

Budget and Performance Committee 18 June 2009**Transcript of Item 8: Proposal for an Investigation into the Impact of the Mayor's Fares Decision**

Valerie Shawcross (AM): Are there any particular social groups who suffer from social exclusion who are particularly impacted as a result of the fares decisions within the system? I think in every social benefit that there is in our society we often find, for example, people who are extremely low income earners but not Jobseeker's Allowance recipients. There is a lot of difficulty at that interface where people are expected to pay full prices but are not necessarily financially capable. So I would be interested in your take on who is affected by fare price increases. I am interested in a geographical answer to that as well if your reply is not focused on social issues.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I think that is a very useful question and I think it does follow on from a lot of the previous discussion which was very much pitched at a macro level, which is understandable in terms of the financing, but I think underpinning this issue about whether you are dealing with a conventional business or something that is delivering a public service is really important in tracking usage. I think the idea of getting clearer data about who is using and poverty-proofing the system, particularly, is very valid given the level of data that probably is being collected.

I think the group I would particularly highlight is those in low paid work; those on Working Tax Credit. A particular problem in London. It is a problem across the country but in a city that is very wealthy we also have a large proportion of children - about 18% I think - in families in low paid work. Those parents I am not sure will be covered by these systems. So that is one large group.

I think the other group I would push on is just unpicking what is going on about these fare concessions. I take the point about newly introduced systems but if we are talking about take up rates of 20% in terms of Jobseeker's Allowance concessions I think that is an issue that needs probing about why the take up is as it is, checking whether that is increasing and also looking whether there are more automated ways of improving the take up of that concession.

Valerie Shawcross (AM): Do you think that public transport fares are a barrier to people taking employment in any instances?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I have no doubt that they could well be. I take the point that there are concessions in place, though again that raises the take up issue and obviously London will be a particular place where there is a lot of travelling and a lot of travelling across boundaries which could well lead to that sort of discouragement and barrier to work.

Valerie Shawcross (AM): Does TravelWatch want to comment on either of those?

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): I think you have to distinguish between the modes because the difference in price per kilometre, if you like, on Tube and on bus is quite substantial and if you look historically the price of bus fares has gone down in real terms; it has remained constant.

There is also a huge difference which we have not talked about at all this morning between the headline fare and what people actually pay because people, if they use Travelcards or Oyster they clearly pay a lot less than they do if they pay cash fares. So what people actually pay may be very different from what you see as a headline figure.

We have been looking at the question of getting to work particularly by bus and trying to find out those areas where there are unemployment hot spots and to see whether the bus network does in fact marry up with those and whether there are any areas where perhaps the bus network could be strengthened in order to help those people because I think that is the primary mechanism that those people are going to be using to get to work.

Valerie Shawcross (AM): Do you have any thoughts - apart from additional transport service provision because this is the Budget Committee and we are looking at the fares issue - about how the Mayor might further adapt the fares system to try to alleviate pressures on socially excluded groups, particularly I think you have all mentioned the low paid?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): May I add a couple of thoughts? I think the London Child Poverty Commission made a recommendation to consider the impact particularly on part time workers and there I guess there must be some issues around off-peak fare structure and the relative balance within the structure; so I think that might be worth looking at.

I am sure that looking particularly on what is going on in relation to buses, and reading the background papers as I understood it, the proportionate increase in bus fares last time round was higher than elsewhere; so I think that is another point that I would make.

There is obviously a question, in terms of trying to capture the low paid, about how far you would be able to go. I think there is a serious issue about in-work poverty; about half of children in poverty have a working parent and those families do not look as if they would be covered.

One particular area of possible focus would be on moves into work because I think it is quite well established that there is a lot of churn in and out of the labour market and perhaps if that triggers an increase in your travel costs then there might be something to look at about run-ons in terms of fare concessions there.

Valerie Shawcross (AM): Sorry, I did not understand that point. You are saying that because you cannot buy a season ticket for the year you may be paying more; if you are in uncertain work? Can you just explain this point about run-ons?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I suppose my question is whether there are any particular times of transition around the move into work where a person might not be covered by a concession which might increase the chances of them not being able to afford to stay in work. Transport is known as one issue that contributes to the cost of employment and particularly given that there is probably a problem of churn in and out of the labour market I wonder if there might be an area that would be worth exploring there.

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): One of the advantages of Oyster is that it does give you the flexibility to get cheap fares without having to invest in a large season ticket payment in advance.

The other suggestion that we have put forward is that the bus fare should cover more than one journey in a limited period of time so that if you are making a connecting journey, rather than having to buy two single tickets, you can buy an hour ticket or something like that provided you are going in a consistent journey; which is used quite extensively in other parts of the world.

