London Assembly Budget and Performance Committee investigation into the impact of the Mayor's fares decision – written evidence submission from London TravelWatch.

1. Introduction

1.1 Thank you for the opportunity to submit evidence to your scrutiny meeting on the above subject. This is subject which has exercised London TravelWatch and it's predecessors for many years.

1.2 This paper sets out London TravelWatch's view of recent fares policy, and how it believes that Transport for London (TfL) should be guided in setting future policy and addressing any shortfall in the TfL budget, in the interests of users.

2. The impact of fares changes on users

2.1 London transport users have been subject to considerable change in fares and ticketing policies over the past ten years, with users subject to either huge increases in fares well above inflation, or a reduction in fares, or no change at all or in the case certain specific groups the removal of the requirement to pay fares at all. In the case of the first three scenarios passengers may have been subject to all of these in successive years. In addition changes in ticketing policy such as the introduction of Oyster have also led to significant changes to the relative costs of travel with London.

2.2 It is well known that there is a linkage between the cost to the user of travel and demand. This means that fares and ticketing policy will have implications for example on the level of overcrowding on the network and for people on low incomes their ability to access goods and services. In particular the large disparity between cash fares and Oyster Pay As You Go has been cause for particular concern. High cash fares have been seen to be a major disincentive for visitors to come to the capital, or to feel that London does not offer good value for money.

2.2.1 It should be noted that in the past few years demand for transport in London has in many cases not followed previously accepted wisdom about the nature of demand e.g. that demand falls off the higher the rate of increase in fares. This has largely been attributed to sustained economic growth and parallel increases in transport costs e.g. petrol or diesel prices, increased congestion on the road network and or reduced availability of parking spaces.

2.3 The Mayor and his predecessor have used these known linkages to try and influence travel behaviour in a number of cases in recent years. However, these have not been consistently applied during that period across the public transport network as a whole.

2.3.1 For example buses originally had a morning peak fare in order to encourage non-essential users to travel later in the morning when spare capacity was available. However, this was abolished in 2006 and all passengers expected to pay the higher rate all day. In January 2009 however, a peak / off-peak fares structure was introduced on the Undergound, Docklands Light Railway (DLR) and London Overground in order to encourage passengers to use these outside of peak hours. Conversely, restrictions on child fares and the use of Freedom Passes have been withdrawn such that there are now no incentives for these concessionary travel holders to modify their travel behaviour to make best use of available capacity.

2.3.2 London TravelWatch has welcomed the use of zonal structures for fares on the rail networks in the interests of equity across London. However, we acknowledge that zonal boundaries will always be problematic, and that in some cases there have been substantive increases in National Rail Season Ticket prices.

2.3.3 Fares and ticketing policies have also been used to address wider societal issues. For example the introduction of free travel for children, and reduced fares for those on benefits on the bus network were seen as measures to address poverty, improve social inclusion and environmental concerns.

2.4 In terms of absolute numbers the impact of fares and ticketing changes on particular modes will have varying impacts. The best source of information on this is the London Travel Demand Survey 2007/08.

	Use at least weekly	Less frequently	Never
Buses	57%	30%	13%
Underground	37%	45%	18%
DLR	3%	22%	75%
Tram	2%	10%	88%
National Rail	19%	52%	29%
Walk	90%	7%	3%
Car (driver)	49%	6%	45%
Car (passenger)	47%	40%	12%
Cycle	9%	8%	83%
Private Hire Vehicle	8%	52%	40%
Taxi	6%	32%	61%
Motorcycle	2%	1%	97%

Therefore changes to fares and tickets on the bus network will have the greatest overall impact on Londoners, as buses are used by 87% of all Londoners.

2.5 Information on passenger satisfaction with value for money for the fares they pay varies across the different operations of TfL. Buses for example do include a value for money question in their customer satisfaction surveys.

That for the latest quarter (January to March 2009) is 74% satisfied or very satisfied with 'value for money'. This figure has remained remarkably consistent over recent years despite major changes to the cost of fares, availability of tickets, and improvements to services.

2.5.1 London Underground and Docklands Light Railway do not publish information on a measure such as this. There is a question for London Overground in their customer satisfaction surveys and in the last available figures (1st quarter 2008/09) 71% were satisfied with value for money, an improvement on 67% in the previous quarter. The National Passenger Survey by Passenger Focus also asks a question on 'value for money': the latest available data (Autumn 2008) showed 59% of Overground users were either good or satisfied, a further 20% were neither satisfied or dissatisfied. This was an improvement of 13% on the previous year. It should be noted that TfL and Passenger Focus use different questions and data sets to come to their separate conclusions regarding London Overground.

2.5.2 It should be noted that 'value for money' does not simply cover the cost of a purchasing tickets but also the quality and frequency of the services on offer and factors such as overcrowding or the availability of a seat.

