

## **A Fare Decision? The Impact of the Mayor's Fares Decision**

Response to the recommendations of the Budget and Performance Committee as set out in the Committee's report *A Fare Decision? The Impact of the Mayor's Fares Decision*.

### **Recommendation 1**

*We recommend that the Mayor, at the time of announcing his fares decision, publishes Transport for London's demand assumptions and sets out how any resulting shortfall in income will be found from within its budget. The Mayor should set out his rationale for any above-inflation fare increase.*

### **Response**

I have made clear my determination to keep fares affordable and competitive in comparison with other major cities while ensuring we sustain our crucial investment that is boosting the capacity and reliability of our transport system for passengers. Turbulent economic times must not be allowed to throw us off this course.

I set fares annually in light of the circumstances of the time and the Committee can be assured that when I make my announcement I will set out the reasons behind it. It's always a very tough decision, particularly now given the impact of the economic downturn on many Londoners. But as the Budget and Performance Committee's report recognises, I also cannot ignore the fact that there are new and very substantial pressures on TfL's finances. The fact that many people have lost their jobs or are on a reduced income means that Tube passenger journeys are down by around 6 per cent, a reduction of 190,000 daily journeys on last year. This is the sharpest fall for economic reasons in around 20 years. TfL's income will therefore be lower than planned. We also need to cope with the continued financial fallout of the Public Private Partnership, particularly the disastrous collapse of Metronet and consequences of the deliberate policies of the previous administration which held down fares below what the TfL budget and the delivery of services actually required.

The implications of all this will be set out in TfL's Business Plan, which will be published later this year. However, London can continue to look forward to very significant improvements in the transport system in the period ahead.

### **Recommendation 2**

*With regard to the decision on fares in 2010 we recommend that the Mayor, if not applying the RPI plus one per cent formula, clearly state his grounds for departure from this position. We further recommend that if RPI in July 2009 is below minus one per cent, and fares are frozen in 2010, the difference between minus one per cent and the actual July RPI is reduced from any fare rise in 2011.*

### **Response**

RPI plus one per cent is the assumption TfL adopted for the purposes of its business planning. However, there is no set 'formula' by which I decide fare levels. My decision is based on keeping fares affordable and ensuring the right level of investment to safeguard the future prosperity of this city and its people. My fares decision for 2010 will be driven by my overall assessment of our current situation. I will continue to make a decision on TfL's fares each year in the light of all the circumstances at the time.

### **Recommendation 3**

*We recommend that in his response to this report the Mayor sets out his expectations of the long-term effects of the recession on TfL's finances and what combination of further efficiency savings, deferring or scaling back planned improvements, and fare increases he proposes in the long term to meet the expected funding shortfall.*

### **Response**

As has been extensively reported in recent weeks, TfL is far from immune from the impacts of the economic downturn. The implications of this will be set out in TfL's Business Plan, to be published later this year.

The first priority is focusing relentlessly on cutting further TfL's own costs.

I have brought about a culture change at TfL to which its management and staff have responded with vigour. Already we have recognised £2.4 billion in savings and there is a continuous exercise to cut more costs across the whole organisation so as to deliver the extensive transport improvements London needs while demonstrating clear value for money.

This is, of course, a painful but entirely necessary process. Examples of where specific savings are being made are as follows:

- Jobs at TfL are being removed. Around 1,000 back office and support roles have gone at London Underground saving £570 million and several hundred further jobs are being cut elsewhere across TfL.
- The numbers of consultants and temporary staff are being cut, saving more than £220 million.
- Thousands of staff have been relocated from central London to cheaper premises, saving £130 million.
- Office functions are being streamlined – TfL's customer contact centres are being made more efficient, saving £20 million, and efficiencies in IT systems will save £400 million.
- Big savings are being made in contract costs – for example, the recent re-letting of the Oyster ticketing contract is planned to save £185 million.
- TfL's marketing, press and research budgets have been reduced by £23 million per annum, most of which has been redirected to fund extra policing on the transport system.

In addition, the pay of senior staff has been frozen and bonuses cut and the pay settlement for the majority of staff will reflect the economic realities being faced by millions of Londoners.

As they readily accept, it is incumbent on TfL's management and staff to demonstrate that the huge investment of public money in transport is being undertaken with the utmost rigour and focus on value for money. TfL's Business Plan will set out the further steps being taken to cut costs while still delivering extensive transport improvements.

### **Recommendation 4**

*We recommend that the Mayor and TfL undertake a review of the fare structure in London and the system of concessionary fares. They should set a clear timetable for introducing a simplified fare structure and ensure that this is in place by the end of this Mayoral term in 2012.*

*In the interim TfL should take steps to ensure that the Journey Planner on their website points to information on the cheapest fares available for journeys offered. TfL should report back on progress with amending the Journey Planner by October 2009.*

**Response**

The existing zonal fares structure is a fair and consistent way of deciding on fares for TfL services in London. I have already introduced concessionary fare schemes for older people, veterans and people claiming Income Support and Job Seekers Allowance, as well as reduced fares for those travelling off-peak on the Tube, DLR and London Overground. These are important measures and I remain committed to keeping them in place.

TfL's website already includes a 'Fare Finder' facility which calculates the price of single journey fares for Tube, DLR, London Overground and some National Rail services. This also compares the PAYG and the cash fare between any two Tube stations.

As indicated in answers to previous Mayor's Questions, developing a general fares calculator would be complicated because to assess accurately the best option for a particular journey, an individual would need to plot out their travel for the entire week or even month.

In general, provided travel is restricted to the buses and the Tube, PAYG is always better value than paying cash or buying a one-day ticket.

**Recommendation 5**

*We recommend that the Mayor launch a formal consultation with Londoners about his fares decision each year from 2010. The consultation should set out the funds required by TfL to deliver the service Londoners require and any further improvements and options for meeting these costs through the fares paid by Londoners. The Mayor should set out in his response to the report whether he is prepared to undertake such a consultation in future years and, if not, why not.*

**Response**

The GLA Act gives the Mayor responsibility for setting the general level and structure of fares on TfL's services. The Act does not require the Mayor to consult in relation to that decision. I do not propose to alter these arrangements.

I entirely agree, however, that it is important I am open and straightforward with Londoners about TfL's finances and the decisions I take on fares. I am happy to receive the views, at any time, of all stakeholders, including London TravelWatch which represents the interests of passengers, local authorities and the London Assembly.