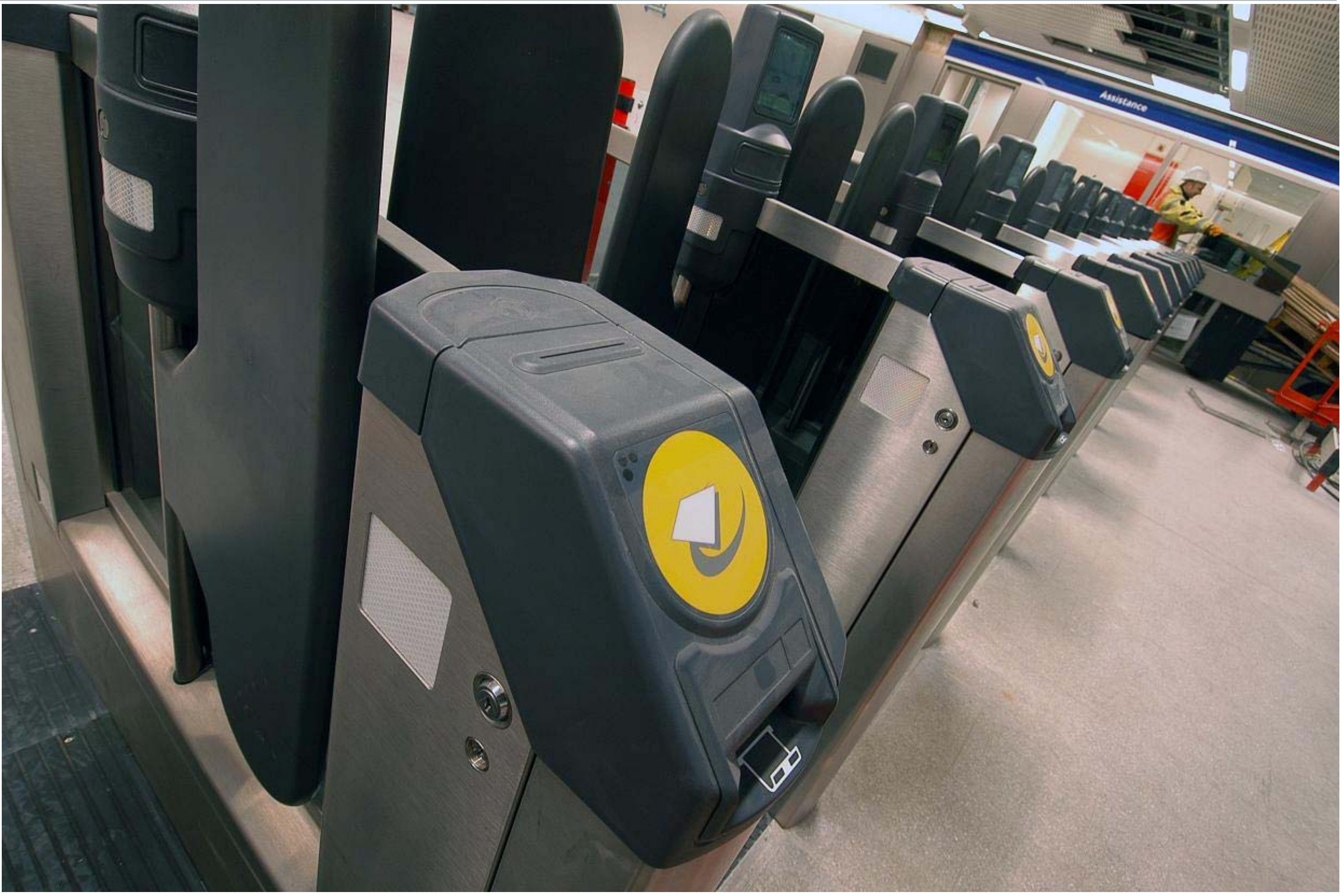
LONDONASSEMBLY

Budget Committee

A fare decision?

The impact of the Mayor's fares decision

July 2009



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Greater London Authority

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Published by

Greater London Authority

City Hall

The Queen's Walk

More London

London SE1 2AA

www.london.gov.uk

enquiries 020 7983 4100

minicom 020 7983 4458

ISBN 978-1-84781-274-2

This publication is printed on recycled paper

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Budget and Performance Committee

The Budget and Performance Committee scrutinises the Mayor's budget proposals and holds the Mayor and his staff to account for financial and general performance. The committee also looks at other budget issues such as youth spending or transport fares.

Contents

Chair's foreword

Nobody said that being Mayor of London was an easy job. It requires hard and often finely balanced decisions about resources and priorities. Each year the Mayor makes a decision about fares levels for the next 12 months and this report explores the pressures our Mayor will face this year in making this decision.

The challenge is simply stated. Transport for London, a multi-billion pound organisation, is highly dependent upon fares income to balance its books, including the need to both pay for services and help to fund its massive investment programme. And whenever the London economic engine slips a gear, passenger numbers, particularly Tube numbers, decline. The gap between expected and actual income can rapidly pass £100 million and over a business planning cycle can easily exceed £1 billion. The other major sources of funds, Government Grant and borrowings, are already set and, in the case of borrowings, declining. And other pressures on the transport budget arise from rising PPP costs and the funding package already agreed for Crossrail lessen the ability to save elsewhere.

To plug this gap the Mayor will need to decide whether to increase fares by an inflation-busting amount, reduce services, defer or cancel planned improvements, or try to find further efficiency savings to the £2.4 billion he has already asked Transport for London to find. Last year, he decided to peg the increase at RPI plus one per cent, and, if followed this year with prices momentarily falling this might imply a fares cut - national rail operators are facing this prospect.

We want the Mayor to start a conversation with Londoners about these difficult decisions and to be open about what his priorities are. We have also recommended that the Mayor and Transport for London look again at the complex fare structure and system of concessions which are intended to limit the impact of the cost of fares on those least able to afford them.

Other world cities such as Paris and New York consult extensively about the level of fares. Londoners pay high fares by international standards and need to know what their fares are used for and the risks posed by the recession to the transport improvements they have been promised. This report is intended to inform this discussion and we look forward to hearing from the Mayor on how he intends to deal with the transport challenges that lie ahead.

Executive Summary

Each year the Mayor makes a decision about the overall increase in fares on London's transport system. Since the creation of the Greater London Authority (GLA) and the establishment of an elected Mayor, this decision has generally been taken without consultation. This is in contrast to the extensive statutory consultation which takes place around the other money raising power of the Mayor: the part of Londoners' council tax which contributes to the cost of their strategic government.

