Appendix

Transport Committee
13 November 2003
Transcript

Lynne Featherstone (Chair): We go now to the main business of the day, which is the Transport for London (TfL) business plan for the next five or so years, and I would like to welcome Transport for London. Welcome. Over to you.

Jay Walder, Managing Director of Finance and Planning, TfL: Thank you. TfL on the 29th of October adopted a business plan which covers the fiscal years from 2004-05 through 2009-10. It would not be my intent today to try to walk through that plan in detail. I know that you have received it and have taken the time to go through it. But there are some things that I would like to highlight within that plan and the implications of that plan that I think are worth noting at the outset.

The first point, one that I feel very strongly about, both personally and professionally, is the implication that has been put forth in a number of places that TfL has a financial crisis, or put more strongly, that TfL is causing London to have a financial crisis. To be very clear, TfL recognises its responsibility to deliver a balanced budget. That is a legal responsibility we have; it is also a professional responsibility that the people sitting in front of you carry in particular. And we will submit a budget, in all cases, which is balanced against the levels of funding that are available to us from grants, precept fares and other income that may be available. The business plan goes out of its way to identify a baseline level of spending, which can be matched against that indicative level of funding. As you can see, over the period of the five years, six years, that funding is, in fact, broadly balanced.

Having said that, I think it is very important to distinguish between a financial crisis and a transport crisis. Balancing the budget does not mean that London would have the transport system that London needs or that London deserves. So the baseline level of spending that we would be looking at in that plan would have the following result: It would mean that road congestion would worsen; it would mean that overcrowding on our public transport services would increase; it would mean that the reliability of our public transport system would fall; it would mean that customer satisfaction would decline; and it would mean that our ability to support the growth of London and the growth of London's business community would be severely damaged.

Now that is not a result that we believe is acceptable. I am sure it is not acceptable to this Chamber as well. And for that reason, we have put forth a business plan that shows how we would meet London's needs over the coming period. I would say that it really is in three critical steps if we are going to meet London's needs.

First off, I think the point that has been made many times by the Commissioner, and that cannot be overstated, is the issue of the condition of the assets that TfL and the GLA have inherited. It will come as no surprise to the members of this body that those assets are not exactly in first-class condition. The foundation for any growth, the foundation for any development, is bringing those assets to good repair.

When we talk about those assets, I would argue that it is both the physical assets that were not in acceptable condition, but also that the service levels that we inherited, particularly around the bus system, were not service levels that were acceptable to be able to maintain the services, and that for the newest part of TfL, which is the Tube, which transferred on the 15th July, we need to be clear that the funding settlement that has been worked out by the Government with the Tube is not sufficient to be able to meet all of the needs that the Tube has over the business plan period.

TfL has oft stated this point. It is recognised in an agreement between the Transport Secretary of State and The Mayor, dated February 4th 2003, in which it was recognised that there were likely to be additional costs that would have to be met over this plan period, and we can talk about that in more detail. The headline point about that is that the Tube settlement is not sufficient to carry out all of what needs to be done there.

Setting forth a foundation for growth, however, or a foundation for our transport system, does not prepare us for the growth that London will have. The London Plan, as you well know, projects that London's population will increase by more than 700,000 people in the period to 2016, that jobs will increase by 630,000. There is certainly a shifting in the demographics that are taking place, with some current residents of London perhaps moving out, different populations moving in. This is a change that has taken place in London over many generations and decades, and it is no surprise that it continues to take place as we look forward to the future.

It is also important to recognise that the statistics that I am referring to are not just the statistics of the London Plan, but are also the statistics of the Office of National Statistics. That is that the population numbers we are talking about are not in any way in dispute by any parties who are looking at the data that is available. If we are going to meet the increases in demand that this implies, then we are going to have to be able to relieve points of congestion that exist on the existing system, and there are serious points of congestion on the existing system, and we are going to have to be able to provide extra capacity on our existing transport network.

This latter point is particularly important around the bus system, which I know has been a topic of much discussion, and you see mentioned many times within our plans. Bus patronage is growing today at the rate of 10% year-on-year. It is a stunning success in terms of what has happened. In effect, Londoners have responded to a point that Maggie Thatcher made many years ago, at which she said that anybody, or any male, who was over the age of 26 who was riding on a bus was a failure. Londoners are saying, no to that. Bus patronage is up by over a million people a day from when TfL began, and we project with the growth of London that it remains an absolutely essential backbone of the transport system for the future.

And third, within this idea of growth, we have to recognise that there are infrastructure investments that need to be made to enable growth in parts of London for which transportation remains an impediment to the growth and development. Particularly, the Thames Gateway stands out in that regard, for things like Docklands Light Railway (DLR) extensions; light transit schemes along the Greenwich waterfront and East London; Crossrail; the Thames Gateway Bridge, and related road improvements, such as the Thames Road, that are needed as well, all of which are needed to create a network of transport infrastructure to be able to support the development that will be taking place.

But finally, it would be wrong to just talk about those two pieces, because what that implies in some way is that the existing transport system is acceptable. And the frank answer is that the existing transport system is not acceptable, and that system needs to be enhanced in terms of the quality of service that is being provided. We, right now, do not have a bus system, for example, where every customer who comes up to a bus shelter can find out when the next bus is coming. Yet, technologically we have the capability to do things like that today, and it is time to put things of that nature in place, because they matter for what happens.

We have to recognise that at some of the interchanges between National Rail and the Tube, that the Tube closes five times or more every morning and does not allow people down to the platform. Victoria Station is a disgrace in this regard, and it is a problem that has existed for many, many years. It is time to do something about this type of problem. That problem now is recreating itself at almost all of the major rail terminals around London, the only place that it is being dealt with is King's Cross, as part of the Channel Tunnel Rail Link (CTRL) works that are taking place there.

We are looking to expand upon the success of the congestion charging system by moving toward a western extension of that programme. And then over the longer term, and I think, probably even more importantly, looking to a broader range of road-pricing actions that could be taken, recognising that the issue of congestion does not just exist in the centre of London and does not just exist in parts immediately adjacent to the centre of London, but actually exists in pockets all around London in very serious and dramatic ways.

Finally, we must have a voice for National Rail in London. The Strategic Rail Authority (SRA) is a voice for National Rail across the UK, but it must have a voice for London. The condition of National Rail stations in London, not the major rail terminals in particular, but the smaller stations, is simply deplorable. Nobody should have to be using stations of that condition. We have, as a matter of the privatisation that is taking place on National Rail and other activities that have taken place since, destroyed fare integration, which had been put in place about 15 years ago. We can get that back, but it takes effort, and it will take effort and some money to do it, because there are commercial arrangements that are there, but it is conceivable to do that. In regard to that, we can put in place the ticketing system that is now being put in place for the bus, Tube and DLR, which is the smartcard ticketing system which has major advantages for our customers, can be in place for National Rail as well. We have worked out some of those arrangements, but we should have it across the board for National Rail being utilised as well.

Then finally, because so much of our delivery of transportation involves the boroughs, we should have a robust borough spending programme that is part of what we are doing as well, if we are going to enhance the service quality of what we have.

So as you look at TfL's plan, what it says, to recap, is that if we need to stay within the indicative levels of funding, and to be clear the indicative levels of funding presume that government grant will decline by £200 million a year between the current fiscal year and 2005-06, fares will rise in January 2004, and then will rise with Retail Price Index (RPI) thereafter. If we have to stay within that indicative level of funding, we will; there is no question about that. We will put together a transportation plan; we have put together a baseline plan that does that; we will defend that in front of this body each year as we are required to do. But we will suffer the consequences that result from that.

If we have a different vision of the role of transport in London, if we can do more with our transport system than we are doing now, if we can carry forth the efforts for which TfL has been putting an enormous amount of planning into in the early stages, essentially on spec, for projects like the West London Tram, for projects like the Thames Gateway Bridge, where we have been developing these projects, if we can carry those things forward, if we can have the extensions of the DLR to Woolwich, to Barking Reach, if we can see Crossrail in the future down the road, then we can have a completely different transport system that is here within the medium term, or within the longer term, but that will require additional resources.

The TfL plan lays out a resource need to accomplish that that approximates £900 million a year. And you see that laid out - we have broken that down into a number of different categories in the interests of trying to have transparency in this. It is in our interest to have transparency with you, with the Department for Transport (DfT), with Treasury, with everybody. Because it does not help anybody's case to not have transparency in what is there, so that the business plan has very much been crafted in that way. We see this undoubtedly as the first of what will be many discussions and dialogues to take place on this with this body. And with that, we would be happy to engage in any discussion that you would like to have.

Lynne Featherstone (Chair): Thank you very much, Jay. The question is about the funding of your plan, and what I was wondering is you have put six categories down, categories of expenditure, and they reflect TfL priorities. Well, the question is, do those six categories reflect the priorities of TfL if the money is not there from the government, and are they in the right order in which we read them in the plan? So you knock off number six, number five, number four, is that how it is?

Jay Walder, Managing Director of Finance and Planning, TfL: The categories that were put forth were not intended as a priority statement in the way that you are suggesting. We did not think that it was fruitful to engage in the idea of what might happen under various funding scenarios. What we have said is that there is one indicative funding scenario right now for which we have put forth the baseline plan, which protects our existing services; it meets critical safety requirements within London; and it recognises our existing contractual commitments, and these are quite significant, particularly on the Tube, where we have contractual commitments around the Public Private Partnership (PPP) and Private Finance Initiative (PFI), contracts that total nearly £1.5 billion a year.

We do believe, consistent with the point I made earlier, that there can be no growth without ensuring the foundation of the transport system that is here. So the need to restore the assets to good repair and to maintain the service levels without degradation on the bus system are of paramount importance to us. So you in seeing those at the top of the list, that is no accident.

On the other hand, in a constrained funding environment, the tradeoffs that might exist between new infrastructure that could be created, extensions to the DLR or Thames Gateway Bridge or other new infrastructure, and actions to improve the service quality of the existing transport system would have to be taken forth after knowing what the levels of funding would be. It would be our intent to engage that discussion with people now, as part of the input towards that process, but I would not take the categories as a defined statement of priority in the way that you were suggesting.

Lynne Featherstone (Chair): But within the category one, if you like, the safety and the baseline budget, you are saying there is no flexibility. Should all the rest of the money be refused, you are not going to be able to do any of that, because the baseline budget is completely tight and sewn up?

Jay Walder, Managing Director of Finance and Planning, TfL: Effectively, that is the case. I believe that, undoubtedly, as anyone goes into the baseline budget, what you will see is what we have seen, is that there is incredibly little flexibility to move differently than what is in that budget. It picks up, as I said, the contractual commitments around the Tube and the levels of service that are operating right now. It picks up on the level of bus service that we are operating today. That means, for example, as we are renewing bus contracts, which we renew on a five-yearly basis, the baseline level of funding not only does not accommodate growth, it does not accommodate, by itself, the steps that are needed to ensure the reliability in relation to the existing demand that is there today.

So I think there is incredibly little flexibility to be able to move things in that way.

Lynne Featherstone (Chair): So how will you decide between meeting increased demand for existing services or accommodating London's growth, assuming there will be a funding gap, but I do not see the government saying, 'My pockets are full and you can have everything that is in them.' Unlikely.

Jay Walder, Managing Director of Finance and Planning, TfL: Well, we are still, I would say, hopeful of the fact that the needs that we are identifying here, I do not think are at odds with what the Government has identified in terms of what they want. What we have tried to do, and what we are trying to do, in our discussions with the Government now, is to go through and understand what the constraints are within the levels of resources that are available to TfL such that we can have the investment both in the existing transport system and meet the major new infrastructure projects that government itself would like us to see put forth.

I am not willing to accept those as a trade-off at this stage by any stretch, and we should not be.

Lynne Featherstone (Chair): No, I can see at this point in time you do not want to give them any opportunity to not fund the whole lot, really. In terms of the programmes, how have they been analysed in terms of costs and benefits, and how have the smaller programmes, such as safe routes to school, walking, cycling, travel planning, which cost relatively little, been evaluated against huge elements of the plan, such as the bus network?

Jay Walder, Managing Director of Finance and Planning, TfL: Overall within the programme, we follow the government's guidance in terms of the benefit-cost appraisal process, which is the approach Transport Appraisals, which was put forth in 1997, and I believe updated recently as part of the Greenbook methodology, as well, with some different values.