3 Future fares policy

3.1 In 2007 TfL negotiated a 10 year fixed funding settlement agreement with government, which covered all areas including the development of Crossrail and the full implementation of the Public Private Partnership for London Underground. This assumed that in order to deliver a change in the balance of funding from central government, the proportion of central government support to income would fall from 79% in 2007/08 to 71% in 2017/18. The TfL Business Plan for this period assumed that fares would rise on average by RPI+1%, and that there would also be income from growth in passenger usage. Users therefore were already expected to contribute significantly more towards the cost of operating and investing in the transport network even before the advent of the current adverse economic circumstances.

3.2 The collapse of Metronet and also the likelihood of increased payments to Tubelines under the Public Private Partnership, which are unbudgeted for (estimated up to £4bn over the period 2009/10 to 2013/14), as well as the impact of reduced income from fares, property development, advertising and other sources as a result of reduced economic activity and changed Mayoral priorities are likely to lead to severe pressure on the TfL budget.

3.3 In order to meet these financial circumstances TfL will have to make decisions which will have varying degrees of impact on users of the network.

3.4 London TravelWatch believes that there is a substantive case for a common integrated fare and ticketing structure for all rail based modes across London irrespective of their operation as part of Transport for London or the National Rail network.

3.5 The introduction of Oyster means that it may be possible to depart from previous fares policies which required rounding up or down fares to the nearest 5p or 10p unit in the interest of change giving. This means that a fare of £1 for example could be increased to £1.02, giving a 2% increase as opposed to increasing it to £1.05 the nearest available 5p unit.

4 Possibilities for reducing costs (and not reducing income)

4.1 The PPP as outlined above is likely to cost significantly more than was originally planned, even given slowing and reducing building inflation costs. London Underground could defer or de-scope some planned works which would reduce some costs. However, in overall terms these are likely to make only a marginal impact on the overall budget. Already, we have seen significant de-scoping and deferral of major works on the Underground network, in particular the indefinite deferral of works to increase the proportion of the network that is ‘step free’ from the current projected target of 33% of the network by 2013. This will mean that people with reduced mobility such as wheelchair users, will continue not to be able to use the system as a result. It will also impact on other users who would have benefitted from the additional capacity that many of these schemes would have brought.

4.2 Outside of the scope of the capital programmes of London Underground, there will also be pressures to reduce revenue costs. These would almost certainly take the form of reductions in staffing and service provision at less busy times, either reducing train services or booking office hours as examples.

4.3 The bus network has expanded in recent years, and in budgetary terms has changed from ‘break even’ in 1999/2000 to a £0.7bn annual subsidy in 2008/09, would be an easy target to reduce, but given the comments made above in paragraph 2.4 any reductions in this area would have the greatest impact on the largest number of Londoners, and most especially those on limited incomes, people with disabilities and others who would be considered to be ‘socially excluded’. Undoubtedly efficiencies could be made in the network, but these would largely require an extensive programme of capital investment in bus priority measures which would allow similar levels of service to be provided using smaller numbers of vehicles and staff. Likewise, the Mayor may have to reconsider a number of spending commitments such as the replacement of articulated buses which will have additional cost implications.

4.4 TfL also has a considerable interest in the National Rail network through its London Overground operations and its input into the franchises let by the Department for Transport. It also contributes via borough partnerships to infrastructure schemes to improve access to stations. It has a number of powers either to purchase additional services (increments) or to reduce services and to use the funding (decrements) from central government for other purposes. It has recently used these powers in respect of the new South Central franchise to fund additional services and facilities (an increment) and funding the capital costs of the East London Line extension phase 2b, by agreeing to reducing South London line services (a decrement). It is therefore not inconceivable that TfL could propose service reductions on other National Rail routes within London as a means of securing additional funding for its other activities.

4.4.1 It should be noted that National Rail operators are also facing difficulties to TfL because of the expectation of continued economic growth, above inflation increases in fares and a switch from subsidised operation to premium payment on virtually every franchise operating into or within London.

4.5 The Congestion Charge is a source of income to TfL (5% of total) and is used to support investment in transport facilities. The Mayor has proposed to scrap the Western Extension of the Congestion Charging Zone (2% of total income), with a resultant loss of income, as well as potentially encouraging congestion. This we believe will have an impact on TfL's ability to deliver improvements in services, and deliver the current levels of service, both within the Western Extension area and beyond. Retaining the Western Extension may therefore be one way of bridging the gap in finances in the budget, as well as having the benefit of retaining the benefits of reduced congestion.

5 Possibilities for increasing income

5.1 Marketing Activities.

At a general level it must be remembered that transport is a demand that is a derived demand which will reflect the general level of activity in the economy. In the absence of economic growth the only other sources where particularly public transport can increase income is by increasing market share by competition with other modes. This means that programmes such as the 'Smarter Travel' initiatives and TfL's marketing activities will be crucial to maintaining and increasing income on the public transport network. In general there is a long established 'rule of thumb' that every £1 spent on marketing revenue increases by £5. Therefore it is recommended that spending on these areas should be maintained at present levels and preferably increased.