Valerie Shawcross (AM): OK. You talked about transition groups: people getting in and out of jobs and lifestyle changes and single parents trying to get back to work and stuff. When I looked at the concessions I was very struck by what a bad deal students 18 plus get - perhaps not a central group to your concern - but being a student is a huge business in London; lots of people do it and lots of institutions provide education. They have a relatively small discount and, of course, there has been a massive increase over time I think proportionately in the amount full time students are paying for transport in London. Do you see that as a particular issue as a barrier to people gaining education qualifications and moving on? Do you think the students get a good deal?

Tim Bellenger (Director, Research and Development, London TravelWatch): I think there is obviously a balance here - as other speakers have talked about - about where those students are actually travelling and their impact on capacity. I think there is also an issue about how you actually transition people from having a free fare system perhaps in the early years and then suddenly going to a full fare arrangement.

You have talked about barriers to get back into work. Obviously, if you have been out of work for a long time and you do get a job and you find that the cheapest way of actually doing that is to buy an annual season ticket but you do not have the capital to buy that ticket in advance, that is a major disadvantage to you to actually getting back into that employment. Maybe there may be ways in which, for example, people who have been on long-term unemployment benefit could be given, in effect, season ticket loans as good employers would normally give a season ticket loan. Maybe that is an area which could be explored.

Valerie Shawcross (AM): No particular comments about full time students then?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): Could I raise one point which is slightly subverting that question, which is around those not in education and training. I think the previous session was questioning this period around the 16, 17 and 18 age groups. I would raise the question about what is going on with those who may not be caught under these concessionary arrangements? We have a large number of them and it is quite a problem in terms of their moves into the labour market and, indeed, back into education.

Valerie Shawcross (AM): So what would you suggest for them?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I would like to know where they are and I would like to audit the extent to which they are covered under existing arrangements. One of the problems obviously with that group is that - because they are not in education and training - it is quite difficult to know where they are. However, there might be ways through things like the Child Benefit system and data that you could track them and work out what was going on there. But if we are trying to open up opportunities to take up education etc then we want to identify any barriers that exist.

Valerie Shawcross (AM): Thank you.

Mike Tuffrey (Deputy Chairman): Can I ask - perhaps from the Child Poverty Action group (CPAG) - do you have a benchmark about the proportion of somebody's income that can be attributable to transport versus housing? I think some work that GLA Economics did showed that for people in the bottom 20% of the income groups they are paying something like 9% of their income on transport, which feels a lot to me in terms of 10p for every £1 when you think of food and housing and leisure costs and all the rest. Are there any guidelines or benchmarks?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): When you say guidelines do you mean evidence of what that level of spending is currently or evidence of what that spending should be?

Mike Tuffrey (Deputy Chairman): What it should be. GLA Economics is saying currently it is that end of the income where it is --

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): That evidence is brought out. It is probably the same underlying data but the Family and Food Expenditure Survey traces this stuff and I think --

David Leibling (Chairman of the Fares and Ticketing Committee, London TravelWatch): It is 14% nationally across all income levels.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I think it follows a pattern where it is slightly less for lower income groups.

David Leibling (Chairman of the Fares and Ticketing Committee, London TravelWatch): Exactly. Yes.

Mike Tuffrey (Deputy Chairman): Well if it was 14%. OK. Then there is a question of what is it?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I think that the figures that I have are for families 13.4% nationally over all income groups. Now my understanding is that is slightly less for lower income groups as a proportion of their spending slightly higher up the income distribution. I do not have a particular how much it should be of your budget.

I think my broader question is the actual size of your overall budget in the first place. There is comparative analysis that has been done by the Joseph Rowntree Foundation on a minimum income standard and it assesses the level of different budget components which transport will be one of them. Now that is national data, it is not London specific and I do not have those figures with me but the study was called The Minimum Income Standard.

I am more concerned about the proportion of current family budgets that is taken up by transport and, as you highlighted, it is a very large chunk.

Mike Tuffrey (Deputy Chairman): I think if you have got any evidence of national data or your own I think our officers would be keen to have that --

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): Certainly.

Mike Tuffrey (Deputy Chairman): -- just so that we can see.

David Leibling (Chairman of the Fares and Ticketing Committee, London TravelWatch): It is published bi-annually.