Where it is possible to do a straight benefit-cost calculation, we have done that. And indeed, in the business plan you will see for the major projects, you will see benefit-cost ratios listed for the major projects. We are cognisant, of course, as we look at some smaller programmes, that we do not want the effort involved in the appraisal process to exceed the benefits that will come out of doing that. But we do put an effort into evaluating all of the programmes that we have ongoing.

In regard to items like bus services where you are talking about making specific changes within the bus network, each one of those changes is evaluated using this methodology to ensure that we have a benefit-cost ratio that meets the threshold that we need to have.

Finally, I should be clear that we are not slavishly devoted to benefit-cost ratios. You have to look at the appraisal that comes out of that in the context of your overall strategic priorities, and we attempt to do that as well.

John Biggs (Deputy Chair): How happy would you be with a government grant settlement that had strings attached, that said, for example, 'We are giving you extra money, but we expect you to spend it in the Thames Gateway,' which happily and coincidentally, happens to be my constituency? But were that to happen, would you be happy or do you see TfL as valiantly defending corporate independence? 'Here is a document for the Government; give us the money and we will decide what to do with it.'

Jay Walder, Managing Director of Finance and Planning, TfL: I think the construct which has been set out in regard to transport is one in which funding has not had strings attached. And I think it has been… if you think about… I might, in some ways, say there has been a partnership that has existed since 2000.

In the Spending Review (SR) 2000, Government, as part of national transport policy, significantly increased the level of transport funding that was coming to London. In the context of devolution that was taking place at the same time, the responsibility for how those resources would be utilised was left to TfL, its board of directors and this body. It is not a responsibility that Government has in any way attached strings to over that period of time.

It is probably also safe to say, that in that regard, TfL has undertaken certain investments that the Government, if it were choosing, might not have undertaken and for which the Government has indicated that they are actually happy with the result that has taken place. I think that is some proof of the idea that local decision-making around transportation funding is the best way to be able to take this forward. We would hope in the process going forward with the Government that they would continue to respect that, both by recognising the needs and by leaving the responsibility for the transportation decision-making to the local bodies for which responsibility and accountability now centres.

John Biggs (Deputy Chair): That question, I suppose, leads into the broader question of your sales pitch to Government in taking this bid to them. Clearly, there is an approach which is, 'We are an independent body. We know what London needs. Give us the money, and we will do the job.' There is an alternative approach, which is the sort of partnership approach, which for example, tickles the Government by saying, 'We know that you want to have success in the Thames Gateway. If you deliver us a proportion of this programme, we will delivery the transport for the Thames Gateway that you need in order to achieve your objections.' What do see as the balance between those?

Eric Ollerenshaw (AM): That is why Ken Livingstone is going back to Labour is it?

John Biggs (Deputy Chair): I think he is actually joining…

Eric Ollerenshaw (AM): Is it today?

Lynne Featherstone (Chair): No, they have got to wait until after Bush's visit.

John Biggs (Deputy Chair): I think they have to wait a decent period. Five years, I believe it is, actually. Anyway, carry on.

Jay Walder, Managing Director of Finance and Planning, TfL: I believe that we are engaging in effective partnership discussion with the Government in the sense of their understanding and engaging with us around this business plan and our understanding of the views that they have. There have been discussions with ministers, with senior civil servants; there are a range of discussions taking place around specific areas of the programme, all of which I believe are important so that we have a joint understanding of the issues, the needs, the opportunities that exist within the transport arena.

Fundamentally, I think there is incredibly little that is actually in this plan for which there is any real difference between the Government and TfL. We both want to see the Thames Gateway developed; we both want to see the enabling transport actions for that to happen. The Government has looked at the actions in regard to the bus system in London as being very, very successful. All of the growth in bus patronage that is being exhibited around the UK is being exhibited in London right now. It is a model which the Government is looking at to potentially extend to other parts of the UK. So I do not see that there is a difference there in regard to that. The Government is aware of the cost pressures that exist both within London and outside of London in regard to bus services.

So I do not think at any point right now there are any breaches that would say we are not working in partnership in that way. I think we are effectively working in partnership. Clearly, it is a tight fiscal situation which exists. That is no surprise to anybody. And there will be difficult decisions that have to be made. But I do not think the decisions are around a different vision of London or of the transport system than one which the Government has or shares.

John Biggs (Deputy Chair): As a London representative, I broadly support the bid that you are putting in. As a thoughtful London representative, I think the point you make about fiscal pressures is a very well-made one, and it is quite plausible that we could find that the current spending round has restraints within in it. But depending on the progress of the economy, you might find that there is additional funding in the second year of your plan or the third year of your plan. How would that affect your programming?

Jay Walder, Managing Director of Finance and Planning, TfL: We would have to work within whatever boundaries that exist. One of the things that you would hate to do in a situation in which there may be a short-term funding constraint, but perhaps longer-term flexibility is take decisions that are out of sync with the longer term financial flexibility that would be there. Obviously, I cannot restate enough the fact that we would have to be able to do that within the boundaries of a balanced budget in accordance with TfL's requirements and the legal requirements upon local authorities.

One of the areas that I think offers some hope in that regard is the recent action taken by government in regard to capital financing. One of the problems that exist in the local authority system today, which you are well aware of, is it puts handcuffs around local authorities in terms of the use of capital markets. Indeed, what it really means for TfL is that we are using current resources to support longer-term assets, which I do not think anyone really believes is the correct way to be able to do that.

John Biggs (Deputy Chair): If I could cut into that, I think that we have all known for years that Gordon Brown is one of the greatest supporters of TfL, and I think you are hinting at the prudential borrowing regime that is on the horizon. Would that allow you to seriously profile capital project funding in a scenario in which you did not get quite what you wanted in year one of your business plan, but had a promise of it in year two and year three?

Jay Walder, Managing Director of Finance and Planning, TfL: It would be extremely helpful. The prudential borrowing rules, unlike I think the last time that I addressed this body when I talked about it in a prospective sense, prudential borrowing legislation has passed; it has passed the parliament; it has received approval of the senate. We are in the process now of awaiting the regulations that would take place, but the steps have now been taken to be able to do that.

In crafting this plan, all of the capital elements that lend themselves to a PFI/PPP-type framework have already been accounted for in that way. In that regard, prudential borrowing offers no additional benefit on the numbers; it may offer benefit in terms of the approval process, but offers no additional benefit in terms of the gaps that are there. On the other hand, there are significant investments within TfL's plan that do not lend themselves to PFI/PPP framework.

Let me give one example. We use PFIs, have used PFIs, for each of the extensions of the DLR, to Lewisham and to City Airport, and intend to use the PFI structure for the extension of the DLR to Woolwich and potentially in the future to Barking Reach. No question about that, and it works perfectly fine as a mechanism of doing that. However, when you talk about the core system of DLR, Bank to Lewisham, for which there is a capacity constraint that exists on that system, a capacity constraint that exists now, and we know how many new buildings are going up on the Isle of Dogs, one option to be able to deal with that is to extend the DLR from a two-car system to a three-car system. That involves investment in lengthening platforms, in buying new carriages, in adjusting the signal system to be able to do it. It is a perfectly doable thing to do. However, it requires approximately £150 million of spending over a six-year period.

We would be creating assets that have a 30-year, or longer, useful life. So we would make the argument that if we had the flexibility under a prudential borrowing regime, instead of using £150 million of cash over a short period of time, we could do it as part of a borrowing programme, and be funding the debt service requirement for that, much as we do with the PFIs, and spread the burden of that over a period that is in sync with the useful life. And that would create significant flexibility and capacity in our plan. We estimate that there are approximately £500 million a year of assets that could be handled in the manner that I have just mentioned.

John Biggs (Deputy Chair): The DLR example is the one that is worrying us in East London, but it is quite a good example for the rest of London. You are saying that, in the scenario that I have painted where you do not get quite what you want next year, but the year after that you have a promise of more, the prudential borrowing may allow you to profile the spending on DLR and avoid the delay that seems to be threatened in the event of an unhelpful settlement?

Jay Walder, Managing Director of Finance and Planning, TfL: That is correct.

John Biggs (Deputy Chair): Good. Thank you very much.

Jenny Jones (AM): I do not want to be unkind to TfL, and I do not wish to misrepresent you, but the fact is I think that there is a lack of understanding at senior management level in TfL, I am looking at you Jay Walder and I am looking at you Peter Hendy about how important small-scale programmes are, you know, all the walking and cycling initiatives, all the 'safe routes to schools' stuff. If we look a little bit further ahead, by 2016, we are going to have another city the size of Leeds here in London, 700,000 extra people.

Now you are clearly looking to `manage those daily movements of those extra people. I think you are missing out on a huge opportunity here to actually move people onto walking and cycling initiatives, which will actually make your lives easier, if you are still here doing the jobs, that will make your lives easier by 2016. And I think there has not been the real understanding of how important these smaller-scale schemes are. I think intellectually you understand, but you are so… running the Tube and running the bus service is so important that these other options just drop off the agenda. Do you think that is unfair?

Jay Walder, Managing Director of Finance and Planning, TfL: Yes.

Peter Hendy, Managing Director of Surface Transport, TfL: No. Perhaps I should say, I have been concerned that what are I think unhelpfully called 'the softer elements' have actually not been put forward and analysed in a way that Jay described the rest of the programme is, by decent cost-benefit analysis. And I think some of those improvements will stand up to that analysis, because they deliver worthwhile things.

I am not quite sure; I think one of the main lines of questioning is why the money in this budget might be as big as it is, and there is a temptation that you are actually pressing us to put more in it, rather than take out less. For example, the average length of journey by bus is actually increasing; it is not decreasing, and were it decreasing, I think that there would be a strong case for seeking to not transfer people onto motorised vehicles that could walk. There is much more to this…

Jenny Jones (AM): There could be very particular topical reasons for that, could there not, the fact that bus journeys are increasing? It might be that the Tube is collapsing, and so on, that people are prepared to make long journeys…

Peter Hendy, Managing Director of Surface Transport, TfL: Oh, indeed, yes. I mean, having said all that, there is clearly much more to be done. I think one of the things that is unhelpful in this process, which I need to sort out this winter is that whilst the budgetary allocations for some of these headings are fairly low, the principles by which a lot of other work is done are actually applicable and will themselves help people walk and cycle where necessary.

The one budget heading, or the two budget headings of walking and cycling are not all that we are doing about walking and cycling. Quite a lot of marketing effort and the individualised marketing effort is put towards making people aware of the most appropriate way in which they can make their journey. Simple things that we can do, which we intend to, like putting on every bus stop the whereabouts of the nearby places, are the sorts of things that also help people make the appropriate choices at each end of their journey.

And it is not just those two lines by any stretch of the imagination. Quite a lot of the total borough spend is about making, particularly walking, more pleasant in urban town centres around London. I would hope that… I think it is unfair, but I would hope that we could convince everybody over a period of time that we are not complacent about it. I do not want those categories to be regarded as a sop to the sort of… either parts of the board or the green fraternity or whatever. They are integral parts of actually making London and London's transport work, and some of the research we are currently doing, for example, ought to prove whether or not you are better off spending your money on complex engineering solutions to making existing cycling safer, or whether there are other things that would actually encourage people to cycle, like somewhere to leave your bike when you get to the other end. We have a lot to do so on that I think I would agree with you.

Jenny Jones (AM): For example, we have been waiting with bated breath for a walking plan, because of course, that does not just impact on a few people, that is virtually everyone in London. Virtually every Londoner makes walking journeys of some sort. We have been waiting for a walking plan, and it keeps being delayed. And I am sure part of that is a lack of resources. If we… it is something if we put more resources into, it would have been done by now.

Peter Hendy, Managing Director of Surface Transport, TfL: Well, we do not have unlimited resources; it is fair to say that. Certainly, we could not say otherwise in a meeting about the budget and business plan. The walking plan is nearly finished. My only reservation about it is that if, which is what you seek, that we treat walking as an integral part of the total transport solution, I am probably less enthusiastic than some people might be about producing a separate plan, when actually the objective is to integrate it into everything that we do. I think some of the questions I have begun to ask about the behavioural views of traffic engineers, for example, persuade me that there are some other things that you might do, like train people properly, in order that every scheme that they produce deals with those issues in the appropriate manner.