Yet fare income accounts for almost a quarter of the GLA group's total expenditure of over £12 billion. The Mayor's decision is a crucial one for Transport for London that relies in part on this income to fund its services and planned improvements. Furthermore, fare increases have a huge impact on Londoners and particularly those on low incomes for who travel costs represent a tenth of their outgoings.

The committee therefore decided to examine the background to the fares decision the Mayor will make in the next few months and which will take effect from January 2010. It is particularly important this year. London is in the middle of a recession and inflation is at historically low levels. This has implications for the income that TfL will receive from fares and the ability of Londoners to afford them.

In the short-term information provided by TfL shows that it faces a shortfall in income of £112 million this year as fewer people than anticipated use public transport. We analysed TfL finances and its expected income from fares and have estimated the long-term risks to TfL represented by the recession. Our findings suggest that in a best case scenario the recession will lead to a shortfall in funding for TfL to 2018 of £0.4 billion; the worst case scenario in terms of London's recovery from the recession would lead to a shortfall over the same period of £1.7 billion. This is before taking account of any funding gap flowing from the Underground PPP.

These figures suggest that combined with the ongoing difficulties over funding the Tube upgrades, Transport for London is facing huge financial challenges over the coming years. The Mayor and TfL will need to fill this potential funding gap through a combination of the following options:

- increasing fares by much more than inflation in the medium to long term

- reducing services
- deferring or cancelling planned improvements and expansions
- finding efficiency savings further to the £2.4 billion already required under TfL's Business Plan.

The 2009 fare rise of six per cent came into effect when inflation was much lower than when the decision was taken in September 2008. This is because the January fare rise is usually informed by the rate of inflation in the July of the previous year. Inflation in July 2010 is expected to be negative and this raises the prospect of a fares freeze in 2010 or even a reduction. The committee stresses the importance of passing on low and negative rates of inflation to fare payers who have to take the hit when inflation is high.

Finally, we examined the fare structure and the system of concessions that is intended to ease the fare burden on those least able to pay. We found that the complexity of the structure and the concession system makes it very difficult for Londoners and visitors to the capital to ensure they are paying the cheapest fare. Furthermore, take up of some concessions has been disappointingly low. Only 20 per cent of those eligible for the Mayor's new half price concession for claimants of Jobseekers Allowance are using the concession.

The Mayor's forthcoming decision will have consequences for both Transport for London and Londoners. Our report is intended to ensure that the decision is both transparent and fair.

1 Introduction

1.1 The Budget Committee last reported on the Mayor's annual fares decision in 2006. In that report we noted fares had continued to increase year-on-year in real terms and this has continued to today.

1.2 London is, of course, in a very different situation than when we last examined the effect of transport fares on Londoners. London is in the middle of a recession. This is relevant to the fares decision in two ways:

- it affects Londoners' ability to afford above-inflation fare rises; and
- it reduces the demand for Transport for London (TfL) services and therefore the income it receives to fund its operations.

This report examines both issues.

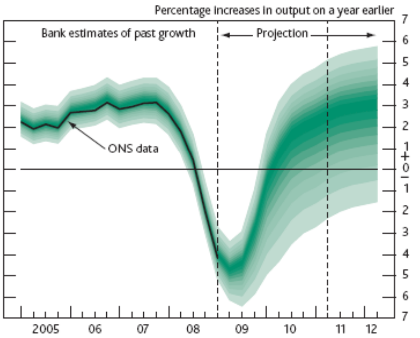
1.3 A further development from when we last reported on fares is the issue surrounding the second period review of the cost for the Public Private Partnership (PPP) contract with Tube Lines. The Transport Committee examined this area earlier this year and reported that there is a risk to TfL's financial plans of up to £1 billion.[1] This risk is in addition to the effects on TfL's revenue of the recession we examine in this report and the £2.4 billion in efficiency savings assumed in the Business Plan.

The recession

1.4 The current UK recession is part of the wider global recession precipitated by the failure of confidence in the global banking system. The rate of reduction in the growth of Gross Domestic Product (GDP) in this recession has been characterised as exceedingly steep and the depth of reduction large. These features are uncharacteristic of recent UK recessions.

1.5 Chart 1, from the Bank of England Inflation Report of May 2009, provides the GDP growth rates for the past four years. The steepness of entry to the recession and the depth can be seen as can the bank's projection of the recovery over the next three years.[2]

Chart 1 GDP projection based on market interest rate expectations and £125 billion asset purchases



[1] Delays possible: maintaining and upgrading the London Underground, London Assembly Transport Committee, Report March 2009
[2] Page 6, Bank of England Inflation Report, May 2009

1.6 The government projections are that the current recession will reach its deepest during the 2009 calendar year with growth returning strongly through 2010. These projections are supported by the Bank of England forecasts.

1.7 Alternative opinions indicate that the there will be no growth in UK GDP in 2010 with a slow recover to growth in following years.[3] This is a much less promising outlook than that forecast by the Chancellor of the Exchequer in the 2009 budget forecast.

The effect of the recession on fares

1.8 The TfL Business Plan requires fares to continue increasing above inflation at the Retail Prices Index (RPI) plus one per cent each year through to 2018. Without these real increases in fares London may not see delivery of the transport improvements and expansions that the Mayor has committed to deliver.

1.9 The recession affects TfL by reducing the growth of demand for travel in London that consequently reduces its income from fares.[4] TfL revised downwards its demand expectations and the expected fares revenue in its 2009/10 budget in March by £112m from that approved a month previously. The 2009/10 fares revenue is now not expected to meet that required by the Business Plan; this means further savings will need to be found.

1.10 Obviously, the recession has resulted in tighter wage and salary increases for those Londoners in employment. It has also led to significant job losses in the capital. Claimant count unemployment in the capital has increased by over 60 per cent in the 12 months to May 2009.[5] The relatively high cost of transport fares has a disproportionate effect for those on low incomes. Further rises would exacerbate the risk that the cost of public transport may limit the ability of those out of work to gain access to services or effectively seek work[6].

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[3] OECD Economic Outlook No. 85, June 2009
[4] Page 3, TfL Budget 2009/10, March 2009
[5] Unemployment data from National Statistics, http://www.statistics.gov.uk
Regional Claimant count Seasonally adjusted: London - thousands

May 2008	128.8
May 2009	211.5

[6] See section 4

Our investigation

1.11 Given this background, the committee decided to examine in detail the context in which the Mayor is preparing to make his annual decision about the cost of transport fares in 2010. Unlike the wider GLA budget, there is no formal consultation around this decision. The Mayor decides the fares increase and it is implemented the following January.

1.12 His decision is informed by the rate of inflation in July that in 2009 is expected to be negative. This raises the prospect of a fare freeze or even a fare reduction. The committee examined a model of TfL fare income that produced estimates of the effect of different fares decisions on TfL's income in both the short and long-term. It discussed the findings from this work with senior officers at TfL and groups representing transport users.

