

REQUEST FOR MAYORAL DECISION – MD1310

Title: Removal of cash payment on TfL's Bus Services

Executive Summary:

TfL proposes to remove payment by cash on TfL's bus services in 2014. This paper sets out the results of the consultation which considered this proposal and provides TfL's response to the consultation and the mitigation measures it proposes to accompany the removal of cash payment.

Taking into account the outcome of the consultation exercise and the proposed mitigation measures, the Mayor is asked to approve TfL's recommendation to:

- a) remove payment by cash on TfL's bus services; but
- b) subject to confirmation that the key mitigation measures set out in this paper are in place in summer 2014.

Decision:

The Mayor is asked to:

- Approve the removal of payment by cash on TfL's bus services in summer 2014; and
- Direct TfL under section 155(1) of the Greater London Authority Act 1999 to remove the cash fare on TfL bus services, subject to TfL confirming to the Mayor in writing that the key mitigation measures set out in this MD are in place.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 As a result of the introduction of Oyster and the pricing policy on the cash fare, the proportion of London bus passengers who pay their fares in cash has fallen from around 20% ten years ago to only 1% today. This amounts to roughly 60,000 trips a day.
- 1.2 Cash payment is set to reduce further as the acceptance of contactless payment cards (CPC) for fare payment becomes more established. Within Central London cash payment on the bus was withdrawn in the Summer of 2003 and passengers wishing to pay by cash had to first purchase a ticket at a Roadside Ticket Machine.
- 1.3 The case for ceasing to accept cash for bus travel is, therefore, increasingly compelling. TfL has developed a proposal and has recently consulted key stakeholders and the public about the opportunity to introduce cashless operation during 2014. This would not affect the use of cash by passengers to purchase or top-up their Oyster card.

The benefits and disadvantages to bus passengers of removing cash use

- 1.4 The benefit of removing cash would be a simpler customer proposition which could be readily communicated and which would take away the occasional delays and disputes currently experienced. In particular, with the very low volume of cash payers there are often problems when passengers want to pay by cash with a bank note and the driver does not have sufficient change.
- 1.5 The disadvantage of removing cash would be the removal of the fall-back option of customers having the ability to pay cash should they not have an Oyster or CPC with them for any reason, or not have enough funds on their Oyster.

Operational benefits

- 1.6 Most of the operational benefits from reducing cash use, in terms of reduced time at bus stops, have already been realised as the proportion of cash payers has dramatically reduced over the past few years. Further significant savings can only be made if cash is removed entirely as a means of payment.
- 1.7 The remaining operational savings come mostly from the removal of cash handling at bus garages and the need for drivers to pay in the cash. Further cost savings would also arise from replacing the bus ticketing machines with a simpler device when they come to be renewed. If progressed, net savings would be realised from 2016/17 (as evidenced in Appendix 1), building to around £24m per annum from 2019/20 onwards that would be reinvested into the transport network for the benefit of everyone.
- 1.8 Removing cash from buses ought to also contribute to staff safety and security, relieve one of the known sources of conflict with passengers and simplify the whole driving job proposition.

'Who pays cash?'

- 1.9 Cash use is now around 1% of all bus passenger journeys. Of the remaining passengers, 34% have free travel (children under 18, Freedom Pass, etc.), 22% use Oyster Pay As You Go (PAYG) and 43% have some form of Travelcard or Period Pass.
- 1.10 Research into who pays cash was carried out last July, updating previous work from July 2011, and the detailed research report is attached as a supporting background paper to this paper. The research indicates that of those passengers who pay cash, 86% already have an Oyster card (up from 72% in 2011). Of the reasons given for paying cash, 83% of Londoners and UK non-Londoners combined said they paid cash because they either forgot their Oyster card or had insufficient funds on it (up from 73% in 2011). In particular, only 3% of cash payers indicated that they did not have a bank account/prefer to pay cash.