Nevertheless, we will finish the walking plan, but I am not… We can debate this somewhere else, I think. I am a little bit sceptical about producing different plans for every subset of interest groups, and hence, what you get is the opposite of what you are trying to achieve, which is what is done is integrate it into our mainstream policies, and the appropriate amounts of money spent, and it thought about across the whole range of things. And what you might get instead is a separatist thing, which says, 'Well we can fob them off with this plan, and let us just get on with everything else.'

Jenny Jones (AM): I take your point, but I think the walking plan is something that we can hit people over the head with, so I am keen to get it finished.

Lynne Featherstone (Chair): I would cynically say that it is often argued as to whether something should be mainstreamed or separate. The answer is both, actually.

Roger Evans (AM): Just to take you back to your Business Plan, page 19 has an interesting table which talks about the income that you expect to receive up until 2010, and at the bottom you are making quite clear that the amount of money you are raising as fares, rather charges and precepts, in other words, the money that is paid by people who live and work in London, as opposed to by central government, which stands at 52% of your income now, will need to rise to 57% of your income by 2010 to make up the shortfall in government grant spending.

So although the message that you seem to be putting across here is that if you do not get the money from government, services will decline, there is also a powerful message here that if you do not get the money from government, Londoners will be paying much more for a reduced service. Is that an argument that you plan to deploy publicly?

Jay Walder, Managing Director of Finance and Planning, TfL: Let me start by being clear about what the chart on page 19 shows. You correctly characterised that this has all the indicative levels of funding that we have. It does not show how the shortfall in funding that we project over the coming six fiscal years is being met. So the 5,038 which is in the column '09/'10, if you were to look on the prior page on page 17, is the number before you get to how do you make up the shortfall.

What it does do, I think very clearly toward the point that you are making, is identify that in fact the transport system is funded from a variety of means, and where the allocation of those burdens should lie, between the users of the system, residents and businesses of London, and the central government, is of course a matter of choice as to what should happen there.

Roger Evans (AM): Should not that be the government's choice?

Jay Walder, Managing Director of Finance and Planning, TfL: I think it is actually a matter of multiple choices. The government certainly has an important role in that. In any system, as exists here, in which more than 95% of the revenues that are collected flow to the Chancellor of the Exchequer, and then have to flow out from that process, clearly that is saying that there is a very, very significant role for central government.

One could imagine, as part of the process of devolution that has already taken place, and the evolution of that process, that The Mayor and this body would have a greater responsibility for the collection and allocation of resources from London, and you could imagine more of the transport system having more of a local responsibility, in fact significantly greater than it is here, as exists in other parts of the world.

So the issues are… the issue of how you fund the transport system is not distinctly separate from how is the overall process of resources being collected within the UK. As long as you stay with the system in which 95% or more of the resources are being collected at the central level, then I think it is inevitable that the central government will have a very large role in making the choices that are there. This body will then have choices in regard to precept, along with The Mayor, and The Mayor and the TfL board have choices in regard to fares.

TfL will have to work within the boundaries of all of those decisions as they are made.

Roger Evans (AM): Yes, but certainly devolution was not sold to people in London on the basis that if we give you London government, you get to pay more of the bill. I am sure if that had been said, they would have been less enthusiastic than they were. And I think we still have a case to make to government for them to contribute, not least because London contributes towards the wealth of the whole country, and it is not merely a matter of fulfilling a local need with local money, even though local decisions are made, yes?

Jay Walder, Managing Director of Finance and Planning, TfL: I could not agree more. I am not disagreeing with that point. If you look at the government's own statistics, London contributes £10-20 billion more on an annual basis to the Treasury than gets returned to London. There are some more recent statistics from the corporation which show that number being somewhere in the range of £17.5 billion, but even if you use the low end of the government's own number, that is saying that there is a significant balance of payments deficit, if I can use that phrase, between London and the rest of the UK, and it certainly is understandable that if some of that balance of payments deficit were reversed and that funding were put into the transport infrastructure, which is shown in this plan, that you would be able to move forth on what is there.

We are trying, and would welcome with all parties in London, a partnership with all parties to create the voice of London, to be able to make that, to be able to make that point. But ultimately, we will have to live, as I said at the outset, within the outcomes that are there. We have to make that argument, however, I think very much, outside the corridors of Whitehall. It is a public argument. It really goes to the heart and the question of what we really expect to be here. And we are taking this document, this argument, this debate out broadly to the people of London, because they should understand the debate that is being joined.

Roger Evans (AM): Yes, but are these figures which we have here, which are so indicative, going to be used in the headlines of your arguments, rather than as a subtext, because if they are not going to form the main part of your arguments, then I would be quite happy to make that part of the case for you.

Jay Walder, Managing Director of Finance and Planning, TfL: I think they are a significant part of our argument. We have put them in a forthright way and a transparent way within the document. I think there is very clearly a point being made that if there is no change in the indicative funding levels that are there, then the responsibility toward London's transportation system is falling more heavily on the residents, businesses and users of the transport system within London. And this does not even get to the question, as I was trying to say at the beginning, of how do you make up that £900 million shortfall that is there. And if that falls further on the residents and businesses of London, then those figures would rise even more.

Roger Evans (AM): Thank you.

Lynne Featherstone (Chair): Alright, we are going to move on to buses now. The business plan is forecasting a 30% increase in the cost of funding the bus network by 2009-'10, if all categories get funding. So do you consider this Rolls-Royce service that you are hoping for is value-for-money? And the… alright, we will start there. No actually, do not, because clearly, you will say yes. So how do you evaluate the benefits of service enhancement, which would cost £83 million per year by the end of the plan, against other enhancements, such as the DLR car upgrade, which is £149 million a year over the whole plan period. How do you look at that? Speaking from a bus man there, so…

Peter Hendy, Managing Director of Surface Transport, TfL: Right, I would answer, 'Yes,' but I am not sure the description is quite right. I mean, a Rolls-Royce bus service is something that I have aspired to for the whole of my working life to deliver. But what we are actually delivering, whilst it is significantly better than anything seen in recent years, is certainly not as good as it could be. And whilst we have made significant advances, both in the volume of service delivered and its quality, there is a lot further to go, and both your correspondence and mine suggests on a daily basis that people still want more.

The other point about that is simply this:Jay described, and you all know about, the population and growth forecasts in London over the next 15 years, which if anything are now regarded as light. Whatever we do with the capital plans which are in part of this business plan, there is relatively little that can be delivered in public transport capacity before 2010. And in the meantime, if you want, if London wants an increase in public transport capacity, it is actually only the bus network that is able to deliver it. And I think the fact that we have got where we have with the growth levels that we have got demonstrates that if we are funded to deliver increased capacity, we can demonstrate that there are people willing to use it.

The evaluation of service enhancements, as Jay alluded to earlier, is actually very rigorous. There is no change to the bus service that goes in without a cost-benefit ratio of two-to-one being met, other than, for example, when there are extreme and pressing circumstances. And there is a recent case of a school bus route between Muswell Hill to Swiss Cottage, in which you all know that we declined to put that service on because we did not feel that it met the usual benefit criteria, but we were persuaded by none other than yourself and The Mayor that actually an experimental service might prove our estimates to be wrong.

We do not, at the moment, have very much money to do those sorts of things, and one of the things I carefully keep here, of course, is the interesting correspondence I receive from all of you about what extra we might put on in the bus network.

Lynne Featherstone (Chair): And you will present it back to us at the appropriate moment, no doubt.

Peter Hendy, Managing Director of Surface Transport, TfL: Fortunately, of course, we have had the funding to be able to do quite a bit of it, which I think has been highly beneficial. But it is rigorous, the service enhancements are rigorous. We do also plan to meet the capacity that presents itself, so the consequence of the closure of Victoria Tube Station four times every morning between eight and nine is that we attempt to schedule enough buses to cope with the people who present themselves to travel.

Those are rigorous principles, and they sit alongside the evaluation of other more substantial capital plans, which Jay has already described, which are similarly analysed.

Jay Walder, Managing Director of Finance and Planning, TfL: If you look at DLR extensions, for example, as opposed perhaps to the three-car upgrade, this is a place where I think the methodology may well fail us. Because one of the things that you are doing in looking at the extensions is looking for the opportunities for regeneration that are actually created out of that, and it is my personal view that the methodology is skewed against that type of analysis.

So I think that one of the things that we have been forced to do as we go through this is both look at the numbers that come out of that and the benefit-cost ratios that come out of that, but also put that into a strategic context as well, and try to create, if not a quantitative evaluation, a qualitative evaluation of the regeneration opportunities and benefits that might be there.

Eric Ollerenshaw (AM): The DLR that Maggie Thatcher built, was it not?

John Biggs (Deputy Chair): And interestingly, the Becton extension never passed a benefit-cost. It was built for regeneration reasons.

Lynne Featherstone (Chair): Going back to buses…

Peter Hendy, Managing Director of Surface Transport, TfL: I would just add that occasionally, we do have to bend our own rules, because in the very simplest cases, which is already occurring in the Thames Gateway, actually there are things being put there which are presently in isolation which do deserve some sort of public service in order that the thing develops, at the very lowest level. And part of the provision in this plan about developing London is to have the finance to do that, even in simple bus service terms.

Lynne Featherstone (Chair): I cannot find it at the moment, but I am reliably informed it is in there, it says, 'Growing numbers cause the bus service to be less reliable, leading to longer waiting times.' Do they? I thought, despite the rising ridership, we were assured that reliability had improved, so…

Peter Hendy, Managing Director of Surface Transport, TfL: It has improved, but I think what you are… I am not sure if you can find the reference, we will look at it.

Lynne Featherstone (Chair): I have been trying to find the reference.

Peter Hendy, Managing Director of Surface Transport, TfL: I think what you are referring to is that in each tranche of the bus service money in the budget and business plan in future years, there is a reference to what the actual level of service at that point…

Lynne Featherstone (Chair): Ah, sorry, it is 10.1.

Jay Walder, Managing Director of Finance and Planning, TfL: I think the point was that growing demand without concurrent increases in service availability will lead to a bus system that is less reliable. If it does not explicitly say that, I think that was the implication of what it was trying to point out.

Peter Hendy, Managing Director of Surface Transport, TfL: Yes, 10.1 is about the slice of money that actually restores the existing service volumes, but of course, actually, given that demand is growing so dramatically, in the end, the service will get worse unless you put still more on.

Lynne Featherstone (Chair): I am told that we should read 'for restoration maintenance.' Is that right, that those words are… It is slightly a misnomer to say 'restoration'…

Peter Hendy, Managing Director of Surface Transport, TfL: We have contemplated over the past weeks quite how you describe each of these things, but restoration refers to the fact that at the baseline, the consequence of re-tendering and re-awarding the contracts with only that sum of money would lead you to have to… in order to offer a service of the appropriate reliability, it would result in less volume.

Jay Walder, Managing Director of Finance and Planning, TfL: To restate the definition of the baseline, the baseline picks up the current service level for buses, so that if there has been an increase in demand over that period of time, simply re-tendering the current service level will lead to a system that is not meeting its needs and will get increasingly worse if you have a growth in demand that is taking place over that period.

Valerie Shawcross (AM): You wait half an hour for bus question and then four come along at once, have you noticed that? To talk about improving reliability and faster journey times, which you confirmed that that is the case in some areas, Peter Hendy. How do you reward contractors? You are rewarding the operators if they are improving service times and reliability. Do they get an extra financial benefit?

Peter Hendy, Managing Director of Surface Transport, TfL: The contracts that we are currently letting are called quality incentive contracts, and they do embrace an incentive to produce a more reliable service. We set a target for the routes, a quality service indicators (QSI) target, which most of London is on high frequency, so it is a target related to the relative difficulty of running the route. If it is beaten, there is a reward mechanism, and if it not beaten, there is a penalty mechanism.

They are not specifically rewarded for faster journey times, but we are able, over the course of time, to remove resources. And indeed, as congestion charging settles down and as the experience of it settles down, we are beginning to get a programme to take appropriate resources out where that is possible to do, or reuse them, where the volume has gone up.

Valerie Shawcross (AM): Okay. Obviously everybody is interested in a better and more reliable bus service. But in the areas where congestion charging has actually added a bonus to the bus operators, it has basically made it possible for them to achieve more reliable, faster running, is there any way of clawing some of that value back from the operators?

Peter Hendy, Managing Director of Surface Transport, TfL: Yes, but you have to be a little careful. Out of London's 700 bus routes, there are just two which run wholly within the congestion charging zone, which are the 507 and the 521. And one of them has had the service modified and the amount of service volume increased without cost to us by re-deploying resources which have been already evidently saved by better running.