1.13 This report summarises the outcome from this work. It first examines the short-term risks to TfL's Business Plan of its expected reduction in fare income. It then summarises the findings from our analysis of the financial risks to TfL in the longer-term. These risks suggest some very difficult decisions lie ahead to ensure the transport improvements anticipated in the Business Plan can be delivered. We examine the effect of the fares decision on Londoners looking at the complex fare structure and the effectiveness of the wide range of concessionary schemes intended to reduce the fare burden on Londoners on low incomes. Finally, we address the issue of the lack of consultation about the Mayor's fare decision.

2 Short-term effect of the recession and the fares decision on TfL

Main findings

- An immediate effect of the recession is a reduction in the demand for travel. This will reduce the income to TfL from fares revenue. Reduced demand in 2009/10 is expected to result in a reduction in planned income of £112 million.
- Although the Mayor makes his fares decision each year the TfL Business Plan to 2018 assumes that the annual increase will be RPI plus one per cent. This is required to fund the proposals in the Business Plan.
- The 2010 fares increase will be based on the RPI in July 2009 that is predicted to be between minus one and minus three per cent. TfL has highlighted practical problems with implementing a general fares decrease and suggested that this is unlikely. It is therefore quite possible that TfL's recommendation will be that fares are frozen but this is ultimately the Mayor's decision.

Fares policy, revenue and demand in 2009/10 and 2010/11

2.1 In the 2009 fares decision the Mayor applied a policy of increasing fares by one per cent in real terms above the RPI. In line with previous decisions, the RPI used was July 2009 because that is the RPI required for Travelcard increases. Travelcard fares are agreed with train operating companies. A policy of a one per cent real increase is also in line with the government maximum allowed to regulated fares, such as Travelcards, under franchise agreements with train operating companies.

2.2 In announcing the 2009 fares decision the Mayor noted that to maintain a balanced financial outcome fares needed to increase by RPI plus one per cent in 2009.[7] He also noted that the TfL Business Plan to be released in the autumn would set out how a balanced budget in 2009/10 would be maintained while delivering the capacity to invest over the years ahead. The TfL Business Plan maintained an assumption of fares increasing at RPI plus one per cent for all years to 2018.

2.3 Furthermore, in his evidence to this Committee in September 2008, the Mayor said that the policy of RPI plus one per cent was part of the agreement between the Government and TfL over the funding of

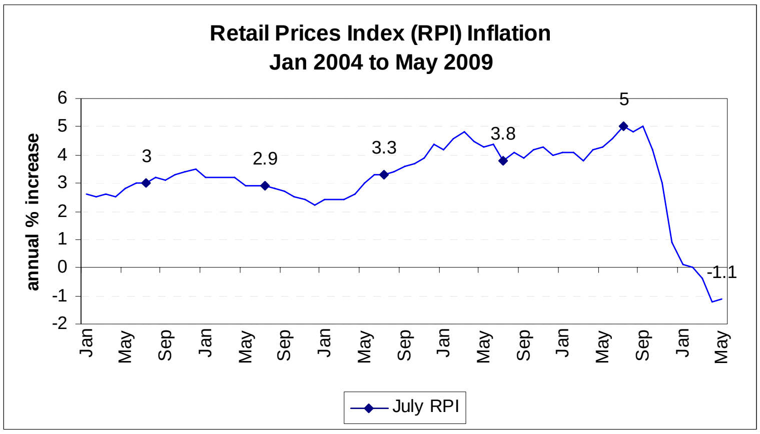
[7] Mayor's Press Release. No. 459 of 4 September 2008

Crossrail: "Basically in July last year TfL and the last Mayor went to the Government and discussed the financing of Crossrail, which is of huge importance for this city and we all agree that it has got to go ahead. The understanding was that Crossrail should be partly funded through borrowing by TfL and financed by fares going up at a package of RPI plus one per cent; this was the understanding." [8]

2.4 The level of fares obviously determines part of TfL's income and it makes its plans based on this level and assumptions about the numbers of people expected to travel. TfL recognised the negative effects of the recession on this demand for travel in its revised 2009/10 budget. Underground demand is expected to be three per cent below the level previously expected.[9] The November 2008 TfL estimate of its 2009/10 income was £3,669 million. In March 2009 it reduced the expected income by £112 million due to expected falls in demand in March 2009.[10]

The November 2008 TfL estimate of its 2009/10 income was £3,669 million. In March 2009 it reduced the expected income by £112 million due to expected falls in demand in March 2009.

2.5 The recession has resulted in the RPI falling significantly since the last fares decision. In May 2009 it was negative 1.1 per cent. RPI inflation is likely to continue to fall through to the bottom of the recession and it is probable that the July 2009 RPI rate will be in the range of negative one to negative three per cent.



2.6 Assuming a continued policy of RPI plus one per cent, there is a prospect that fares in 2010 might actually be reduced. TfL told the committee that there were practical costs of implementing a general fares decrease rather than a fares increase. These costs arise from cancelling and reissuing season tickets that cross the fares change date. TfL suggested that it would prefer a freeze in fares as a minimum to reduce the impact and cost of implementing the fares decision.[11]

[8] Page 5, Transcript of Budget and Performance Committee meeting, 4 September 2008
[9] Page 3, TfL Budget 2009/10, March 2009
[10] Page 13, Table 1, TfL Budget 2009/10, March 2009
[11] Steve Allen, Managing Director, Finance, Transport for London, Budget and Performance Committee meeting, 18 June 2009

TfL suggested that it would prefer a freeze in fares as a minimum to reduce the impact and cost of implementing the fares decision.

2.7 In response London TravelWatch commented that if a price freeze is implemented when the policy should call for a price reduction, the additional revenue to TfL of the over-policy fares freeze should be returned to fares payers in later years with under policy increases.[12] The committee believes that the RPI + one per cent position, vigorously asserted last year, is one from which the Mayor must clearly state grounds for departure. However, if he chooses to freeze rather than cut fares then it would be reasonable to balance this with below RPI + one per cent increases in future years. London fare payers are expected to take the hit when inflation is high; similarly they should benefit when inflation is low or negative.

London fare payers are expected to take the hit when inflation is high; similarly they should benefit when inflation is low or negative.

2.8 Clearly, falls in demand for travel and negative inflation are going to have a significant effect on TfL's fare income but our analysis suggests that in the short-term this might be offset by lower capital costs. We will continue to monitor TfL's budget with a view to highlighting how any reduction in anticipated income is being found. Also, we note the arguments of TfL that there are practical costs with implementing a fare reduction in 2010. Nevertheless, we are persuaded by the argument that despite TfL's tight financial position, London fare payers should, at some point, see the benefit of negative inflation in the fares they pay.