- 1.11 Customers paying by cash have a broadly similar profile to the overall market in terms of gender, age and social grade, although cash payers are more likely to be younger than average, with two-thirds being aged between 16 and 34 years old.
- 1.12 Around 10% of all cash payments are made between midnight and 6am. This amounts to about 2% of all night bus journeys (around 10,000 on a Friday and Saturday night).
- 1.13 There are three principal groups within the current cash market:
- Regular bus users, who pay cash occasionally due to a low PAYG balance or not having their card with them.
 - Users in areas of Outer London, including of cross-boundary services, where the Oyster Ticket Stop coverage is relatively thin.
 - Infrequent or occasional users, including tourists, visitors and business travellers, some of whom may not understand the options available.

Consultation on the proposal

- 1.14 As part of the pre-consultation process to assist in understanding the issues stakeholders have about cashless operation, TfL hosted two workshops in July with representatives from councils and passenger organisations in and bordering London. These included staff from London Councils and London TravelWatch. TfL also briefed the Chair of the GLA Transport Committee.
- 1.15 These informal sessions were useful in confirming the issues that stakeholders have about the proposal. These mainly related to the measures that TfL will take to mitigate the impact on the very small number of passengers who still pay by cash. At these informal sessions stakeholders were generally positive about cashless operation and many commented that they can see that it makes operational sense for TfL.
- 1.16 These comments were taken into account in the formal consultation that commenced on Monday, 19 August 2013 and ran for 8 weeks until Friday, 11 October.
- 1.17 TfL encouraged a wide response to the consultation through emailing around 1.5 million bus users that have provided an email address, posting 3,000 posters across the bus network, and placing adverts in the Metro, Evening Standard and local newspapers.
- 1.18 At the close of the consultation on Friday, 11 October TfL had received over 37,000 responses to the consultation. Of these around 12,000 (32%) agree with the proposal and around 25,000 (68%) disagree.
- 1.19 The key group of interest are those who disagree with the proposal and currently use cash themselves, which accounts for just over 7,000 (20%) of all respondents, as this is the group that will be most affected by the change. The main issues this group has raised are around:
- the availability of Oyster including more places to buy/top-up Oyster cards,
 - the provision for visitors and tourists, the possibility of other payment methods including via mobile phones,
 - the need for time for people to adapt to the proposed change, and
 - the need to ensure that bus drivers are fully aware of TfL's current policy of not leaving vulnerable people stranded if they do not have any means of payment other than cash.
- 1.20 The attached Consultation Report provides a detailed summary of the responses from both the public, and the views of statutory bodies and key stakeholders. TfL plan to publish this report on their website at the same time as this Mayoral Decision is published.

