to TfL's finances.

Shortly after the Committee published its report on 19 March, TfL published its £9.2bn budget for 2009/2010. The budget anouncement confirmed details of some revisions to the previously published investment programme, which were a result of lower projections for future fares revenue caused by the deterioration in the wider economy, coupled with the drain on resources caused by the collapse of Metronet. The Metronet budget has been fully reviewed and reworked to enable the work that had failed to be completed previously to be properly completed now – with some £2.5bn of costs removed. This has led to an inevitable reprioritisation of stations which are now being completed to a revised programme

The budget has confirmed the scope of the programme now being taken forward, which has at its core the Underground line upgrades that will deliver the asset renewal and increases in capacity and reliability which the Committee rightly identifies in its report as vital to London's long-term transport requirements, and to the capital's economy.

TfL will publish a revised business plan annually and the 2010/11 Business Plan will take account of the budget announcement made in March and other factors. This will be published in October or early November 2009. Clearly, pending the resolution of the Periodic Review process now in progress, we do not know the precise costs of Tube Lines' work programme for the second period of the PPP contract commencing in June 2010. It is possible this will have an impact on TfL's long term business plan, though we hope that Tube Lines will submit a sensible and moderate response to the Restated Terms later this month.

We continue to believe that, if the Periodic Review results in additional unforeseen costs that derive directly from the PPP structure, there is an obligation on Government to make up that shortfall.

Recommendation 2

Now that they have been submitted to Tube Lines, a summary of the Restated Terms should be published, including a breakdown of projects that were due between 2010-2017 but have been deferred.

The issue of Restated Terms was only the start of a long contractual process but we do envisage publishing the final terms when the process is complete. Our priority is to deliver an affordable programme of works. LU provided an affordable set of terms to Tube Lines and we look forward to their response this month.

In summary the Restated Terms did not substantially change the work to deliver major increases in capacity and reliability through new trains and new signalling. Neither were any significant projects deferred. However, much has been learnt over the first period of works that informed the terms. For example, we now propose to refurbish stations broadly every ten years, and in some cases 15 years, as opposed to the seven year cycle in the current contract. Most of the other changes reflect more technical changes to contract terms.

Detailed information on TfL's investment programme, including for the Jubilee, Northern and Piccadilly lines, is available on the TfL website.

Recommendation 3

If the contracts are eventually taken in-house, the PPP Arbiter should retain a statutory role in relation to the Metronet work programme. At least, the Arbiter should be able to make independent assessments of London Underground's progress in delivering the work programme and continue to undertake benchmarking of the different delivery arrangements through comparisons with Tube Lines. When the Arbiter's role is redrawn, annual reporting to the London Assembly should be built in. London Underground should also be required to publish performance reports at specified points each year.

The role of the PPP Arbiter is essentially to resolve financial disputes under the contract. TfL believes this is indispensable under the current arrangements (with Tube Lines) involving both the private and the public sector. However, under a different, non-PPP, arrangement, there is no logic for having a statutory arbiter. The TfL Board has responsibility for ensuring TfL's finances and delivery are efficient and economic – across the entirety of its operations and responsibilities. TfL is also subject to the scrutiny of the Audit Commission in the same way as other public bodies.

Nevertheless the PPP Arbiter will, by definition, be able to make comparisons between the different delivery arrangements as suggested. TfL has given a clear undertaking to the PPP Arbiter to continue to provide him with the information on the ex-Metronet lines that he needs to enable him to discharge his responsibilities in relation to Tube Lines.

We will also maintain and strengthen the recording and publication of performance information across all lines, so that a transparent assessment of the performance of the PPP and of LU can be made. As well as the continuation of the annual reports we have published since the PPP Contracts commenced, we will shortly commence the publication of four-weekly reports on performance - increasing the level of information about the performance of the lines previously maintained by Metronet.

Within TfL, the former Metronet activities are now subject to additional scrutiny in a number of ways, including through the public accountability of TfL to the Mayor – who in turn, of course, is accountable to London and subject to the Assembly's scrutiny. TfL Board Papers are published on the TfL website. TfL's activities, including those inherited from Metronet, are also subject to the provisions of the Freedom of Information Act – Tube Lines', of course, are not, nor were Metronet's.

TfL considers that oversight and information on their own are insufficient without the contractual levers to take controlling and mitigating steps to manage cost escalation. These are absent under the PPP structure. Before Metronet's collapse, when the suggested independent assessment of its activities was in place, there is no evidence that this resulted in efficiency – only that after a long period, the extent of Metronet's inefficiency became unquestionable.

The adequacy of the current oversight arrangements will be tested when Tube Lines submit their response to the Restated Terms and it will be possible to assess the level of transparency achieved in relation to issues such as the costs of the upgrades, in particular following the Arbiter's guidance in 2008.

Recommendation 4

We recommend that TfL should respond to the recommendations in this report by the end of June 2009. In its response, London Underground should explain the reasons behind its expectation that only ten stations will be completed each year.

As mentioned above, the ex-Metronet stations programme has had to be revised in order to ensure the best use of currently available funding, and to prioritise delivery of the line upgrades. A breakdown of the programme is attached.

For Tube Lines's stations, as stated above our expectation is that refurbishing stations every ten to 15 years, as opposed to the seven year cycle in the current contract, will provide the best balance between maintaining a high standard of station facilities and ensuring that the crucial line upgrade works are prioritised.

Recommendation 5

Liabilities in the event of further cost increases associated with the Underground upgrade or an overspend on Crossrail should be made more explicit in a revised TfL business plan, which should be published before its draft 2010/11 budget is submitted in December 2009.

TfL will publish a revised business plan annually and the 2010/11 Business Plan will take account of the budget announcement made in March and other factors. This will be published in October or early November 2009.