The rest of the services run either wholly outside the zone, in which actually traffic congestion is largely still getting worse, or partially inside the zone, in which circumstances we may or may not be able to see, over a period of time, resources that might be freed up by better running.

The other thing you have got to remember is that actually, whilst it is nice to boast about the improvements in service reliability, I am not sure that actually excess wait times (EWTs) of 1.7 and 1.5

minutes are necessarily terribly acceptable. And in a number of these cases, what we are able to do on re-tendering these routes is to tighten up the reliability targets, bearing in mind that we have got… there is a bit more flexibility to do it.

So we have the option of saving resources, that is real buses and drivers, and/or we can re-deploy them where that is necessary to do so, and we can tighten up the quality requirements. And in appropriate cases… We are a bit cautious. Other discussions here about congestion charging point to be sensible about taking a view about what congestion charging is or is not going to deliver over the long term. We have been cautious so far; we have not yet been through a wet, dark winter, and I would like to get through one before I am too anxious to take resources out of routes that actually have very, relatively very poor quality targets compared with others.

Valerie Shawcross (AM): We were talking about cost-benefit analyses earlier on. When we are looking at comparisons between different modes of transport, can you explain to me how… if you were doing a cost-benefit analysis along the same route, as a different form of transport, would you, for example, take into account the existence of transport capacity that was outside of your realm? For example, if we have rail lines which, out of the peak hours, are running with spare capacity, would you be looking at the cost-benefit analysis of the bus routes that would run in parallel to that rail line, taking into account the existing capacity along that route on the rail line? Did I explain that question to you?

Jay Walder, Managing Director of Finance and Planning, TfL: You did explain it. To be clear, the methodology of cost-benefit analysis seeks to monetise all of the costs and the benefits according to a pre-determined set of standards, so value that is put on passenger time, etc., in a way a that you should be able to look across modes to be able to determine what is the best means of meeting that transport need. If it is happening in a way in which it is totally within our control as to what the outcome is, then clearly that has to be the type of calculation that is taking place.

I would reference in that case something like the West London Tram, where we seek to try to put a tram system in with higher capacity and greater reliability along a corridor that is already heavily served by buses, and we would have to show that the incremental benefit of going to a tram system actually exceeds the costs by a significant margin of doing that in order to be able to do it.

Where you look outside of TfL, we would similarly look to do the same type of analysis. There are certain constraints, however, which exist which we would have to be cognisant of as well. If there are reasons why we are not able to achieve an outcome on the National Rail system, then to simply do an analysis which presumes that service would be provided by National Rail, even if it is not being provided by National Rail or will not be provided by National Rail, is not a real analysis of what is happening. But if we have the option, for example, of funding or assisting in the funding of National Rail service, versus the funding of a mode that TfL controls, then we should view those as absolutely completely equal options.

You will note within our plan that we have created a fund of £25 million a year to be used in conjunction with the SRA and matched by the SRA for the purposes both of capital enhancements within London, but also potentially of service enhancements as well. We would look to that type of fund, hopefully, to take away what are institutional, bureaucratic divisions that may prevent us from getting to the most efficient or effective means of actually providing the transport service that we want to see.

Lynne Featherstone (Chair): Is there any difference between the cost-benefit analysis, the quantitative cost-benefit analysis and assessing projects in terms of their value to the London economy?

Jay Walder, Managing Director of Finance and Planning, TfL: The traditional method of cost-benefit analysis which is employed by DfT in conjunction with the Treasury does not adequately deal with the value of transportation benefits to the London economy.

Lynne Featherstone (Chair): So there is that figure on your…

Jay Walder, Managing Director of Finance and Planning, TfL: There is that. And one of the places where you see this most prominently is, of course, on the largest projects which is Crossrail, where the benefits that would accrue to the London economy are discounted in this type of analysis. And I think there has been significant and longstanding discussion, over months, even years now, with Treasury and DfT about how we do that in a business planning framework, such that we do take account of that. But I am, at this point in time…

Lynne Featherstone (Chair): There is no accounting for that.

Jay Walder, Managing Director of Finance and Planning, TfL: There is no real accountability of that. And I think that in particular around Crossrail, where the benefits that would accrue to London are otherwise going to be lost to the UK, because businesses that will be, particularly the financial business service centre in London, which will either be here or grow here or grow outside the UK -- it is not moving to Leeds, Manchester, Birmingham, but it is a question of New York, Frankfurt, Paris, Hong Kong…

Lynne Featherstone (Chair): This is exactly my point Jay.

Jay Walder, Managing Director of Finance and Planning, TfL: Your point is incredibly well-taken. This point has been put forth very strongly. You will find it made in the business case for Crossrail, but I do not believe as we sit here today that there is an appropriate recognition of this and flow of this into the business case analysis that is being done around projects, and particularly major projects, in London.

Valerie Shawcross (AM): I think we do understand that there is a business case and cost-benefit analysis are different entities, but can I just try and understand the answer you gave to my previous question Jay? Are you saying that if there is surplus capacity on another transport system running in parallel to buses, or something else too, if that is running, that you discount it if you do not have control over it?

Jay Walder, Managing Director of Finance and Planning, TfL: No, I specifically tried not to say that. What I said was that we would look at that transport capacity, but that we would have to be cognisant in our discussions with SRA, Network Rail, the train operating companies (TOCs), etc., if we are talking about National Rail in particular here, about the ability to be able to utilise that transport capacity for the need that is discussed. To the extent that that ability exists, and it is a more efficient and effective way of meeting the transport need, we would absolutely want to pursue that. So no, I was trying to say the opposite.

Valerie Shawcross (AM): One of your opening comments was about the regret of lack of integration, and I just thought there was an opportunity to at least integrate the planning.

Peter Hendy, Managing Director of Surface Transport, TfL: I think it is integrated in the sense that actually there are… These transport networks are fulfilling slightly different needs. It is not common that people travel by bus from East Croydon to central London, because it takes a very long time, and the natural choice of people is to take National Rail.

I actually have received no requests in the last three years to reduce the bus service on parallel corridors for National Rail in South London, for some fairly obvious reasons, notably that actually the service is not as reliable as it might be. And also because the bus network is fulfilling a slightly different need. It is fulfilling local journeys…

Valerie Shawcross (AM): I am not assuming, Peter what the outcome of such analysis might be, but just whether or not you do actually look at it. So you are actually now saying that you do not? It is not something you do, because you do not get requests to do that?

Peter Hendy, Managing Director of Surface Transport, TfL: You do have to actually, in making service changes, you do actually have to have regard for passengers' actual behaviour. Quite a lot of what we are trying to do is to satisfy increasing demand. And frankly, in some instances it is quite a good thing that there is a bit of spare capacity around.

Valerie Shawcross (AM): My colleague here, who has a way with words, referred to the cost-benefit analysis as 'voodoo science,' but perhaps that is a bit unfair. I recently had an issue campaigning for a particular boss -- I am sure many of us have done it -- in a particular area. The analysis fell short of the two-to-one ratio that you came in on. . How do you do cost-benefit in the social impact, where there are, for example, say an elderly community or an isolated community and needs access to hospital or other resources? Is that not actually a question of judgement, rather than financial cash, cost-benefit analysis?

Peter Hendy, Managing Director of Surface Transport, TfL: We are not bad at forecasting the potential usage of services which either make links that have not previously been able to be made except by changing or the demand characteristics of new areas. Clearly, we are constrained. It is an interesting subject to discuss, but it is in the context of a budget and business plan with a rather large deficit in future years. And if we had more money and we were able to spend it, we could perhaps relax the two-to-one and provide even more of those sorts of services.

But the reality is that actually our predictive mechanism for those routes is pretty good. We are reasonably confident about what the generated patronage will actually be. I think it is a bit hopeful to suggest that we should run services which offer the opportunity of travel, if in fact, that opportunity is not taken up. And that is actually what the basis of the analysis is trying to demonstrate.

Valerie Shawcross (AM): You do not differentiate between types of passenger and their need on a social basis? A passenger is a passenger is a passenger, and a fit active working man getting on the bus is the same as somebody who is elderly, frail, wants to go to hospital?

Peter Hendy, Managing Director of Surface Transport, TfL: The analysis has to be based on the actual patronage that we think is likely to be made of the service.

Valerie Shawcross (AM): So it is a numbers game, rather than a type of needs… ?

Peter Hendy, Managing Director of Surface Transport, TfL: Well, no, it is not just a numbers game. I think we have demonstrated quite adequately over the past three years that with adequate funding, we are able to extend services to useful places, and that the service extensions we have made have actually made a real difference to people's accessibility. What I am saying is that we cannot run services to places because it might give people the opportunity to travel that in fact they do not take up. It is a numbers game from the point-of-view that we do need to demonstrate that there is patronage on the additional services that we are providing.

Jay Walder, Managing Director of Finance and Planning, TfL: I might also, if I can, because it is a long document… Appendix C of the Business Plan does seek to address the equality and social inclusion impacts of the business plan. And it addresses it among a number of different dimensions. It is an area that we are quite cognisant of, and we are seeking to have the broadest benefit that would come from the transport system, in terms of achieving outcomes which would further the societal impact.

So, I do not think we are ignoring it by any stretch of the imagination.

John Biggs (Deputy Chair): There are bound to be some places, such as in outer London, I do not know, New Addington might be one, or Harold…

Valerie Shawcross (AM): They have got the tram now.

John Biggs (Deputy Chair): Yes, of course they have; so that is not a problem. Or the Harold Hill estate in Havering where the majority of people use their cars, but in the absence of a bus service, the minority who do not would suffer a real loss if they did not have the bus service. And on pure bean-counting criteria, you could not justify that, I think is the answer you are giving. Now I know you do run services there, because I use them occasionally, and they are justified on a social basis to a major extent.

Peter Hendy, Managing Director of Surface Transport, TfL: I think, John (Biggs), your presumption is false, because areas like that, in fact, generate quite good patronage.

John Biggs (Deputy Chair): In theory, then, there might be an outlying area which did not generate such good patronage where there is a strong social case, but your accountants would say, 'No, we cannot provide a service, because it… '

Peter Hendy, Managing Director of Surface Transport, TfL: The criteria that we are adopting currently produces a service where over 90% of households are within 400 metres of a bus service. We have discussed this before at this committee. We would like to get that percentage up, if we have enough funding to do it, but in circumstances where the way in which those services are provided is economically robust and passes the test. So you do, in fact, need enough passengers to justify the costs of the additional service provision.

I think, in fact, that Jay referred to the social inclusion part of the business plan. There is an incredibly strong case for good bus services, because it is one of the instruments of social inclusion, where actually if you do provide the service, it is actually used. It is not just something that is provided in order that people can access jobs, social facilities, welfare and so on. We can demonstrate that they actually use those services where they are provided. And it is a very strong argument for adequately funding the bus service.

I think what you are getting at is a slightly different issue, which is that there are, regrettably, places, usually due to the road configuration in London, where we will never get a bus service within 400 metres of some of the houses, simply because it is either not physically practical, or it is hopelessly uneconomic to provide the additional cost to do so.

Roger Evans (AM): Looking at page 43 of your plan, which deals with plan performance outcomes, and it is very clear from that that you expect to fill the increasing demand for passenger journeys with bus spaces, rather than Tube spaces or train spaces, apart from the DLR extension. I think that is probably a hypothesis you would agree with actually. But how are you actually going to encourage that switch from the Tube to the bus? Are we looking at more, larger fare increases for the Tube, in the way that The Mayor put together in the fare package over the summer?

Jay Walder, Managing Director of Finance and Planning, TfL: I think there are a number parts to that question. The first part of what you said, I could not agree with more strongly. And it is a point that I think London as a whole needs to recognise, which is despite whatever you will believe about the PPP and London Underground, even the most optimistic supporters of that structure, despite whatever you will believe about the investments going into the National Rail system, even the most optimistic supporters of that, there is simply no way that there will be a significant capacity increase on London Underground over the period of the next five to seven years. Fixed rail systems do not work in that way. Indeed, we may well see a decrease that takes place, in terms of the availability of the Underground, because all we have seen right now in the 11 months since the Tube line's contracts started and the five months since the Metronet contracts started, or the seven months since Metronet contracts started, is maintenance activity.