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.

[12] Tim Bellenger, Director, Research & Development, London TravelWatch, Budget and Performance Committee meeting, 18 June 2009

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.

3 Long-term effect of the recession and the fares decision on TfL

Main findings

- o The effect of negative and low inflation from the current recession on TfL fares income will continue to 2018 even if fares continue to rise at RPI plus one per cent. Lower than expected levels of fare increase in the early years are compounded in later years as fare increases are from a lower than expected base. This will reduce fares income in later years even after demand has recovered.
- o TfL should be able to make some savings in its capital expenditure as a result of the low inflation and this should partially offset the loss in fares income.
- o The combined effect on TfL finances of lower capital costs and fares income will depend on the length and depth of the recession. Based on the best and worst case scenarios for economic recovery our analysis suggests that TfL faces a funding gap from the recession of between £0.4 billion and £1.7 billion by 2018.
- o The Mayor and TfL will need to fill this funding gap through a combination of the following options:
  - increasing fares at a higher rate than RPI plus one per cent
  - reducing services
  - deferring or cancelling planned improvements and expansions
  - finding efficiency savings further to the £2.4 billion already required under the Business Plan.

3.1 The recession and historically low inflation is not simply a short-term issue for TfL. In this section we examine the long-term consequences to TfL's Business Plan of reduced income and low or negative inflation in the early years of the plan period.

3.2 The TfL Business Plan is affected in two different ways by the recession:

- o lower general inflation; and
- o reduced demand for transport.

3.3 Reduced demand in one year will reduce fares revenue in that year. Lower rates of fares increase due to lower inflation can reduce fares revenue in that year and all following years as later years build from a lower base position.

The TfL Business Plan to 2017/18

3.4 The TfL 2009/10-2017/18 Business Plan sets out the service provision, capital renewal and service expansion plans of TfL and the Mayor. The financial structure supporting the Business Plan outcomes consists of:

- agreed government grants for all years;
- agreed levels and profile of borrowing; and
- required fares and other revenue.

3.5 The first two areas of financing are fixed amounts. Only fares revenue is variable each year depending on the demand for travel and fares increases. The Business Plan assumes that both demand and fares will continue to increase. Fares are assumed to rise at one per cent above inflation at 4.1per cent in 2010 and 3.7 per cent each year from 2011.[13]

3.6 The level of fares and other revenue the Business Plan relies on is:[14]

£ million	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Fares & other income	3,669	3,874	4,073	4,323	4,497	4,707	4,936	5,171	5,332

3.7 To maintain a balanced financial outcome over the Business Plan TfL must:

- achieve this level of planned fares and other income; or
- reduce the cost of delivering the Business Plan.

3.8 The recession will reduce the demand for travel in the short term and, if the fares decision remains linked to RPI, the general level of fares over the entire Business Plan will leave TfL with a revenue gap. A lower than expected rate of fares increase in 2010 and continued lower demand as London recovers from the recession will increase the shortfall in revenue over the life of the Business Plan.

3.9 The link with inflation assumed in the Business Plan is not the only option for TfL and the Mayor. An alternative approach, for example, would be to consider the requirements in the Business Plan and assume the fare rises required to fund them. The final table in

[13] Letter of 5 January 2009 from Stephen Critchley, Chief Finance Officer TFL
[14] TfL Business Plan 2009/10 – 2017/18 – data from Table 4, Page 93

Appendix 4 sets out the fare rises required to fund the Business Plan based on assumptions about the recession and the recovery from it.

3.10 Breaking the link with inflation would be complicated because of the requirement that the costs of Travelcards are consistent with fares on national rail. Train operating companies are restricted by the Secretary of State from raising fares in excess of RPI plus one per cent on many fares including Travelcards. Therefore, if a different approach were to be taken in London, Travelcards and other fares would need to be treated separately.

3.11 Low inflation is not all bad news for TfL however. The other side of TfL's finances is of course its expenditure. If inflation is low or negative, TfL's costs, particularly in construction, fall from the levels anticipated in the Business Plan. Therefore, the gap in fares revenue will be partially offset by the reduced cost of the capital construction programme.

Our analysis suggests a gap in funding of the TfL Business Plan therefore in the range of £0.4 billion to £1.7 billion.

3.12 Therefore, to assess the overall long-term risks to TfL funding of the Business Plan from the recession we analysed the impact of reduced fares increases and lower demand, and lower constructions costs. This analysis assumes continuing the current fares policy and applying different scenarios about the depth of the recession and the speed of recovery. The analysis is set out in detail in Appendix 4. We found that the funding outcome for TfL from the recession is:

- a total fares shortfall to 2018 of between £3.2 billion and £3.5 billion; and
- total savings in the capital programme to 2018 of between £1.8 billion and £2.8 billion.

Our analysis suggests a gap in funding of the TfL Business Plan therefore in the range of £0.4 billion to £1.7 billion.[15]

3.13 Clearly, the Mayor and TfL will need to make some difficult decisions over the next few years to meet the shortfall. The Business Plan already requires TfL to make efficiency savings of £2.4 billion by 2018. Finding further savings that do not impact on the services to Londoners will be difficult. Other options are to increase fares in

[15] Our analysis was obviously based on a range of assumptions. These assumptions, methodology and outcomes were shared with TfL during the investigation and TfL was invited to comment on them.

excess of the current policy of RPI plus one per cent. This will put a large burden on London fare payers.

3.14 There may, of course, be the potential for TfL to try to increase ridership through the fares structure by incentivising travel through lower fares. The effect of this on fare revenue will depend on the balance between fare reductions and any ridership increases. It will also need to be balanced against the available capacity, a wider area the Transport Committee is currently examining.[16] It may be that the recession and the resulting decrease in demand for travel may require TfL to re-examine its approach from one of managing increased demand to trying to stimulate demand.

3.15 The committee recognises that TfL faces significant financial challenges in the coming years. It believes that it is incumbent on the Mayor and TfL to inform Londoners of the options open to them to meet the financial gap created by the recession.

It is incumbent on the Mayor and TfL to inform Londoners of the options open to them to meet the financial gap created by the recession.

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.