Mike Tuffrey (Deputy Chairman): OK. At a time when TfL, if you go through to 2018, is looking at real fare increases, if we are not looking at real income increases then that squeeze - whatever is the percentage and whatever ought it to be - it is going to get tougher and people will have to pay more on transport and less on food or kids' shoes or any of these other very real choices people have to make when they are at the bottom end of the income scale.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): If I may amplify that point? Even if we got into a situation where there were zero increases but RPI inflation was below zero, that would still be growing in real terms so I think that point is very valid.

David Leibling (Chairman of the Fares and Ticketing Committee, London TravelWatch): I was going to make the suggestion, if possible, that should RPI be less than minus 1% and if there is some kind of concession that fares did not decrease under those circumstances that any shortfall was carried forward so that when RPI did increase the deficit was offset against the increase so that would help to balance the costs over a period of time.

Mike Tuffrey (Deputy Chairman): OK. On the JSA point in particular which has come up - because that is something that I have been pursuing - the eligibility criteria are tighter than when announced. When it was announced it was said that something like 150,000 people would be eligible. It turns out that the rules - and they touched on it earlier - limit -- you cannot get it for the first three months of the six months which has radically reduced the numbers who are eligible now down to about 50,000 and then even within that reduced number the take up is around 20%.

So do you have any particular guidance for us or evidence for us around the small print of some of these concessions that changing the small print would help?

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I am not sure that I have evidence but if we are talking about the first 13 weeks then that is a key period that you would wish to be moving back into work. One thing that central Government has made clear is that it feels that -- well in this recession a lot of people have got back into work relatively quickly having fallen out of it are perhaps higher than in previous recessions. That means you want mobile people in the first --

Mike Tuffrey (Deputy Chairman): The way the rules currently are operating may be something that we can look at as a Committee. On precisely the basis that in the first 13 weeks - the first 3 months - there is a lot of movement in and out they have said you cannot have the concession because it is all too messy to keep giving it to you and taking it off and so forth, so they have said it is only people who are at the longer end of the six months who can get the concession.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): If I may that sounds perfectly sensible from a bureaucratic point of view --

Mike Tuffrey (Deputy Chairman): But from a human point of view it is actually the reverse that you want.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): Yes.

Mike Tuffrey (Deputy Chairman): There is a philosophical point as to whether we should be having concessions at all. What job is it for Transport for London to be trying to deal with poverty --

John Biggs (Chairman): Is that a liberal point or a sort of neo-liberal point?

Mike Tuffrey (Deputy Chairman): -- and that it should all be dealt with through benefit systems and so forth and we should just provide the transport. But that is not the world we are in and that is not what I am advocating - let the record show - but there is that more profound question as to whether we should go on adding more and more concessions for different groups - whether it is students and young people who are not in training. Is not the problem actually --

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): That may come back to the point that Shashi Verma [Chairman of the Fares and Ticketing Committee, TfL] was making; you have to have a system that is comprehensible and the more variables you introduce the harder it is for people to understand and, while you do want to help people who are in need, you have also got to consider the ability to deliver those complicated formulae on the ground.

Mike Tuffrey (Deputy Chairman): It goes beyond the GLA and certainly this Committee to set national benefits levels and national minimum wage levels and national pension levels if you then took away the concessions.

John Biggs (Chairman): There are parts of the country where local authorities are tearing their hair out over the national half fare travel scheme and London is not generally one of them. Is that a fair summary?

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): I think there are two issues there. One is that the London scheme has been running for so long that it is well established; there is a well-established funding formula through --

John Biggs (Chairman): Right. Except the scheme does apply to non-Londoners travelling in London.

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): That is the issue. It would have been helpful to hear from Shashi [Verma] how many people are taking advantage of that particular concession because, obviously, London will be popular for visitors.

You are quite right that outside London the local authorities are very concerned about the increase in fares because the formula for reimbursement does not seem to be equitable. London Councils and TfL have reached agreement on how to fund the Freedom Pass - a lot of which comes from surplus income from parking accounts which other local authorities outside London do not get.

Richard Tracey (AM): I am rather interested to hear from TravelWatch that the apparent gap between the Oyster pay as you go applies to TfL fares and to the mainline fares. That must be a consideration.

Paul Dornan (Policy and Research Officer, Child Poverty Action Group): I am not quite sure what the point is?

Richard Tracey (AM): The Oyster pay as you go, when it comes in and applies to mainline fares -- you presumably heard the discussion we had earlier where --

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): We are totally in favour of pay as you go because of the convenience factor. There is a separate issue - again as the previous speakers said - about equalising the fares and we would totally support that. We think that there should be a single zonal system across the whole of the London travel area. One appreciates that you cannot necessarily get there and you have also got the fact that the train operating companies [TOCs] are commercial bodies; they are under franchise agreements and hopefully, as the franchise agreements are developed, then there will be greater pressure on them to conform to a London-wide policy.