Tube Lines has just begun to let the first renewal activity on London Underground, which is for the Jubilee Line, ironically, which is a new signalling system on the Jubilee Line. Which, given a contract award that took place, I think two months ago, that investment will come online in the 2009-10 fiscal year, and that will be the first upgrade that takes place within London Underground. And that schedule assumes that everything goes exactly according to plan, and we can have our own questions about whether or not that will turn out to be the case.

Significant capacity upgrades that follow behind that are things, like the Northern Line, which are not until 2011-12. So in the period of time in this business plan, in fact, buses are the only game in town, if you are going to significantly increase the capacity of the public transport system.

The second question is: How do you encourage the shift? I actually think that the way that you encourage the shift that you are talking about is through quality. People are utilising the bus system more, because the quality of the bus system has gotten better, because there is reliability about the time of travel, because there is reliability about a bus coming, because the quality of the buses that we are putting out is much greater than the quality of buses that were there before.

We have seen, in this fiscal year alone, a 10% increase in bus ridership, at the same time that we are seeing a decline in Tube ridership. Now some of that is undoubtedly the impacts of Chancery Lane and the aftermath of that, because the service on the Central Line has not come back up to speed, and because people have relatively long memories about issues like that. But some of it is due to the fact that people are making choices to utilise the bus system for trips where they might have utilised the Tube before. This relates in part to a point that Peter made a moment ago about longer trips now being taken on the bus system, and I do not think we need to be encouraging it in quite the way that you are describing.

John Biggs (Deputy Chair): Well, to be fair, Jay (Walder), my question was not speculative. It was based on what has happened, because we were told by TfL that congestion charge would force people out of their cars onto buses. What it actually did was push people out of their cars onto the Tube, and then The Mayor told us over the summer that inflation plus fare increase was necessary on the Tube to move those people out of the Tube onto the buses.
So if it is working in the way you say it is, why do you need to do that?

Jay Walder, Managing Director of Finance and Planning, TfL: I do not think the facts support what you just said. In the period since congestion charging has gone into place, we have seen a significant increase in bus patronage; we have seen a decline in Tube patronage; we have seen no change in the fare structure at all. So I do not actually understand how you come to the conclusion that you have come to.

What you see in the period going forward, as we look toward January and the fare changes that are proposed for January, is that we have held on the Tube fares using Oyster at the current fare levels. We have opened up a difference between cash fares and Oyster fares. We have also recognised that there is a capacity constraint on the Tube in Zone One, and we have sought to recognise that in the fare structure, which makes cash trips on the Tube in Zone One more expensive, starting in January.

But in fact, all trips that take place outside of Zone One, in Zone Two to Zone Five, Zone Three to Zone Six, become less expensive. And the idea is to utilise the capacity of the Tube, where the Tube has capacity, and to encourage the shift from single cash transactions, which are very costly for us to manage, which relate to frustration on the part of our customers as they queue up for tickets, to the use of a new ticketing product, the Oyster Card, which we think will have significant benefits in what we are doing. But I do not think the results you have seen to date in any way lead you to the conclusion that you are describing.

Roger Evans (AM): So in Zone One, you have actually increased the fares as a market mechanism for trying to reduce overcrowding on the Tube. Now I suppose the question I am asking is, having applied that principle, admittedly in Zone One, admittedly with just one fare increase, is it something that you are planning to do again in the period of this business plan?

Jay Walder, Managing Director of Finance and Planning, TfL: The business plan shows that the fare changes that would take place in January would be followed by RPI changes on a going-forward basis. Now, having said that, I believe that the Oyster Card and the implementation of that, for which we have approximately 300,000 cards in service today -- and I think if we are sitting here having this discussion a year from now, I hope I will be able to say that there are 3 million cards in service a year from now. I think that is a very realistic estimate of what is there.

What the Oyster Card does allow is the opportunity to think somewhat differently about the pricing of our transport system, to be able to, within the broad boundaries that are established with the business plan, to be able to think about the ways in which fare structures can be better utilised. It is entirely the case that we have within both our bus system and the Tube system, both by geography and by times of days, points in our system where we are capacity constraint. We have more of an ability certainly on the bus system to be able to add capacity in the short term than we do on the Tube system, but there are capacity constraints.

It is also the case in which we are operating services that are not fully utilised, and one of the things that we need to do better is to think about how we use fare mechanisms to be able to help us so that we get the most efficient and effective utilisation of the transport system. Again, I think the Oyster Card and the move to cashless ticketing on buses and to the products we are talking about is an integral part of being able to look at doing that. But it is something that is going to be developed over the future. We need to see how this comes forth, and it will stay within the parameters of this business plan.

John Biggs (Deputy Chair): I am tempted to park a question at this point, which is: I am pretty sure that, from my experience of the lives of my constituents in East London, there is an element to which people on lower incomes choose buses rather than Tubes because of the price differential. I think we need to be clear about that. So it is not purely for virtuous reasons that people use buses. But clearly in the longer run, Oyster might provide a mechanism which would allow us to provide greater equity in the pricing, particularly on the outer London areas, where capacity is not such an issue.

And it would be hostage to fortune to raise this question again, but we have always raised questions about whether we are going to review and extend the zone boundaries, and we have not yet had an answer, so I think it is some way off.

My substantive question is driven by Table 4 on page 24 of your business plan, which is about London Underground cost pressures. And it sort of comes in two parts, I guess. The first is that a lazy Assembly Member's approach to this would be to say that there is a deal that is being done between yourselves and the government, which has insulated TfL from a number of the risks itemised in this Table, and therefore we do not have to worry about them too much in the debate today. Is that a fair, albeit lazy, approach to this issue?

Jay Walder, Managing Director of Finance and Planning, TfL: It would be fair to say that the cost pressures that are contained on page 24 are not a surprise, that TfL has spoken about these over a continuing period of time. And indeed, in the agreement that was reached between the Secretary of State and The Mayor in February of this year, the Secretary of State recognised the cost pressures that are contained in the Table on page 24. He also recognised the government's responsibility toward those cost pressures, and I think if you look at what is there, all of the items are things that we had been discussing and are specifically noted in that agreement.

One of the things that government has asked us to do now, and I think it is obviously perfectly reasonable, is to go through the details of the Table on page 24 with them, so that they understand the individual pieces that make that up. But if we were to say, for example, that concerns about the PPP costing, concerns about PFI contracts, concerns about the London regional transport pension fund have been expressed very, very publicly all the way through and are explicitly noted within the agreement that has been reached with government.

What that agreement also says is two other parts, and I think they go to a couple of different points that were raised here. One, the Government and the Mayor agreed that the fares on London Underground should increase at the rate of RPI on a going-forward basis. So it was not the intent that Londoners or the fare payers should be paying more to be able respond to the shortfalls that are there. Second… I am trying to remember what the second one was now.

John Biggs (Deputy Chair): Well, I might as well fill the space then. On Table 4, then, just for purposes of absolute clarity then, these additional funding figures, £45 million, £365 million, 308, 246, they are effectively agreed sums between TfL and government for additional funding?

Jay Walder, Managing Director of Finance and Planning, TfL: I remember now, and I can help to answer both. The second thing that was in that agreement was that there would be the creation of a reserve for London Underground, which would, in its full funding, total £170 million. The agreement was that it would total £100 million by the end of the current fiscal year, £140 million by the end of the next fiscal year, and then would be increased by £20 million and £10 million thereafter to get to £170 million.

The purpose of the reserve was to recognise that it was not a sensible or appropriate mechanism to have us go back to government for each change that was going to take place, and to give us a cushion to be able to deal with things between spending reviews that might inevitably come up and then would need to be addressed. I think government recognises the numbers at the bottom of the page, the 45, 465, etc. They explicitly recognise all of the items that are contained within the Table; that is there in the agreement in February of 2003. And that agreement does speak to government's responsibility to be able to deal with these cost pressures as part of the spending review process.

John Biggs (Deputy Chair): So those figures are contained within the government transport grant in Table 2?

Jay Walder, Managing Director of Finance and Planning, TfL: They are not contained within the government transport grant within Table 2. As I said, the government recognised the cost pressures that were contained on page 24, and the agreement that was reached in February indicates that these cost pressures, to the extent that they materialise, and I think they are materialising, are to be dealt with in the spending review 2004.

John Biggs (Deputy Chair): Right, so what aspects of London Underground operation in the next business plan period are Londoners at risk of having to fund?

Jay Walder, Managing Director of Finance and Planning, TfL: If you look at the Underground, I think what you begin to go through is the impression of where do you have fixed costs and where do you have flexibilities within what is there. One of the results of the PPP structure, one might say, was to lock in a level of government investment that was going to take place over a longer-term period of time. I understand that argument.

A second thing that it does, and the flip side of that coin, is to lock in a level of expenditure from London Underground Limited (LUL) that it is going to do. While I cannot tell you for sure what the outcome of the PPP will be, I can tell you for sure that we will make a four-weekly payment under the infrastructure service charge, come hell or high water. So what you have are a series of fixed costs that exist within LUL, and I would start the fixed costs with the PPP and PFI contracts. I would, second, look at the service costs that are essential service costs and for which you could not operate service without it. So for the foreseeable future, at least, within our current technology, if there is not a driver in the front of the train, that train will not be moving out of the train shed. So that gives us a relationship that we know that we have.

Station staffing is similar, although not quite as clear as that. In the case of station staffing, there are legislative requirements in regard to the levels of station staffing. Tube levels of station staffing right now are above the legislative requirements, but we feel justified in the levels of staffing that is there in terms of the benefits that it provides and the need for that staff. The pressure valve, in essence, within the Underground, in the way that this business plan was constructed by government and business, is what is called the Underground Investment Programme (UIP). And what this programme includes are items that ultimately may well be included within the PPP, but are not contractually committed right now.

I gave you an example of a project earlier in my opening remarks that is in the Underground Investment Programme. The work at Victoria Station, to be able to create additional capacity for the Victoria Line, in terms of passenger throughput on the platforms, is work that is in the Underground Investment Programme. It is not contractually committed. It is very clearly at risk if we do not have the available resources to be able to do this, as are many of the station projects; Tottenham Court Road and other critical station projects are clearly at risk in that way. And I think that you do not have to look any further than this UIP to find the pressure valve.

John Biggs (Deputy Chair): Fine, if I was to address the empty chair that is not occupied by Tim O'Toole, I would be asking him this: Basically there are a number of inherited contracts, PFIs plus the PPP, for which the government has given some degree of satisfaction for funding in the future, including covering the risks which may or may not materialise. But if, for example, he wanted to venture into other areas in the Underground which would have cost pressures associated with them -- say he wanted to increase staffing on stations or opening times on stations which close at weekends, or something -- they would be growth bits which would have to be included within the TfL business plan, is that right?

Jay Walder, Managing Director of Finance and Planning, TfL: They would be growth items that would have to be included within the TfL business plan or offset in some way against other costs. In some of the cases that one might think of, you might take resultant actions in different ways. For example, there is… while there has been discussion, for example, of longer operating hours for the Tube, particularly on weekends and Friday and Saturday services, there has also been discussion of perhaps opening the Tube at a later hour on Sundays to be able to give similar access that would exist in the way that we are doing it.

We are also looking, as I think you know, at questions of what would happen if we were to increase the accessibility of the PPP contractors to the right-of-way. That might result in projects being carried out more quickly. It might have cost savings that would accrue as a result of that, for which you might reinvest that in other things that you would otherwise be looking to do.

John Biggs (Deputy Chair): And you have an undertaking from the government that any windfalls from that could be reinvested and would not be clawed back?

Jay Walder, Managing Director of Finance and Planning, TfL: Windfalls from…?

John Biggs (Deputy Chair): From re-profiling the PPPs.

Jay Walder, Managing Director of Finance and Planning, TfL: I think the expectation is that that would be the case. I do not know if I have a signed, sealed and delivered statement in that regard. We have not really engaged this discussion yet in that regard, because we are not ready, too. We are not ready to make the case in regard to things outside.

Let me clarify one line that is in here, because it does go to something that you mentioned, which is specified rights. Within the PPP contract, we have the right to move forward on certain things that are contained within the contract, but that were not provided for within the ISC, or infrastructure service charge, payments and were not provided for within the government's settlement. We have moved forward in some cases.