[16] The issue of capacity and crowding is the subject of a current Transport Committee investigation and was recently examined in their report "Delays possible: maintaining and upgrading the London Underground" in March 2009

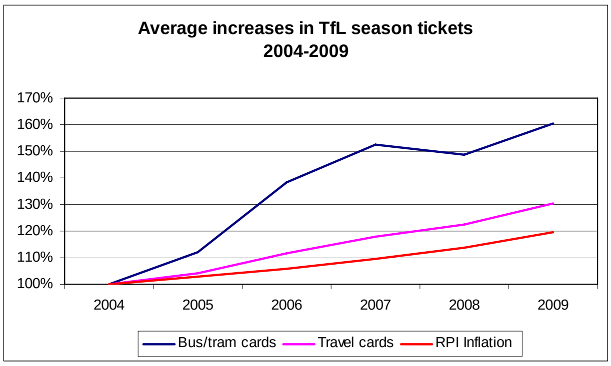
4 Effect of the fares decision on Londoners

Main findings

- The balance of TfL's funding between the government and London fare payers is increasingly shifting towards fare payers. Government support is reducing from 79 per cent of TfL operations to 71 per cent by 2017/18.
- Fare increases disproportionately affect those on lower incomes because they spend a higher proportion of their income on travel.
- The fares structure is unnecessarily complex and this makes it difficult for Londoners and visitors to work out the cheapest way to travel around.
- Take up of the Mayor's new travel concession for claimants of Jobseekers Allowance has been disappointingly low with only around 20 per cent of those eligible claiming the concession.
- One potential unintended consequence of the policy of the previous and current Mayors to increase public transport fares above inflation is the widening of the gap between the cost of public transport and motoring.

Londoners' capacity to pay

4.1 Of course, Londoners who travel on the capital's transport network every day feel the immediate effect of the Mayor's fares decision. This section examines how fare rises are applied across the network and the potential consequences for low-income groups in London.



4.2 The cost of running London's transport network is shared between national taxpayers in the form of government grants and London fare payers. This is in recognition of the strategic importance of the capital and the fact that the transport network is widely used by people from outside London.

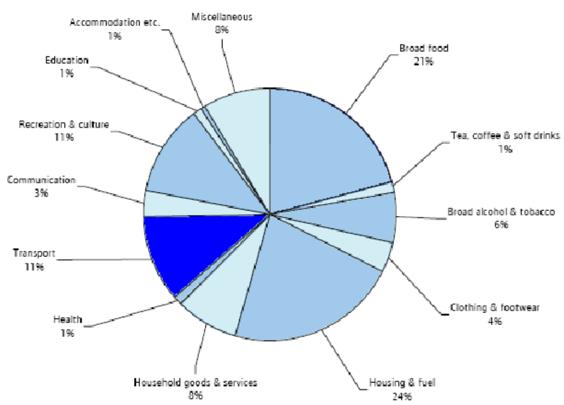
4.3 It is significant that this balance of funding between government and fare-payers has materially altered over recent years.[17] There has been a shift towards a greater reliance on fare paying Londoners and this will increase over the next nine years. The agreed funding settlement from the Secretary of State will reduce government support of TfL operations and capital improvements from 79 per cent to 71 per cent of income to by 2017/18. [18]

There has been a shift towards a greater reliance on fare paying Londoners and this will increase over the next nine years.

4.4 This can be seen most clearly in the extent to which these costs have been passed to the passenger in the form of fare increases. Over the past five years the general level of RPI inflation has increased by 20 per cent. Over the same period average TfL season ticket costs on buses have increased by 60 per cent and Travelcards have increased by 30 per cent.[19] These above-inflation fares place significant cost pressures on all Londoners.

4.5 There is also a potential unintended policy consequence of these increases. While public transport fares in London have increased by a higher rate than inflation over the past five years the recession is lowering the cost of private motoring through reductions in petrol and associated costs. For example, in May 2009 the change in annual motoring costs was negative 4.3 per cent.[20] A continued policy of increasing public transport costs above the rate of inflation would widen the gap between the cost of public transport and motoring increasing the risk of affecting people's decisions about the form of transport they use.

Figure 6: Shares of cost of fixed basket (lowest income quintile), September 2008



Over the past five years the general level of RPI inflation has increased by 20 per cent. Over the same period average TfL season ticket costs on buses have increased by 60 per cent and travel cards have increased by 30 per cent.

[17] TfL Annual Report 2004 statement of accounts and TfL Business Plan 2009/10 – 2017/18. In the first year of TfL operations including London Underground the DfT grant of £2,554m was 110 per cent of fares income £2,321m. For 2009/10 the DfT grant of £2,897m is down to 95 per cent of fares income £3,043m showing the shift in operational support from DfT to the fare payers.
[18] TfL Business Plan 2009/10 – 2017/18 – data from Table 4, Page 93. The DfT grant as a percentage of total income falls from 79 per cent (£2,897m / £3,669m) in 2009/10 to 71 per cent (£3,805m / £5,332m) in 2017/18.
[19] Average increase of weekly, monthly and annual adult and child season tickets 2004 - 2009
[20] Statistical bulletin, Consumer Price Indices, Office of National Statistics, May 2009

4.6 The general level of London travel costs and continued annual increases affect different groups of Londoners differently. In particular they disproportionately affect Londoners in the lowest income groups, as travel costs are a significant proportion of their total spend.

Londoners in low paid employment or moving from concessionary travel to low paid work may see the travel costs as a disincentive to move into work or reduce the financial benefits of employment over those provided by benefits.

4.7 In considering the impact of food prices on the lowest income groups in London GLA Economics in December 2008 examined the actual spend of the lowest quintile[21] of the London population. This found that transport costs amounted to over ten per cent of their total spend. GLA Economics analysis suggested that for this group inflation is running substantially higher than that of the general population and that analysis showed evidence that when inflation is going through spikes, prices rise more rapidly for the poor.[22] This was before the six per cent increase in TfL fares in January 2009.

Transport costs and social inclusion

4.8 The committee heard that although some on the lowest incomes in London are entitled to concessionary travel, transport costs remain an issue for social inclusion. Londoners in low paid employment or moving from concessionary travel to low paid work may see the travel costs as a disincentive to move into work or reduce the financial benefits of employment over those provided by benefits.[23]

4.9 Groups of particular concern to us are:

- low paid workers who do not qualify for a concessionary fare;
- those recently made unemployed who are not eligible for the concessionary travel but are actively seeking employment;
- those with a concessionary pass who need to travel during the peak and cannot use them at these times;
- young people transitioning from full-time education into low paid work;
- people transitioning from welfare into work;
- people with mobility problems that are not severe enough to be classed as fully disabled; and
- members of ethnic groups needing to travel considerable distances to access religious centres or to attend culturally specific activities.

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[21] A quintile is 20 per cent of a population
[22] Page 8, Current Issues Note 23, Food Price increases and their impact on London's lowest income groups, GLA Economics, December 2008
[23] Dr Juliet Solomon, London Metropolitan University
Dr Karen Lucas, Oxford University

4.10 In addition to the groups noted people on low incomes, who are also time constrained such as single parents and carers often cannot afford the long journey times of lower cost bus travel. They therefore incur the additional cost of the Tube and rail.