5.2 Dangers of reducing service levels.

The prospect of deflation in the economy also has a number of serious implications for TfL particularly if there is an expectation on the part of users that ticket prices should fall in line with a negative Retail Price Index. If for example ticket prices were reduced TfL would have to either reduce its costs or find other ways of meeting a revenue shortfall. Experience of such a policy with the Rail Franchise operator Connex South Eastern in the late 1990's, and the former regime of net cost bus subsidy contracts would suggest that this could lead to a vicious circle of reduced income, reduced quality of service, which led to reductions in usage and therefore reduced income again. It may therefore be preferable to keep fares at a constant level rather than automatically increasing or decreasing them.

5.3 Tackling fare evasion.

London Underground is largely a fully gated network with only a small number of stations that are not completely gated, of these the largest in passenger volume is Finsbury Park. The amount of potential fares evasion on this network is therefore limited to obvious 'gaps' where passengers can enter the Underground via the National Rail network without passing through a ticket barrier. Recent experience on the National Rail and London Overground has shown that in some areas of London the levels of fraudulent travel or 'ticket irregularities' can be or has been quite high, and that investment in gating has often been recouped within months of installation. The rollout of Oyster Pay As You Go on the National Rail network will mean that substantial numbers of stations will have gates installed by January 2010. However, other stations will only have Oyster readers. These measures will significantly reduce the possibilities for fraudulent travel, but there will be still be a number of gaps in the network and it is recommended that investment in such schemes should be maintained, and it could be argued that with National Rail train operators needing to increase their incomes to cover premium payments to the Department for Transport that there is an incentive for both them and TfL to act collaboratively in this area. London TravelWatch's view is that is unfair for the majority of passengers who pay the correct fare to subsidise the small minority who choose not to do so.

5.4 Maintaining and increasing the accessibility of the network.

On the bus network the scope for increasing income is substantially linked to the frequency and reliability of services and the ease of getting either information about the network or physical access to the bus from the kerb. Although the bus fleet is almost entirely step free, the proportion of bus stops that is fully accessible varies considerably from borough to borough. Improving the attractiveness of the bus network will have a positive effect on income, as noted above in 4.3 bus priority measures produce potential cost savings but also can generate additional income by making the service more attractive in reduced journey time and delays. We would advocate priority for improving the 600 odd 'hot spots' in London which are known to have the greatest impact on bus reliability. Similarly improving access at bus stops, whilst making the service more accessible to people with mobility difficulties, also makes the service more attractive to all, and thus has an overall benefit.

5.5 London TravelWatch has identified (as part of its submission to the Mayor's review of bus service contracting arrangements) that there is some potential benefit in making available to the public some journeys which are currently made out of service between bus garages and the start/finish of routes, and that TfL could consider some of the strategies successfully employed by bus operators outside of London to increase ridership.

6 Conclusions

6.1 Clearly, TfL's budget position is such that a number of potentially unpalatable decisions will need to be made so as to close the gap between TfL's outgoings and its income.

6.2 Changes to fares will of course be a part of that decision, however, we would urge on behalf of users that:-

- TfL should recognise that users have had a sustained period of change in the mix and level of fares on the network in the past few years and that users would like to have a period of stability and consistency of fares rather than a 'start/stop' approach of fare increases, followed by a decrease and then an increase, and/or changes to the eligibility for concessionary fares.

- TfL should consider keeping cash fares at present levels in order to improve London's 'value for money' for visitors and tourists.
- TfL could consider whether Oyster Pay As You Go fares need to be set at 5p or 10p gradations, or could be set at other combinations so as to limit percentage increases in cost to the user.
- TfL should maximise its potential income from existing sources, by reducing the potential for fraud, increasing the attractiveness of its' services, marketing these and maximising service availability where this can be done at little or no extra cost.
- TfL should not be required to reduce expenditure where this would have the effect of reducing income by either making services unattractive, unreliable or potentially unsafe.
- TfL should conduct customer satisfaction surveys across all modes to measure the public's perception of 'value for money', and seek to improve on the current position, bearing in mind the link to service levels in terms of quantity and frequency.
- TfL when making a decision on fare levels and budget spending should take account of the fact that buses are the most commonly used mode (apart from walking), and that changes here are most likely the most disadvantaged parts of society.
- The Mayor should review some political decisions such as the replacement of articulated buses with conventional ones at higher costs and to scrap the Western Extension of the Congestion Charge where this would reduce TfL's income or increase its costs.
- The Mayor should not seek to reduce National Rail services in London as a means of obtaining additional grant aid.
- TfL should not assume that because they have been able to implement some substantial increases in fares without apparent reduction in demand in recent years that they would be able to do likewise to close any gap in their budget, given the changed general economic circumstances
- TfL and the Mayor in setting fares and their budget should seek to avoid a vicious circle of decline resulting from reduced income, followed by reduced service levels, which in turn reduces income again.

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