Proposed mitigation measures

- 1.21 In order to meet the concerns identified during the consultation, TfL have developed a series of measures to mitigate the impact of removing the option of paying cash including:
- a. The introduction of a new Oyster feature that will allow a passenger who has an Oyster card with a balance of less than the single bus fare (currently £1.40) but with a positive balance (i.e. £0 or more) to go into negative balance and make one bus journey. This facility will also issue the passenger with a slip informing them that they must top up their Oyster card before making any further trips. When the card is next topped up, this negative balance would be taken from the value added to the card. This facility will be important as the latest research of cash payers shows that nearly 50% of them indicate that they paid cash because their Oyster card had insufficient balance on it. TfL has already commissioned Cubic to develop this software change and this feature will be available by summer 2014 before cashless operation is implemented. The workshops and other discussions with key stakeholders have identified that, alongside greater marketing of the availability of Oyster and CPC (including where and how passengers can top-up their Oyster card), there is considerable support for this facility.
 - b. Further encouraging cash payers to move to alternative methods of payment (namely Oyster and CPC) through both marketing campaigns, including marketing which has taken place last Autumn to encourage passengers to make use of CPC if they have either forgotten their Oyster card or have insufficient balance rather than pay cash, and as a result of the public launch of Phase 2 of the Future Ticketing Project (FTP), which will allow CPC use across all TfL public transport modes and include daily capping. CPC payment has been accepted for bus journeys since December 2012. Already over 385,000 unique cards have been used and over 6 million journeys made, with CPC expected to account for roughly 0.5% of all bus journeys by the end of 2013. The Oyster Tracker Survey indicates that around three quarters of TfL's customers are now aware of CPC and this is not significantly different for any sex, age or socio-economic group. Increasing CPC availability and use should help address the issue of regular bus users who have either forgotten or who have insufficient funds on their Oyster card. The Oyster Tracker Survey also indicates that 33% of customers had a CPC at the end of 2012 and TfL expect that about a half of its customers will have a CPC by the end of 2013. Card issuers are prioritising CPC roll-out in London and the South East region. A leading card scheme provider estimates that CPC take-up in this area would typically be twice the national average and that soon the vast majority of TfL customers will be carrying at least one CPC-enabled card. TfL is also aware of a number of major card issuers which over the next six months will be reissuing cards to all London and South East regional customers, and these new cards will be CPC-enabled. The public launch of Phase 2 of the Future Ticketing Project (FTP), which will allow CPC use across all TfL public transport modes and include daily capping, is expected to take place early in 2014 and provides a further opportunity for customers to move to CPC as a means of payment.
 - c. TfL will review the Oyster Ticket Stop network which currently has around 4,000 locations. There is the opportunity for a limited number of additional Oyster Ticket Stops to be added to the network. TfL will particularly look at the distribution of Oyster Ticket Stops in areas in Outer London/outside the London boundary, since cash use on routes that cross the GLA boundary is 2.4% compared to the network average of 1%.
 - d. Targeted marketing and communications campaigns to focus on the known categories of remaining cash users, and using a wide range of different media channels to ensure effective coverage. In particular, as noted above, marketing last Autumn has encouraged passengers to switch from cash to Oyster or CPC pointing out the £1 saving they will make for each journey. The marketing of cashless operation will also be integrated with the campaign around the launch of FTP Phase 2;
 - e. TfL will also continue to work with London & Partners to market the proposed move to cashless operation to visitors and tourists from outside London, including the availability of Oyster and CPC; and

- f. As now, vulnerable customers without valid cards or tickets would be permitted to board in defined circumstances – clear rules and procedures for bus drivers are already in place, and these will be reinforced with the operators and their staff. In current procedures, it is explained to each drivers what is meant by a person who is vulnerable or in distress, for example:
 - Young children and older people
 - Anybody who could be at risk if left behind, including those in isolated places or at quieter times (for example, woman travelling alone at night)
 - People who are disabled, injured, unwell or who have had an accident, assault or similar incident
 Drivers can also call TfL's 24/7 command and control centre for advice and guidance if they are unsure what to do and/or require further assistance.
- g. TfL will work with other organisations representing potentially vulnerable users, such as the Suzy Lamplugh Trust and Age UK London, in further refining and developing the rules and procedures regarding vulnerable passengers. The first meeting of this group will take place in February. TfL will run a series of multi-disciplined workshops to ensure staff and user issues are fully considered and worked through, with an integrated communication plan developed, ensuring staff at every level are aware of and understand the procedures so that they are applied in a consistent way. Overall the aim will be to keep it as simple and practical as possible. But TfL is mindful of the need to ensure drivers routinely working late and night shifts are fully engaged with, given they are likely to be the group having to deal with vulnerable passengers the most, and it will work up details to ensure this is addressed with the bus operators at the manager briefing sessions.

1.22 In the light of the reduction of cash payers from around 20% ten years ago to only 1% today, and that this figure will further decline as CPC usage increases, particularly with FTP Phase 2, the case for ceasing to accept cash for bus travel is compelling and it will also provide savings that can be reinvested into the transport network for the benefit of everyone. The response to the consultation has raised a number of issues that are being addressed before cashless operation can be implemented and TfL considers that the proposed mitigation measures set out in paragraph 1.21 address these issues and mean that the implementation should proceed once the measures are in place in the summer of 2014.

Next steps

1.23 Based on the timescales for developing and implementing the mitigation measures set out above, it is expected that confirmation of the actual date for implementing cashless operation of the bus network can be made in the spring of 2014, with the most likely implementation date being July 2014.