There is one other point about the fares basket of course which has not been raised this morning so far and that is that previously, even within the RPI plus 1% formula, the TOCs were allowed to increase their fares by up to 10% in total and the Secretary of State in his previous role as Minister for Rail has said that they are not allowed to do that anymore; so that is, I think, a helpful development.

John Biggs (Chairman): I am bewildered and confused about this zonal question in relation to national rail. I am trying to lift the clouds of misunderstanding here. My understanding was that under the previous Mayor there were discussions about whether he might need to give £100 million or £200 million a year to train operating companies for them to integrate their fares within the London zonal system.

I remember talking to him about this very concept. It was a lot of money and it was viewed as unreasonable, almost extortionate, that they were asking for so much money for integrating their fares. Could it be the case then that what is happening is that the TOCs are agreeing to integrate the use of Oyster cards but the Mayor is not offering or the TOCs are not talking about integrating their fares because of the further financial penalties or negotiations required for that?

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): That is right, yes. It is a two-stage process. We are only going through phase one at the moment.

John Biggs (Chairman): So under Mayor one - if we can call him that - there was a proposal although he did not actually reach a conclusion on that because it was quite tricky. Under Mayor two there may or may not be a proposal but it does not look at if it is going to reach a conclusion --

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): I do not think there is any current discussion about that.

John Biggs (Chairman): Right. OK.

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): The mechanics of getting the Oyster pay as you go has taken priority.

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): There are plenty of other anomalies. Caroline [Pidgeon] has already mentioned a few and we are working line by line to try to eliminate those anomalies --

Caroline Pidgeon (AM): It made me think in terms of talking about Oyster pay as you go on rail but also you have got Freedom Pass holders who cannot use their Freedom Pass before 9.30 am on national rail and obviously huge parts of London - I know Bromley, Bexley and places - really rely on the over-ground rail. Some of it would be to get to employment, some of it would be going to hospital appointments or whatever it is. Do you think that is a group that is being excluded from using transport and would you argue that we should have 24 hour --

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): Disabled people can use it at any time anyway can they not? It is only people over 60 who are restricted.

Again, this is one of the anomalies. The Mayor was very generous when he extended the Freedom Pass to all hours in January this year. There was no discussion at that stage with TOCs. Well there was discussion with TOCs and they said, no, they are not prepared to provide the same service because it would be too expensive for them.

Caroline Pidgeon (AM): There was an exchange of correspondence with the TOCs on this matter but no conclusion about it. Would you support it being 24 hours?

David Leibling (Chairman of the Fares and Ticketing Committee, London

TravelWatch): Well there is the issue of capacity. If you have limited capacity - as many of the rail lines do have - then allowing more people to travel on peak rather than encouraging them to travel off-peak may not be the best way of dealing with things.

Caroline Pidgeon (AM): Shashi [Verma] said he had the data and he could show how many had taken up the Freedom Pass before 9.30am, so you could look at that and see and if it was not a huge number would that not be something to make sure that all pensioners in London are treated equally?

Tim Bellenger (Director, Research and Development, London TravelWatch): Yes, I suppose you could do that but the point is that the national rail operators are commercial businesses and they would want compensation for the loss of income for allowing travel before 9.30 am. Yes, I am sure that if the Mayor or London Councils were actually prepared to pay that additional cost the train operators would probably be more than happy to offer it, but it is a question of actually who is going to pay for that concession.

John Biggs (Chairman): I think historically it has been a problem of agreeing what the actual cost is as well.

Tim Bellenger (Director, Research and Development, London TravelWatch): Yes.

John Biggs (Chairman): In theory it is possible; in practice there is a lot of disagreement.

Murad Qureshi (AM): Given the schedule of concessionary fares, the numbers of people on the various concessionary fares, it would be quite useful if as a Committee we just watch that over the years. I have never really had any comprehensive figures and I think it would be useful.

John Biggs (Chairman): OK. No, certainly. Perhaps we can get that in our report. We will be making some representations to the Mayor and we will be publishing our findings. We are grateful for the evidence we have been given by I think TravelWatch. I think, CPAG, if you wanted to submit something we would be very pleased. I am interested in issues about the high marginal cost for people moving in various directions. I do wonder whether transport costs are sufficiently taken into account in the London Living Wage for example. I think they probably are but if you have any observations on that that might be welcome as well.

Can we thank you very much for putting up with this very lengthy earlier session and then giving us your pearls of wisdom in the later part? Thank you very much.