Let me give you one example on the exercise of specified rights, and we have notified government of the fact that we have moved forward on the exercise of specified right, and that is for air-conditioning of the trains on the sub-surface lines. Now government has not said yet that they will pay for the air-conditioning on those trains on the sub-surface lines; however, we felt it was a critically important thing for us to do at this stage. And if we lost the opportunity to do it today, we lost the opportunity to do it for what is likely to be 35 or 40 years and did not want to lose that opportunity to do that. So we have moved forward on that item.

There are more specified rights within the PPP contract, and part of what this line is showing you is the exercise of the specified rights has to be matched by government resource.

John Biggs (Deputy Chair): I would not want to delay the meeting today, but it would be very helpful if our committee staff could record that issue, because I think it is worth investigating further at a later date. I have a little voice in my head saying, 'Network Southeast' or whatever it is now called. Introducing air-conditioning and other things has led to massive additional costs, with power for example, but we can talk about that later.

Jay Walder, Managing Director of Finance and Planning, TfL: But let us be clear…

John Biggs (Deputy Chair): But the question I wanted to ask about the Tube, though, is that Tim O'Toole, who is bound and gagged in the corner and therefore, cannot speak today, I assume that he did put bids to the TfL Board, but they were rejected, for additional funding for Tube enhancements, or alternatively that you said to him, 'I am delighted for you to entertain those bids, as long as you can fund them through internal savings of one kind or another.' Is that a fair representation?

Jay Walder, Managing Director of Finance and Planning, TfL: No. What this plan includes is what Tim (O'Toole) has put forth to TfL…

John Biggs (Deputy Chair): Sorry, did you think that was rude? I do not think that was rude, was it?

Jay Walder, Managing Director of Finance and Planning, TfL: I have a comment that I would make, but I think I will not make it. What this plan includes, John , is what has been put forward by London Underground and through the discussions with TfL, that we feel that we can mutually justify in terms of putting forth this plan. It includes what London Underground feels that they need, or understands that they need right now to be able to operate this system and manage to work. And let me make two further points about it.

John Biggs (Deputy Chair): But there are no growth bids within this Business Plan for London Underground, though?

Jay Walder, Managing Director of Finance and Planning, TfL: There is a lot of learning that we are doing now collectively about the management of the PPP contract. The experiences over the last month are part of that process, and as you will note, Tim O'Toole, The Mayor, Bob Kiley and I will all be measured in our comments about that, because we do not yet know all of the causes for the activities that have taken place. We certainly have no reason to make a statement in terms of what has caused that. But we do know that the safety of the system cannot be compromised in any way.

To the extent that out of the process that we are talking about, it is our belief that we need to invest additional resources to be able to ensure the safety of the London Underground, under the management structure of the PPP as it is there, you can rest assured that we will move forward on all those things, without any question taking place. For example, there was a discussion in regard to the cracked rail on the Piccadilly Line as to whether greater inspections, or more frequent ultra-sound inspections might have helped to prevent that type of action.

If we were to come to the conclusion that we needed to do something in that regard, we would move forward on that. That is certainly not included within the numbers that you are seeing here, and we would have to have that discussion with government. But we will not do anything for which we compromise our safety responsibility on the Tube.

John Biggs (Deputy Chair): Thank you very much.

Roger Evans (AM): Given that reassurance, have you made any contingencies in the plan for extra major costs which may fall forward into the period of the plan, either things which are unexpected or things which we know may well be out there? For example, the increased cost in upgrading the London Underground (LU) power supply and the continuing review of the Central Line trains, in case there is any further expense that is required there.

Jay Walder, Managing Director of Finance and Planning, TfL: The text which is on page 25 which accompanies the Table on page 24 addresses exactly the point that you are going toward, and John Biggs mentioned a moment ago the issue of power. Let me speak to the issue of power, because we could very well, without the issue of air-conditioning on the sub-surface line rolling stock, have a very significant power problem that will seem very similar to what you have seen on Network Southeast.

The PPP contract presumes, although this is never explicit, that there will be a significant replacement of the London Underground rolling stock over the next 30 years. The first component of that is on the sub-surface lines, where we have the oldest part of the fleet, but you also have replacements happening on a number of other lines as well. New rolling stock requires additional power. That is just a fact in the way that it works. What was put forth… If you look at the structure of the PPP, the PPP contractor has the responsibility for providing that rolling stock, however, the responsibility for providing power is provided by a separate PFI, which is the Power PFI.

The first phase of the Power PFI was to move the first phase of the Underground from the Lot's Road Power Station to the National Grid. We learned a little bit about the impact of that during the blackout that took place in August, but that work has been completed. But what it does not do is increase the power supply to London Underground. It essentially moves an existing power supply from one to the other. In the process of negotiating the PPP, it became apparent that the power supply for London Underground as currently contained was inadequate once the new trains were to come into place. So what the PPP contract does is to create an obligation onto London Underground, which TfL has inherited, to provide additional power for the PPP contractors up to specified amounts.

As a practical matter, what this means is that we now have to negotiate a variation to the PFI contract which has been providing power, which is a sole-source variation with this PFI contractor. The costs of that work are likely to be very, very expensive. To the extent that those costs fall within in the period of the business plan, that is within the period up to 2009-10, we have put cost estimates in Table 24 and within our business plan for what those costs would be. However, as is being pointed out on page 25, it is likely that some of those costs will fall to a period outside of this business plan, and we certainly do not want to leave that out of what we are doing.

Our estimate of the total costs of doing the power work may well exceed £1 billion -- I think we have an estimate of £1.2 billion in here right now -- and that is the result of an obligation that we have assumed in the way that we are doing it.

Chancery Lane represents a different situation in which, at the time the business plan was being put together, and even today, we are unable to tell exactly what the needs are within Chancery Lane. And in this case, as opposed to the first one, you do have the question of the responsibility that the PPP contractor has within the contract for modifications to the Central Line rolling stock, which are inherent difficulties that potentially exist within problems within that rolling stock.

Each of the PPP contracts places a certain amount of risk transfer on the PPP contractors, but it is capped. So one of the things that you are taking into account is both the need that exists, but also how you believe that that need will fall between LUL and the contractor. London Underground operates a very detailed risk register. We have tried to incorporate the risks that we foresee within this plan. We do not presume that every risk will, in fact, take place. You have an expected-value calculation that is here. It is a calculation and a means for doing this that the government is very familiar with, because this is exactly what they did when they awarded the PPP contracts, and it is the basis of the discussion that will have to take place with government now.

But there are very, very real and significant needs that exist, and they have nothing to do with putting air-conditioning on trains. These are inherent in the way that these contracts were put together.

Roger Evans (AM): This may be a slightly unfair question, as you are not an engineer, but why is it that new trains need more power?

Jay Walder, Managing Director of Finance and Planning, TfL: I guess that is a slightly unfair question. I think it has to do with the electronic systems, with the braking systems and the like that are contained within the train. We can certainly follow back…

John Biggs (Deputy Chair): Mr Walder did say, 'New rolling stock requires more power; that is just a fact.' I wrote it down.

Roger Evans (AM): Yes, that is actually the thrust of my question, because if it so obvious that the new rolling stock will require more power, why was not that considered as a part of the original Power PPP bid? It is very strange.

Jay Walder, Managing Director of Finance and Planning, TfL: Well, no, but that is the point. It was considered as part of the PPP in the sense that the PPP contractors, in meeting the requirements that were being put forth by London Underground, said, 'If we are going to do this, we are going to need more power for these trains.' That was taken into account. What was not taken into account, or what happened out of that, was that did not create an obligation on the part of the PPP contractor to provide that power. It created an obligation, because of this crazy structure of PFIs and PPP contracts that is here, on the part of London Underground to provide that power.

Roger Evans (AM): It is the PFI bid that is the problem, is it not?

Jay Walder, Managing Director of Finance and Planning, TfL: It is the PFI bid that is the problem, and… but I think really the interface between the PFI and the PPP. In almost every case that you look at, where London Underground has assumed the responsibility of doing things under the PFI or PPP contracts outside of what the contractor was going to provide, it has turned out to be problematic. In this case, what they are doing is taking in the responsibility, not themselves, but the responsibility of actually negotiating with the PFI contractor to be able to do this.

And my expectation is that we will have long discussions about this, out this chamber going forward, because I think it will be a nightmare situation. And we are all quite cognisant of the point that John has already mentioned, which is that we would look terrible if we had new rolling stock sitting in the siding, because we could not use it on the Tube. But I cannot tell you as we sit here today, that we will not be in exactly that same situation and paying penalties for it under the PPP contract.

Lynne Featherstone (Chair): Basically the consortia got the better of the deal there, did they not?

Stephen Critchley, Chief Finance Officer, TfL: Well, there will be two levels of discussion, of course, because as well as discussion with the PFI contractors to secure the power, for a price, there will be discussion with the PPP contractors as to how much is actually required.

Roger Evans (AM): Okay, I look forward to that. Could you just confirm that Oyster card prepay will be available for the time the fare increase comes in, in January?

Jay Walder, Managing Director of Finance and Planning, TfL: It is our plan to have Oyster in place for the time that the fare increase comes into play. Clearly, the fare structure that was put forth by The Mayor and by the TfL Board is reliant upon the Oyster Card on the Tube. I think on the buses, in the short-term we will rely on bus saver tickets, as we have been doing, to be able to provide the discounted benefit to passengers. But on the Tube, there is no option, other than the Oyster Card, as a means of doing this.

Buses will probably follow a month or two months behind the Tube.

Lynne Featherstone (Chair): Moving on to congestion charging now, which I see Roger (Evans) is leading off again, I think this goes to the heart of some of our doubts about your financial planning

Roger Evans (AM): Ah yes, well I have got the question, but I am going back to the Business Plan again, because this is quite illustrative. Going back to Table 2, which is the plan income, about a third of the way down your Table, you have a set of figures which are described as 'Other Income and proposed Western Extension Congestion Charge (gross).' How much of that figure is income from the western extension, and how much is from the others? Because you have got it all rolled together here, and it is a bit difficult to see how it is made up.

Jay Walder, Managing Director of Finance and Planning, TfL: The western extension is approximately £65 million.

Roger Evans (AM): Right, okay. Now if we go to your operating plan, which is supplied for us on page R17.

John Biggs (Deputy Chair): Sorry, that £65 million, that is the operating cost, that is the gross… that is not the net cost?

Jay Walder, Managing Director of Finance and Planning, TfL: That is the operating revenue. This is gross revenue is the way that this Table is constructed, and I think that was the question that was being asked there.

Roger Evans (AM): That is right. So you are making that considering and taking into account the operating cost. That is what you are going to make after you pay the operating costs?

Lynne Featherstone (Chair): No, it is gross, not net.

Jay Walder, Managing Director of Finance and Planning, TfL: No. Again, I want to be clear. The figures on page 17 represent the gross revenues which come to TfL. You will see this, for example, if you look at the line above, which has the Central London congestion charge, the figures there are certainly not the net numbers that we have discussed previously, but the gross numbers. I wish they were the net numbers, but I cannot tell you that they are.

Roger Evans (AM): It is just that in your operating plan, the operating costs appear to be consistently higher than £60 million. Is there a problem here?

Roger Evans (AM): Are we going to be losing money? Because if we are going to be losing money, perhaps we should just buy some more buses or do something useful like that instead.

Jay Walder, Managing Director of Finance and Planning, TfL: If you look at the congestion charge western extension, and we have started a consultation on that process now, there are certainly a number of options of how one might go forth with that. But the estimates that are in here, which show that the congestion charge western extension does not fully cover the costs of operating that service.

Roger Evans (AM): Congestion charge gross income for central London is given as £192 million for 2004-05, and then £184 million in subsequent years. How does that fit in with the latest forecast of gross income of £151 million for 2003-04? In other words, is it realistic?

Peter Hendy, Managing Director of Surface Transport, TfL: It now relates to our forecast following the revised agreement with Capita.

Roger Evans (AM): Yes, and the effect of that has been?

Peter Hendy, Managing Director of Surface Transport, TfL: The effect of it is to increase revenue in 2004-05 through greater enforcement and through collecting more of the charge.

Roger Evans (AM): Right, because the impression that has perhaps been created is the agreement with Capita has cost us more, rather than saved us money. So you are relying on…

Peter Hendy, Managing Director of Surface Transport, TfL: I think that is an impression created by your side rather than their side, actually.