Complexity of the current fares structures and concessions

4.11 The fares structure in London is particularly complex. It is the result of amalgamations as TfL expanded and took on additional areas of transport. It is a mixture of time and area based pricing that varies between different modes of transport.

One objective in establishing and maintaining a fares structure for public transport is that it is must be reasonably intelligible to all users.

4.12 For example, the structure for buses and trams is a single area and time zone. The underground, overground and DLR applies an area zonal system based on travel distance with a peak/off-peak time-based differential in the fares structure. This investigation has not explicitly examined the zonal system but inevitably it would come within any review of the fares structure.

4.13 Sitting over these 'basic' fares structures is a complex set of concessions applying differentially across both time and mode of travel. These are available to different groups such as children and those on certain benefits. A basic overview of the fares structure and the concessions is provided in Appendix 5.

4.14 One objective in establishing and maintaining a fares structure for public transport is that it is must be reasonably intelligible to all users. It must ensure that concessions are generally understood and widely used to provide the social benefits intended and mitigate the effects discussed in the previous section.

4.15 Fare concessions obviously cost TfL money. TfL estimates that in 2009 the cost to their revenue of providing adult concessions and free child bus travel is £148m. The additional cost of providing the child half fare on the underground means all concessions from full fares cost TfL in excess of £250m in foregone fares.

4.16 The amount it costs TfL to provide concessions depend to an extent on take up of concessionary fares. The committee heard that an area where the concessions are apparently failing to deliver the benefit intended is the recently introduced concession for those on Jobseekers Allowance living in a London borough. Londoners seeking work and incurring travel costs may only apply for the concession after the 13th week of unemployment. TfL told the committee that the take-up rate on this concession was only around 20 per cent.[24]

4.17 This low take-up is disappointing. We believe that this is likely to be in part a result of the complexity of the fares structure, concessions that apply to it and the application processes. We recognise that this fares structure has developed over a period of time as TfL has taken over new forms of transport and inherited the pre-existing fare structure. But we suggest that the Mayor and TfL should now revisit the fare structure with a view to simplifying it.

4.18 Daniel Moylan, deputy Chair of TfL, told the Transport Committee, "There is no immediate plan to make significant changes to fare structures in London." [25] We accept that significant changes require a long lead in and are unlikely to be feasible in 2010. However we believe that the fares structure could and should be radically simplified and work on this has to begin soon.

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.

Equality of fares – National Rail PAYG Oyster

4.19 In addition to the underground tube services provided directly by TfL and the bus, tram, London overground and DLR services provided under contract, significant numbers of Londoners within the area of the 6 travel zones use National Rail services.

4.20 On the National Rail services, Travelcards provide access for the same cost as the equivalent tube or London Overground trip within the TfL

[24] Shashi Verma, Director of Fares and Ticketing, Transport for London, Budget and Performance Committee meeting, 18 June 2009

[25] Daniel Moylan, TfL board Member, comment to the Transport Committee, London Assembly, 26 May 2009

travel zones. However, significant fare differentials exist on single and return fares for similar journeys within London on National Rail compared to TfL. This is due to rail fares being set by train operators and not the Mayor.

4.21 The Mayor has announced the introduction of Oyster pay-as-you-go (PAYG) to the National Rail network within the six London travel zones. Kulveer Ranger confirmed the Mayor's intent to introduce this by the end of the year.[26] This is a welcome advance as it will allow Londoners a one card payment system across the entire London transport system.

4.22 However, on introduction of Oyster PAYG on National Rail the fare structure for PAYG will remain under the control of the rail operating companies. The introduction will not address the fares differential issues and Oyster PAYG will retain the significant fare differentials.

This lack of parity and application of a common fares structure to that of the underground for equivalent zones travelled will add significant complexity to understanding of the cost of trips on Oyster PAYG.

4.23 The introduction of Oyster PAYG on national rail will add further complexity for Londoners. Each of the rail operators will set their own fares without reference to the TfL fares zones. This lack of parity and application of a common fares structure to that of the underground for equivalent zones travelled will add significant complexity to understanding of the cost of trips on Oyster PAYG.

4.24 For example a trip on Southeastern from Lee, a station in London zone 3, to Charing Cross in zone 1 costs £5.30 for a peak return. A trip on National Express East Anglia from Walthamstow Central in London zone 3 to Euston in zone 1 costs £8 for a peak return. By contrast, the Underground PAYG cost for two peak single trips across zones 1-3 is £5.40.

4.25 On specific high density routes where parallel Underground and National Rail services exist the Mayor and his predecessor have negotiated parity of fares with the National Rail operator[27]. We look to the Mayor to provide clarity on when parity of fares across all London zones on national rail will apply using Oyster PAYG.

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[26] Kulveer Ranger, Director of Transport policy, Mayor of London, Budget and Performance Committee meeting, 18 June 2009

[27] "Good news for First Great Western passengers as Oyster pay as you go is on the way" Mayors Press Release no 235 of 2008, 12-5-2008

5 Mayoral consultation on fares

5.1 There is no annual consultation on the Mayor's fares decision. By contrast, the Mayor is required by law to consult on his budget. This consultation takes place in late autumn and winter, after the Mayor's fares decision is announced.

5.2 It has been a long held view of this committee that this is an inconsistency. Fare income is an important part of TfL's budget and therefore the Mayor's powers to obtain revenue from Londoners. In 2009/10 fares income will fund almost a quarter of the GLA group's total expenditure of over £12 billion.[28] While Londoners and their elected representatives are consulted in detail about the element of their council tax which funds London's strategic government there is no consultation about the cost of fares that as we show in this report have a significant effect on Londoners.

5.3 This is in contrast to Paris and New York where there is public consultation on metro and bus fares. In Paris many different public and private bodies are officially involved in taking decisions on fare policy while in New York the Permanent Citizens Advisory Committee has influenced fares policy.

5.4 In our 2006 report on Tube and bus fares we made recommendations to the then Mayor to undertake formal consultation with stakeholders and the Assembly before announcing his fares decision. He rejected this recommendation. The new Mayor has been elected on a platform of openness and a consensual approach. We therefore believe it is right to return to this issue again.

5.5 It is particularly important in the light of the cost pressures faced by TfL and the potential consequences to poorer Londoners of future high fare increases that we have highlighted in this report.

[28] The Mayor's 2009/10 budget provides for £12,191 billion gross expenditure by the GLA group. TfL fares income is forecast at £3,048 billion (see pages 5 and 60 of the Mayor's 2009/10 budget).

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.