2. Issues for consideration

Links to Mayoral Strategies

2.1 Proposal 123 of the Mayor's Transport Strategy relates to fares collection and provides as follows:

The Mayor, through TfL, and working with London boroughs, train operating companies, other transport operators and stakeholders, will explore ways to reduce the cost of revenue collection and to make fare payment quicker and more convenient for passengers through the use of new technology and other initiatives.

2.2 The proposals contained in this Decision Form will reduce the cost of revenue collection and will make payment quicker and more convenient for passengers, including by allowing customers to go into negative balance when paying by Oyster in certain circumstances.

Consultation

- 2.3 TfL carried out an eight week non-statutory public consultation in relation to the proposals contained in this Decision Form. The results are summarised in section 1 above and contained in the Report annexed to this Form.

Equalities and Impact Assessments

- 2.4 TfL have prepared an Equality Impact Assessment (EQIA) which is appended to this Mayoral Decision Form and have also reviewed the proposal in light of Section 17 of the Crime & Disorder Act 1988. The main equality issues that have been identified are as follows:-

Gender	Women and men use cash in broadly the same proportion. The inability to pay using cash may mean that, without an Oyster, some people may fear being left behind and feel vulnerable. This could have a disproportionate impact on women, in terms of their perceived safety and security, although TfL is clear that vulnerable passengers will not be left stranded if they do not have an Oyster or contactless payment card.
Race	The key negative issue for race will be around information. Research shows that some BAME groups know less about services than others. TfL will monitor the effectiveness of any marketing of cashless operation to ensure that it reaches and informs people from BAME groups.
Disabled people	This group may particularly fear being left behind and feel vulnerable, although TfL is clear that vulnerable passengers will not be left stranded. Access to information about the changes will be key. This should include details of fully accessible places to “top up” their Oyster card for those without a Freedom Pass.
LGBT	This group may particularly fear being left behind and feel vulnerable, although TfL is clear that vulnerable passengers will not be left stranded.
Age	London residents who are 60 or older (including non-London residents who hold an England older peoples’ bus pass) and children under 16 already benefit from free bus travel in London and so they are unaffected by this change. However, for those who do not hold such concessionary passes or their concessionary pass has been lost or stolen, then those who do not know about the service change or are unable to purchase tickets may fear being left behind and feel vulnerable.
Faith Groups	There is no specific impact identified with faith that is not already dealt with under the Race section.

- 2.5 As noted in paragraph 1.9, 34% of bus passengers already have free travel and would not be affected by cashless operation. This group includes all London residents under 16, London residents aged between 16 and 18 who live in London and are in full-time education, Freedom Pass holders who are older and eligible disabled London residents, 60+ Oyster Card holders who are people over 60 who are not yet entitled to a Freedom Pass and older people who have an English National Concessionary Travel Pass.
- 2.6 The primary issue identified as part of the Section 17 review involves the potential for people who only have access to cash being denied access to travel and then left at possible risk of crime (see paragraph 1.21 for the proposed mitigation measure).

- 2.7 TfL considers the key issue in terms of equalities and crime and disorder considerations relates to the treatment of passengers who have cash available, but do not have an Oyster or CPC with them, once cash payment is no longer available. This issue is already covered by existing operational procedures and if cashless operation is to be introduced TfL will reinforce these procedures with its operators as indicated in paragraph 1.21.
- 2.8 TfL will ensure that its marketing campaign outlining the change with cashless operation reaches and is understood by all of London's communities, and will monitor the message 'penetration' particularly in BAME groups.

3. Financial comments

- 3.1 There will be no financial implications for the GLA arising from the proposal.
- 3.2 The attached Appendix 1 sets out how the costs and savings of the proposal develop from 2013/14 onwards and shows that TfL would make net savings from 2016/17 building to around £24 million a year from 2019/20 onwards that would be reinvested into the transport network for the benefit of all passengers. This amounts to net savings of around £30 million by 2018/19 and to around £130 million over the period to 2022/23.