Roger Evans (AM): Well, it seems to be an impression which is generally held out there, if you talk to people, and not necessarily created by anyone. But, obviously you are relying on Capita's improved performance to raise more money for you, which is a fair position to take. But what enforcement powers have you got over Capita to make sure that that happens?

Peter Hendy, Managing Director of Surface Transport, TfL: Well we are relying on a greater performance by them. The early signs are that they are responding to the revised agreement and are issuing greater numbers of penalty charge notices (PCNs), which we expect in due course to be translated to collecting greater income. Now obviously, as we have discussed before, to the extent to which they fail to meet their obligations, much as the allocation of the money that we have already paid to them, very little of which we have already paid to them, will not become payable, because they will not have met their obligations.

It is, and remains, quite a robust agreement in relation to what they get paid for, because it is very, very largely performance driven. I think that… oh, well, we will not go into what people think and what impression has been given. But the result of the supplementary agreement is either that they perform, and through it we get greater PCN income and greater compliance, or that they do not, in which case we do not pay them the money.

Roger Evans (AM): What if they come back and say, 'We need another few million to make it work properly'?

Peter Hendy, Managing Director of Surface Transport, TfL: Well, you will recall when we appeared either in front of you, or at least the committee before, that actually one of the things that we have done in the supplemental agreement is to take some care that we have an easier method by which we can terminate parts of this agreement and replace that contractor with others.

Roger Evans (AM): I am sure that does not imply you did not take some care in the original agreement, so really what I am saying is are we sure that this is the last word on it, and we are not going to be coming back…?

Peter Hendy, Managing Director of Surface Transport, TfL: I do not think you can ever be sure it is the last word on it, because this is the largest scheme of its kind in the world, and the first one to be done in this way. But certainly the supplemental agreement which we have made, we believe, in the light of our experience, covers the necessary bases, and I think that currently we have some evidence that they are performing now in a way that they were not performing before. Certainly they have met the first milestone and are issuing the PCNs which we expect them to issue, and therefore, in due course, you would expect compliance to increase as people experience the results of not having complied.

Roger Evans (AM): So how many cars have you crushed up to now?

Peter Hendy, Managing Director of Surface Transport, TfL: I did not bring that number with me to a discussion of the budget and business plan for the next five years. It is a few. The objective, of course, is not to crush any cars. The objective is to ensure that people pay the charge by making sure that when they do not, they get caught through the penalty charge mechanism. A few, I think; I cannot remember. I will use the text on my phone to find out.

Roger Evans (AM): It was seven a while ago when we asked you, so you had obviously failed the objective not to crush any at that point.

Peter Hendy, Managing Director of Surface Transport, TfL: I am not sure the objective is to crush any. The objective is compliance.

Roger Evans (AM): And how robust, just as a final question, how robust would you say your figures were around the projections to the congestion charge extension?

Lynne Featherstone (Chair): Are they as robust as they were last time?

Peter Hendy, Managing Director of Surface Transport, TfL: We have certainly taken into account the experiences of last time, which is maybe why they are portrayed, as Jay said, in a less… that may be why the result is less financially optimistic than it might be.

Lynne Featherstone (Chair): Can I just clarify: the operating loss, which I think,… or is that right there is an operating loss…?

Jay Walder, Managing Director of Finance and Planning, TfL: No, it is roughly… it is not an operating gain. It is roughly balanced is what I was trying to say.

Lynne Featherstone (Chair): Okay, but there is £100 million set-up costs on the West London congestion charge, is there not?

Jay Walder, Managing Director of Finance and Planning, TfL: There would be set-up costs that would exceed £100 million.

John Biggs (Deputy Chair): From the figures we have in front of us, Table 2, you are saying roughly £65 million gross income from the extension. On page R12 of the revenue plan, I think it is the revenue plan, the operating plan, we have operating costs that are roughly £60 million a year, although £76 million in the first year for operation of the extension.

Roger Evans (AM): R17.

John Biggs (Deputy Chair): R17. R12, I think I was looking at. That implies to me that it is very marginal, at best. Obviously the policy objective of The Mayor, which he stated very clearly, was that it was not designed to be a money-making operation. I suppose this tests that thesis quite well. What it also does, which is not really a business plan issue, but it is a very interesting conclusion, is that if a city like London cannot generate a surplus out of a scheme like this, then it probably is not very good news for other cities looking at operating such a scheme. Is that a fair comment?

Peter Hendy, Managing Director of Surface Transport, TfL: It does depend on what your policy objective really is. Now as you thoughtfully confirmed yourself, John, The Mayor has always said that the objective of congestion charging is to reduce congestion, and that is about the one thing that everybody is agreed on in the first six months of the scheme that we have got, which is that it has reduced congestion in central London and that there are very great demonstrations of that. And clearly The Mayor is putting forward the extension on the basis that it will further reduce congestion in another significant part of what many people regard as central London.

John Biggs (Deputy Chair): Now, I do not want to make life difficult for The Mayor, but I would like to ask the same sort of question as Val Shawcross asked earlier, which is that presumably there will be a rounded benefit-cost calculation, which will include the social and economic costs of setting up the congestion charge extension? And that is all part of the case for or against it, as there may be non-monetary costs…

Peter Hendy, Managing Director of Surface Transport, TfL: Oh absolutely. You have to remember that the whole justification for seeking to do something worthwhile about congestion is the wider damage that it does to London's economy, its status as a world city and the desire of business to come and do business inside London. And that is what the scheme was designed to…

John Biggs (Deputy Chair): And that would imply a 'do-nothing cost' as much as a 'do-something cost,' then?

Jay Walder, Managing Director of Finance and Planning, TfL: Yes, if you look at the congestion charging six-month on report, which I think has been sent to everybody, you will see a cost-benefit in there for which revenue is excluded from that analysis, because the net revenues that are being gained are really a transfer payment that in an economic analysis do not count. What that analysis shows is that there are benefits, social benefits that exceed costs from the congestion charge, while the congestion charge western extension is, as Lynne put it, roughly balanced. And in terms of doing it, we believe that there are social benefits that would exceed the costs.

Lynne Featherstone (Chair): But were you able to factor in any of the sort of economic business factors, because those results will not be in until next February, will they?

Jay Walder, Managing Director of Finance and Planning, TfL: We have made some estimates of that. I think that Peter (Hendy) made a comment before about wanting to have a full year's worth of time before we start to look at the bus system and the like. I think we all have to be tempered in congestion charge, the fact that we have six months' experience in what is happening. So in the context of what we know, based on six months, it is in that report, but there is further work that has been commissioned, and there is other work that is coming forth, which will be coming later, and then may well add or modify or revise some of the results that are contained within the six month report.

Lynne Featherstone (Chair): Because John made an interesting point yesterday at Assembly about the extension being more residential, and not the sort of in-out focus that the original… And I wondered if that played a part… ?

Peter Hendy, Managing Director of Surface Transport, TfL: Yes, clearly the extension area is different in nature from the current charging zone, and that has to be reflected, but congestion within it is still an issue.

Lynne Featherstone (Chair): As in other parts of London.

Peter Hendy, Managing Director of Surface Transport, TfL: I would just echo what Jay (Walder) says about taking a medium- to long-term view, because clearly in other forums we are dealing with the issues brought up by retailers and so forth. Now, the nearest equivalent to such a ground-breaking scheme is the pedestrianisation of shopping areas. And if you ask any of the leading academics Phil Goodwin, Stephen Glaister, people like that, what they will tell you is that the short-term impact of pedestrianisation in urban shopping areas has been a decline in trade and vociferous complaints by retailers, but the longer-term effect has almost always been an increase in retail trade, because of the increase in desirability caused by the substantial change.

And we are only six months through. We are very busy in answering very short-term comments about people in a variety of economic circumstances in this scheme, in which you cannot easily distinguish what has been going on here from the war in Iraq and the closure of the Central Line. Well, I think it is still the case. By the time the western extension comes to the earliest point at which the future Mayor can decide whether or not to do it or not, we will have had some three years' experience of this scheme, at which point it will have settled down, and hopefully people can be more agreed about what the wider economic and social benefits to London actually are.

Lynne Featherstone (Chair): Anything else on that one before we move onto rail?

Jenny Jones (AM): I just wanted to say… I wanted prod you into talking about how money is not the main criterion for… What?

Peter Hendy, Managing Director of Surface Transport, TfL: Is that addressed at him or them or me?

Jenny Jones (AM): No, no, you have more or less done it, so it is what… the other benefits that we are…

Eric Ollerenshaw (AM): He wants to reduce Oxford Street to a village centre.

Lynne Featherstone (Chair): But where it does, I suppose, come into play in the business plan is if it is not fully funded and you have to choose between £100 million set-up on that versus safe routes to school and cycling and walking; it is then, how do you look at that?

Peter Hendy, Managing Director of Surface Transport, TfL: It poses some enormous choices ahead, which have to be regarded in a variety of means. Jay and his colleagues are quite rightly properly charged with financial prudence and balancing the budget by law. On the other hand, many of the measures in this business plan are seeking to address wider social and economic issues…

Lynne Featherstone (Chair): I am sure that Jenny and I would totally agree with that.

Jenny Jones (AM): Well done, yes. I am a huge fan of this scheme, and I want it to work, and I am doing my bit by saying it is too small and you have got to get bigger. It makes you look reasonable.

Lynne Featherstone (Chair): Can I just say that 90% discount…

Eric Ollerenshaw (AM): I have asked nothing so far, but I assume that TfL will be taking into account, as any properly-run organisation will be, the possibility of a change in policies after the election?

Valerie Shawcross (AM): Putting the charge up; that would make it balance, would it not?

Lynne Featherstone (Chair): Right, before we get into political…

Peter Hendy, Managing Director of Surface Transport, TfL: We are constantly mindful of every possible circumstance.

Eric Ollerenshaw (AM): Very good, very good. I am pleased about that.

John Biggs (Deputy Chair): It is the Mayoral election you are referring to, is it?

Eric Ollerenshaw (AM): I am talking about the Mayoral election. You may have some spare cameras then.

John Biggs (Deputy Chair): You need to be watching the Assembly election as well, but anyway.

Valerie Shawcross (AM): Right, catch the train again. I was really pleased, Jay (Walder) to hear your comments in your opening statement about some of the poor quality facilities we have in overground rail services in London. You might know, it is one of my passions, the fact that the overground stations are neglected, and some of them are godforsaken, windswept places. In a sense it does link back to the question about what you do with spare capacity. If there is spare capacity on the rail at night, because people are not going through the stations, because the stations are so unpleasant and dangerous, is there not an investment… A smaller, softer investment in improving the stations might reduce the need for investment in alternative modes of transport.

Peter talked about behaviour and people choosing buses, but behaviour is influence by circumstances. So I think there is a question there about the interaction of investment in the rail and in other systems. But actually in your document, there is not much attention paid to rail. I cannot find much reference to investment, and I get the impression that there have been some ideas within TfL which were good ones, such as a second phase of improvements to the East London Line, which have fallen out of the basket, basically. So do you believe investment in rail is worthwhile, and if so, why can we not see much of it in this business plan?

Jay Walder, Managing Director of Finance and Planning, TfL: To be clear, the two largest investments in rail, and perhaps the three largest investments in rail within London, fall outside the funding base in which this plan was put together. The first of these is Crossrail, which is a joint company founded by TfL and SRA for which, as we all know, government decisions on funding for Crossrail awaits, but was outside the scope of what we were doing here.

Second is the East London Line, for which there is an approved business case for the East London Line. There is finally, demolition of some of the structure that needs to be demolished. But the investment to be able to move forth on the enhancements to the East London Line north and south, or extensions north and south, are within the budget of the SRA, not the budget of TfL. What TfL does have within here are the interchanges with the East London Line as it interacts with the rest of the public transport system, and you do find money within interchanges to be able to do that.

Finally, the third project that is along the same lines is Thames Link 2000, which, as you well know, has had a tortured path through the planning process. If it ever does come out of the planning process, and we are hopeful it does, it would again be within the SRA's budget.

What you do see here for rail, however, is the creation of a new joint-funding partnership between TfL and SRA, with the idea that it would build on the types of improvements that we are piloting on several routes on the overland rail network. We have put in £6 million in 2004-05, and £12.5 million per annum thereafter, with the idea that this would be matched by SRA. One of the things that we all have to watch for is that we want the funding that we put into rail to be additional, not substituting for other funds, and then seeing that funding re-allocated, perhaps somewhere north of here, where most of the rail money appears to go. So we have to be cognisant of the structural relationships between the different entities; we do have to be cognisant of the responsibilities that sit for Network Rail, and the responsibilities that sit for the TOCs; we do have to be cognisant of the very significant sums of money, which are measured in billions of pounds, which are being put into those, and not wanting us to be pushing money into other places.