Appendix 1 Submissions to the committee

List of submissions to the committee

The following attended the committee's meeting on 18 June 2009:

- Kulveer Ranger, Director of Transport policy, Mayor of London
- Steve Allen, Managing Director, Finance, TfL
- Shashi Verma, Director of Fares and Ticketing, TfL
- Paul Dornan, Policy & Research Officer, Child Poverty Action Group
- Tim Bellenger, Director, Research & Development, London TravelWatch
- David Leibling Chair of Fares and Ticketing Committee, London TravelWatch

Written submissions were received from:

- Citizens Advice Bureau
- London TravelWatch
- Dr Juliet Solomon, Principal Research Fellow, Cities Institute, London Metropolitan University
- Dr Karen Lucas, Transport Studies Unit, Oxford University

Appendix 2 Key findings

Fares outcomes for 2010 and TfL Business Plan

Compared to the TfL Business Plan our analysis shows:

- The effect of negative and low inflation from the current recession on TfL fares income will continue to 2018 even if fares continue to rise at RPI plus one per cent.
- Lower than expected levels of fare increase in the early years are compounded in later years as fare increases are from a lower than expected base. This will reduce fares income in later years even after demand has recovered.
- RPI plus one per cent applied for the January 2010 fares decision will result in either a fares freeze or a reduction of between one and two per cent.
- Demand for travel through 2010 will be reduced as London recovered from the current recession.
- TfL should be able to make some savings in its capital expenditure as a result of the low inflation and this should partially offset the loss in fares income.
- The combined effect on TfL finances of lower capital costs and fares income will depend on the length and depth of the recession. Based on the best and worst case scenarios for economic recovery our analysis suggests that TfL faces a funding gap from the recession of between £0.4 billion and £1.7 billion by 2018.
- The Mayor and TfL will need to fill this funding gap through a combination of the following unpalatable options:
    - increasing fares at a higher rate that RPI plus one per cent
    - reducing services;
    - deferring or cancelling planned improvements and expansions; and
    - finding efficiency savings further to the £2.4 billion already required under the Business Plan.

Fares structure and concessions

The current fares and concessionary travel structures across all transport modes in London are detailed and intricate. There is evidence that certain concessions and restrictions are not meeting their apparent policy objectives.

Oyster PAYG on national rail
The introduction of Oyster PAYG on national rail will add complexity to the fares structure and possible confusion due to the differentials in fares that will exist between similar journeys within London depending on the rail operator.

Fares and social inclusion
Transport costs remain an issue affecting social inclusion for Londoners in low paid employment, those moving from concessionary travel to low paid work and for others who are in the lowest income groups in London but who do not qualify for concessionary travel. It also extends to those for whom a concession may exist but for whom concessionary travel cannot meet their needs due to time or location.

Impact of fares on other Mayoral policy areas
Real increases in public transport costs narrow the price difference to private transport in London. This will likely lead to a level of a switch from public to private transport that may adversely impact achievement of Mayoral policy objectives.

Mayoral consultation on fares
The Mayor currently does not consult widely or in public on the factors and consideration taken in making the annual fares decision and does not report the reasons and impact of his decision

Appendix 3 Recommendations

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.

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.

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.

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.

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.

Appendix 4 Modelling of the TfL business case

Background to the analysis

To assist the committee in understanding the potential effects of the recession to TfL that various changes in fares income and the capital expenditure programme may have on TfL's Business Plan models of both the TfL Business Plan fares revenue and capital expenditure were created.

A full functioning model of TfL revenue would require a complex multi-variable model with significant data and interaction modelled from TfL past experience and future expectations by mode of travel. Such a model is likely to exist within TfL and used to generate the revenue projections in the Business Plan and annual budgets. However, it is neither available nor would such a model be easily understood.

The models

A simple two variable model of TfL fares revenue was developed to replicate the general direction of change in total revenue to allow modelling of revenue changes that, whist not a direct replica of the TfL complex model, would respond and provide outcomes of similar magnitude to the TfL model.

The model of TfL revenue was created used two variables – annual average fares increase (Jan-Dec) and the annual average ridership demand increase (Apr-Mar). The model was validated against the TfL Business Plan and the 2009 budget revision in March 2009 and found to be able to replicate the outcomes to an acceptable level.[29]

For the TfL capital expenditure a model of capital programme costs excluding the PPP expenditure plan was created. As variation in the TfL Business Plan on capital spending is most directly related to construction industry inflation the model created uses a table of variables for construction industry inflation and allows potential savings to the Business Plan to be valued as an offset to the revenue losses from fares income resulting from lower demand and fare increase.

Assumptions on recession recovery

To estimate the TfL passenger demand reduction during the recession a profile of the recession was created. It was assumed that the

[29] Over the full 9 years of the plan the total cumulative difference to the TfL was 1.2 per cent while the 1 year difference to the revised TfL 2009 budget was 0.2 per cent

recession would be a short-term reduction of demand with passenger demand returning to the TfL forecasts in the medium term.

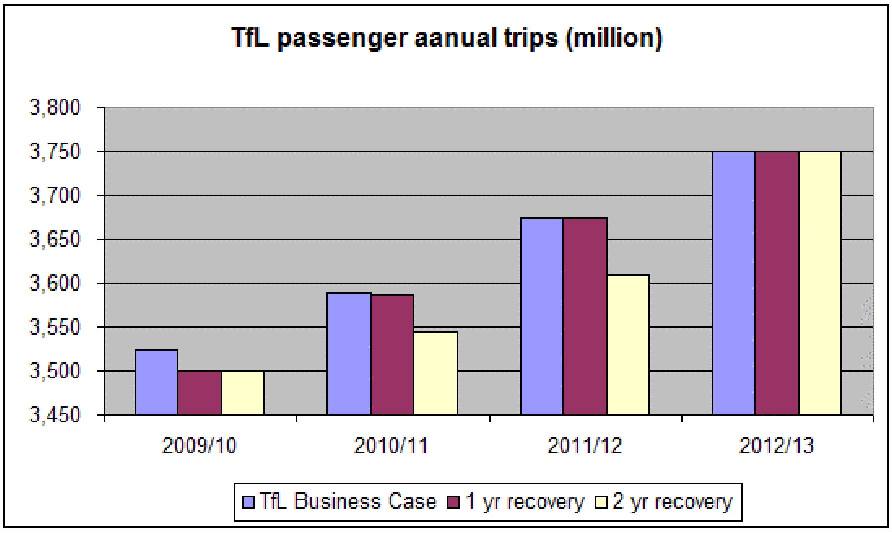
The government budget projections are that the current recession will reach its deepest during the 2009 calendar year with growth returning strongly through 2010. Alternate opinions indicate that the lowest point may come as late as the first quarter of 2010 with a slower recover to growth than that forecast by the Chancellor of the Exchequer in the 2009 budget forecast.