4. Legal comments

- 4.1 Section 181 of Greater London Authority Act 1999 ("the 1999 Act") provides that TfL shall determine the local bus services required in Greater London ("the London bus network") to provide a safe, integrated efficient and economic transport service. Paragraph 5 of Schedule 11 to the 1999 Act allows TfL to provide facilities to benefit those using these services. Paragraph 32 of Schedule 11 provides that TfL may do all things which it considers necessary or expedient to facilitate the discharge by it of any of its functions.
- 4.2 These and all other relevant and applicable powers allow TfL to provide and, where it is expedient, remove payment facilities from the London bus network and to take such steps as TfL considers appropriate to mitigate the impact of the removal.
- 4.3 Section 155(1) of the 1999 Act provides that the Mayor may issue directions to TfL as to the exercise of its functions. Section 174(1) of the 1999 Act provides that the Mayor is under a duty to exercise his powers under section 155(1) so as to ensure that the general level and structure of fares for passenger transport services (provided by TfL or other persons who provide services under agreement with TfL) are determined. Appendix 2 is a letter which directs TfL to remove the cash fare from bus services after key mitigations are in place. This decision is consistent with the legal powers and duties of the Mayor under the 1999 Act.
- 4.4 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and TfL must, in the exercise of their functions, have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The equalities implications of this proposal are discussed in summary at sections 2.4-2.7 above. The obligation in section 149(1) of the Equality Act 2010 is placed upon the Mayor, as decision maker. Due regard must be had at the time a particular decision is being considered, and the duty is non-delegable, and must be exercised with an open mind. The Mayor must have an adequate evidence base for his decision making, and therefore should carefully consider the full equalities analyses undertaken in respect of the proposal attached to this Decision when form when making a decision.

- 4.5 It is also a relevant consideration for the Mayor to carefully take into account the outcome of the consultation on the proposal. As pointed out at paragraph 1.18 above, TfL received over 37,000 responses to the consultation. Of these around 12,000 (32%) agree with the proposal and around 25,000 (68%) disagree. The response to the consultation (including the majority opposition to it), in the light of the proposed measures by TfL to mitigate the impact of the proposal, are matters which are relevant considerations for the Mayor to conscientiously take into account when deciding whether or not to direct TfL to implement this proposal.

5. Investment & Performance Board

- 5.1 This decision was considered by the Investment and Performance Board through urgency procedure on the 29th January 2014 and it was approved in-principle in the terms set out in this MD.

6. Planned delivery approach and next steps

- 6.1 TfL's Director of Buses will lead the implementation of the proposal drawing on resources from across TfL including from Customer Experience for the Oyster related elements and from Marketing & Communications for the development of the public marketing and communications campaigns. London Buses would lead on working with the operators and their staff on the operational procedures, including further refining and developing the procedures about vulnerable passengers.
- 6.2 If the Mayor is minded to approve the decision, TfL proposes that the removal of cash payment takes place in the summer of 2014 after the roll-out of CPC use across all of TfL's public transport modes early in 2014 and the roll-out of the new Oyster feature allowing passengers with insufficient but positive balance to go into negative balance and make one bus journey.
- 6.3 TfL will notify the Mayor in writing of the exact implementation date in the spring of 2014 once the position on the Oyster and CPC changes is clear. This will allow the main marketing campaign to commence at least two months before implementation. The marketing campaign will run for at least one month after the 'go live' date.

Appendices and supporting papers:

Appendix 1: Cashless Bus Costs and Savings

Appendix 2: Direction

Appendix 3: Equality Impact Assessment, July 2013 (updated in December 2013)

Background Papers:

'Going Cashless on TfL Bus Services', Consultation Report, TfL, December 2013

'Cash payment on buses', Final Report by SPA Future Thinking for TfL, July 2013

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason: To align with a Mayoral announcement /press release.

Until what date: 31 January 2014

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Christian van der Nest has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Victoria Hills/Tim Steer has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Isabel Dedring has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date