It was assumed that the recovery from recession will start during the 2009 financial year and that the TfL projections of demand in the February 2009 budget represent the low point in demand and that no further reduction in demand will occur in later years.

As the speed of recovery from the recession significantly affects the financial outcomes two recovery profiles from the assumed 2009 low point in the recession were modelled:

- recovery occurs over one year with the 2010 demand being the mid point between the 2009 and 2011 TfL forecast of demand; and
- recovery over two years with the 2010 and 2011 demand being the mid point between the prior year and the TfL original Business Plan of demand forecast

The first scenario represents a very strong and sharp recovery from the recession and return to the TfL long-term projections. The second represents a slower recovery and was included as a worse case scenario based on the current Bank of England forecast of recovery from the recession. The projected passenger trip demand under the options and the baseline of the Business Plan are:



For the capital programme the financial effects of the recession were based on the EC Harris quarterly update on the UK infrastructure tender prices in May 2009 forecasting infrastructure contract costs falling over the next two years with price increases starting from 2011[30]

The infrastructure inflation projected by EC Harris in May 2009[31] is:

2009	negative five per cent
2010	negative three to negative four per cent
2011	two per cent

As inflation savings based on the forecast by EC Harris were significantly lower that the Business Plan an alternate profile of holding construction inflation at zero for the first three years of the Business Plan was included as an alternate.

Outcomes

To assess the scope of financial risk TfL faces in delivering its Business Plan as a result of the recession the two areas financial models were combined. The assumptions on recovery and savings were combined to estimate the financial loss to TfL compared to the Business Plan.

In addition the shortfalls from the models were run to calculate the required fares increases needed over all years of the Business Plan from 2010 to fund the Business Plan outcomes on the current scale and timetable for delivery.

The results compared to the Business Plan revenue over the period to 2017/18 and the alternate fare increases required to fund the plan are summarised in this table:

[30] EC Harris is the consulting firm within the construction industry cited by TfL in the 2009/10 TfL budget.
[31] 'EC Harris Market View - Spring 2009' http://www.echarris.com/pdf/7104_Economics survey SPRING 2009_LR.pdf

Recession fares recovery	Recession 1yr recovery	Recession 2yr worst case	Recession 1yr recovery	Recession 2yr worst case
Recession capital programme	0 per cent inflation through recession		EC Harris forecast of deflation through recession	
TfL revenue shortfall to Business Plan				
Current fares policy	£1,560m	£1,650m	£695m	£790m
Current policy with 0 per cent floor	£1,130m	£1,220m	£405m	£500m
TfL average fare rise required to balance the Business Plan				
0 per cent 2010 then flat rate of:	4.80 per cent	4.88 per cent	4.06 per cent	4.14 per cent
Flat rate all years of:	3.83 per cent	3.90 per cent	3.24 per cent	3.30 per cent

Appendix 5 Overview of TfL fares structured and concessions

Basic fares structure

	Bus & Tram	DLR	Underground	London Overground
Single trips	Per single bus journey and does not allow transfer within a time limit or across the bus network.	Per zone based journey and allows transfer within the DLR network.	Per zone based journey and allows transfer within the underground and DLR network	Per zone based journey and allows transfer within the overground.
Single Ticket basis	Cash and Oyster pay-as-you-go. *			
Zonal basis	Single London wide zone.	DLR only ticket operate within zones 2-3 and 3-4	Operate across zones 1-9	Operates across zones 1-6
Time basis	Single time zone without peak / off-peak		Cash fares have single time zone without peak / off-peak Oyster pay-as-you-go operated a Peak fare scale from 06:30 to 09:30 and from 16:00 to 19:00 Monday to Friday (excluding public holidays) and a reduced Off-Peak fare scale at other times.	

Oyster Price capping	Bus only travel capped applies daily cap based on 3.3 or 4 times the single oyster fare.	Underground, Overground and DLR travel applies different daily caps depending on use within the day during Peak and Off-Peak. The cap is based on reduction to the equivalent daily Travelcard and includes use of the Bus network on the day.

* Cash fares are significantly higher than Oyster pay-as-you-go.

Basic concessionary fares structure

	Bus & Tram	DLR	Underground	Overground
Child	Under 11- free travel at all times - no Oyster photocard required. 11–15 – free travel at all times – Oyster photocard required	Under-11s travel free on Tube, DLR and London Overground services when accompanied by an adult (maximum of 4 children per adult) or if unaccompanied when holding a 5-10 Oyster photocard. 11-15 - pay child fares – an 11-15 Oyster photocard is required for pay as you go and Travelcard season tickets. Photocards are not needed for child-rate cash single, Day and 3 Day tickets.		
Student 16-17	With a 16+ Oyster photocard pay as you go at half the adult-rate.			
Student 18+	If attending colleges or schools registered with TfL can apply for 18+ Student Oyster photocards to buy Bus & Tram Pass and Travelcard season tickets at 30 per cent off the adult-rate. No discount to single trip tickets.			

16-19 in full-time education or on a work-based learning scheme if living in a London borough	With a 16+ Oyster photocard travel free on buses and trams.	With a 16+ Oyster photocard pay as you go at 50 per cent adult-rate.
New Deal	With a New Deal photocard – 50 per cent adult rate Bus & Tram Pass season tickets – 50 per cent adult rate on oyster pay-as-you-go	With a New Deal photocard – child-rate Tube, DLR and London Overground services – 50 per cent adult rate on oyster pay-as-you-go
Income Support – if living in a London borough	Can apply for a Bus & Tram Discount photocard to get 50 per cent adult-rate Oyster single fares and Bus & Tram Pass season tickets.	No concession
Disabled	Wheelchair users – travel free.	No concession

<table>
<tr><td></td><td colspan="2">Not living in London – travel free on buses after 9:30am M-F and all day weekends.
Living in London – you can apply for a Freedom Pass to provide free travel at all times on TfL services.</td></tr>
<tr><td rowspan="2">Aged over 60</td><td>Not living in London – travel free on buses after 09:30 M-F and all day weekends.</td><td>Not living in London - no concession</td></tr>
<tr><td colspan="2">Living in London – you can apply for a Freedom Pass to provide free travel at all times on TfL services.</td></tr>
</table>

Appendix 6 Orders and translations

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Email 与我们联系。

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো   করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

Appendix 7 Principles of scrutiny page

An aim for action
An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

Independence
An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

Holding the Mayor to account
The Assembly rigorously examines all aspects of the Mayor's strategies.

Inclusiveness
An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

Constructiveness
The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

Value for money
When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

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