But I think what the plan very clearly says, and what we have been carrying forth through the pilots, is that we can do more, that there are opportunities to do things, and we wanted to make sure that the financial resources were not a constraint to being able to do that.

Valerie Shawcross (AM): I fully understand, as I am sure everybody does, the reason why you would say, and it is a fair reason, that it is the SRA's responsibility; they should be investing. Absolutely the case. The point I was trying to make is that maybe a smaller investment from TfL into the rail service might obviate the need for some greater TfL expenditure on other services. Perhaps a convoluted question.

Can I just nail you down a little bit on the East London Line extension? I am looking at Table 12. I know that there are improvements, that at Phase One there are some interchange improvements in there, but this looks to me like you are not actually intending to have a sort of Phase Two of improvements. And the project that has been discussed for possibly doing a link at Brixton station where there is a three kilometre gap in the service… The service would run right across Lambeth without stopping at Brixton, and there would be a very long piece of rail without a station or a platform for the service to stop. I do not see how there could be any work instigated from TfL's side here on a project of that sort for Phase Two, looking at the figures that are spread out over the next six years on this Table.

Jay Walder, Managing Director of Finance and Planning, TfL: On page 37, the figures you see for the London Underground/East London Line extension do not accommodate the Brixton piece that you were talking about. The Mayor has asked us to investigate the Brixton piece that you are referring to. We are now doing that. It fits outside of the scope of what was done at the time that we were doing the business plan.

To the extent that, upon consideration of that, we were to look to move forward on that, we would obviously have to incorporate it within our business plan, but clearly that would be, at a minimum, it is at the back end of what you are looking at, not something that is really at the front end of our plan right now. It probably falls well outside… any significant expenditure probably falls outside of SR2004, so I do not think it is a particularly difficult problem to be able to look at. But we are looking at that now, at The Mayor's request.

Valerie Shawcross (AM): Right, thank you.

Lynne Featherstone (Chair): The Director… I think it was the Director of Transport Planning was having a little boast, really, back in August about the Olympics, and said that the North London Line would be upgraded from the current four trains per hour using three-car sets to 10 trains per hour using six-car sets, with the necessary re-signalling these improvements would require. Is there any provision for this in your business plan?

Jay Walder, Managing Director of Finance and Planning, TfL: There are… One of the things that we are working on now, in conjunction with Bidco and SRA, are the set of transport improvements that would be necessary to support the Olympics.

Lynne Featherstone (Chair): It is not in your Business Plan?

Jay Walder, Managing Director of Finance and Planning, TfL: But it is not in the business plan, and only in the last week, of course, did we have clarity about where the sites would be, which is a necessary ingredient of that.

Lynne Featherstone (Chair): I just wanted to be clear that there is nothing in your Business Plan at the moment.

Jay Walder, Managing Director of Finance and Planning, TfL: It is not in.

John Biggs (Deputy Chair): If I was a borough representative, which in previous lifetimes, I have been, I would be pretty disgruntled with this Business Plan, because it is giving us jams tomorrow, and possibly jams today, I suppose. But jam tomorrow in terms of highway maintenance and borough spending plan allocations. How would you respond to that unjust accusation?

Jay Walder, Managing Director of Finance and Planning, TfL: We have made a commitment to the boroughs, which we have honoured in this business plan, that borough spending would be no less than £140 million over the next two fiscal years. Now in making that commitment, I should point out that goes into a year, 2005-06, at which there are significant constraints under indicative funding levels, and we have said we would not go back on the commitment we have made.

However, going forward from that, one of the things, if we are going to be in a severely constrained funding environment, which is what I think the indicative funding levels would indicate, then the borough spending plan has to be looked at in the same way that the rest of the TfL expenditure is looked at: No longer thought of as a commitment, but thought of as something which we need to marry against a broader set of needs.

One of the points that I made at the beginning was that we hope to have the resources to bring long-neglected assets up to good repair. One of those long-neglected assets is London's roadway system, for which, I think it is safe to say, that the condition of the borough principal road network (BPRN) is even worse than the red routes of the TfL network. We would look to invest considerably more money in bringing the BPRN up to a stated level of good repair, but in the absence of government support, or additional support to be able to meet our needs, I think the best that we will be able to do is to maintain it in the current condition it is in, not improve it.

In that case, the BPRN would be no different than the Transport for London Road Network (TLRN) in the way that we would be treating it.

John Biggs (Deputy Chair): Although… there is a very interesting parallel with the Underground here: There is, if you like, basic, catch-up repairs that have to take place, and then there is an aspiration for enhancements to the road network, which the boroughs have seen the PSB as a route towards funding. What you seem to be saying is two things. The first is, if I read your business plan, that your programme for bringing the TLRN, the Transport for London Road Network, up to scratch is far better-developed than that for the borough principal roads, is that right? So yours will be improved before theirs are improved?

Peter Hendy, Managing Director of Surface Transport, TfL: I do not think that is right, John. I think the baseline plan demonstrates a position where neither of those networks are brought up to the state of good repair in the timescale that… There is a government aspiration to do it by 2010, but there is not enough money in the baseline plan to be able to achieve that.

John Biggs (Deputy Chair): But the backlog on the borough roads will considerably exceed that on the TLRN.

Peter Hendy, Managing Director of Surface Transport, TfL: I am not sure that is correct, actually.

John Biggs (Deputy Chair): I thought I had seen that in your Business Plan.

Jay Walder, Managing Director of Finance and Planning, TfL: I think the backlog on the borough roads is greater than the backlog on the TLRN as we see it now. If we do not make progress against that backlog, then I think it is self-evident then that the backlog on the borough roads would continue to exceed the backlog on the TLRN.

John Biggs (Deputy Chair): Okay, now the aspiration to bring the borough's principal roads up to standard implies that the amount of money within the overall budget you have for boroughs will tend to be increasingly spent on that catch-up area, rather than on the other aspirational areas that the boroughs have, such as cycling routes, such as pedestrian safety schemes and so on, that we discussed earlier. Is that a fair representation?

Jay Walder, Managing Director of Finance and Planning, TfL: There would continue to be money under the borough spending programme to continue efforts across a broader range of borough initiatives, although not at levels that would meet the aspirations that boroughs have, much as, with the rest of the TfL programme, if we are constrained, we will not meet the aspirations that TfL has to be able to do things.

John Biggs (Deputy Chair): So two or three years ago, you negotiated a deal, or you made a commitment to the boroughs. Since then, you have done this stock survey, if you like, which talks about how much catch-up is required on the borough principal roads. Does that not imply that you should now be sitting down with the boroughs again and re-negotiating that agreement you have with them, and saying, 'Well, look, we now know how much we need to spend on your principal roads. We have a package and a programme for dealing with that. And on top of that, we want to give you an undertaking about the other work that you and us have done in partnership.' Obviously, a lot of that work is on bus priority, for example, which does help TfL.

Jay Walder, Managing Director of Finance and Planning, TfL: Let us go back to the context of the arrangement that was reached with the boroughs. The issue that was being put on the table by the boroughs, by the way I think quite fairly, was that there was no planning of what was going to happen, such that they could take decisions and be in place to be able to achieve the types of transportation improvements that were necessary. In essence, in the first year that, as I arrived, TfL told the boroughs in February, after the decisions taken by the Assembly on the TfL budget, what amount of money they would have, and then said, 'You must use this money over the coming 12 months,' which seems a very unfair position to be in.

What we tried to do was to establish a longer-range framework of funding, so that sensible decisions could be made, so that they could be staffing up and putting in place the resources that they need to be able to carry things out, and so that there is not a question, if we fund the start of something, that we were not funding the subsequent parts that were taking place.

I still believe that all of that is what needs to be done. However, I think there is a great deal of uncertainty following 2005, or in the spending review period following 2005-06, as to the level of resources that will be available. While we said we would insulate the boroughs on a reasonable short- to medium-term basis, from swings in the level of TfL support, it is not possible, as we sit here today, to give them assurance about the period beyond 2005-06. Indeed, as you recognised in some of the statements that you made earlier, TfL has no assurance itself about that period, and the issues that are on the table are obviously quite large.

Having said that, we are engaging with the boroughs; we will continue to engage with the boroughs. I think we need to have a broad discussion with the boroughs, not just about the borough spending programme, because I think that is focusing on too narrow a basis for discussion with the boroughs, but broadly around the overall range of actions that TfL has taken and the like. The money that TfL is putting into the transport system is going to support all of the residents of London, which happen to be across 33 boroughs that are taking place.

And we need to be engaging with them in that process. We have been meeting both with borough officers and borough leaders; we have been meeting with chief executives; Bob Kiley and I have been meeting with the chief executives now on a regular basis. I think, as you know, Bob has been on a mission, if I can call it, to visit every one of the boroughs throughout London, and we have been engaging with them around this process. But I think it is unlikely that we are going to negotiate some number, in the absence of knowing what TfL's resources are going to be, over the next few months. Post-SR 2004 decisions, I think we will engage with the boroughs to be able to reach exactly the type of agreement you talked about to allow sensible financial planning to take place.

John Biggs (Deputy Chair): I am happy to take that as a commitment and read it into the record of the meeting that TfL, post-transport spending review, will be sitting down with the boroughs to re-negotiate, if you like…

Jay Walder, Managing Director of Finance and Planning, TfL: Absolutely.

John Biggs (Deputy Chair): …their commitment to borough funding. Because I think the boroughs want to know where they are in the food chain, as it were, and that they are not going to get squeezed out when there are problems. And that is very reassuring to my…

Jay Walder, Managing Director of Finance and Planning, TfL: There is no question about that. And let us be clear: the transport planning system that exists and the way that it exists is one of the greatest impediments to seeing an effective transport system that exists within the UK and within London. It is not just the level of resources that is the problem. It is the inconsistency of the resources in terms of peaks and valleys and the inability to match resources to our long-term decisions.

And to the extent, within the boundaries of the way this process works, that we can make that work better with the boroughs, then we are absolutely trying to do that, because that makes them partners in what we are doing.

Jenny Jones (AM): I am passing on a question from the Environment Committee, because I understand that TfL was questioned by the Environment Committee on the proposal for a low-emission zone (LEZ) for London. And the Environment Committee found that you had put in a bit, in the costings you had put in part of the impact and not the other part. I think I know why you did that, but would you like to tell us?

Jay Walder, Managing Director of Finance and Planning, TfL: I think we have said that the movement on low-emission zone would have to be done in conjunction with the boroughs and with government. Boroughs, as you may know, considered the issue recently at an Association of London Government (ALG)/Transport and Environment Committee meeting, and it is my understanding that the ALG Leaders' Committee is due to meet at the end of the current month to consider the LEZ proposal.

The government position on the LEZ is, at this point, unknown, and it is very clear that a London LEZ would have national implications, given the flow of traffic that comes to and through London. So I think at this point we are trying to be reflective of the uncertainty around that, although we are engaging both with the boroughs and with government to try to reach a common line of thinking about the LEZ and to recognise the costs of doing so, both on TfL, but also more broadly, the costs that will occur as a result of doing that.

Jenny Jones (AM): So you are expecting the full funding to come from the government, because there is going to be pressure on the government to meet is own air-quality targets and, of course, EU limit values, which at the moment we are nowhere near reaching? You are expecting the government to pay the full cost?

Jay Walder, Managing Director of Finance and Planning, TfL: I am expecting that we have to have a way of going forward which recognises the cost and takes into account the government's support to TfL. What I think we have to stay away from is parsing out each of the decisions and saying that these are things that we would like to be doing, but not having the basic financial structure and support to move forward on them. And I cannot sit here and make the statement that I made at the beginning about our responsibility to a balanced budget, if we are going to do that in every one of the cases.

It is frustrating in a number of cases that that is the way it is, but I cannot figure out any better way of dealing with it within the system that we have.

Lynne Featherstone (Chair) We move onto prudential borrowing.

John Biggs (Deputy Chair): It would be very helpful if you were able to write to us -- my colleagues might have a different approach -- explaining how prudential borrowing is going to unlock the potential for TfL to carry forward which otherwise would be difficult, and describing the sort of schemes that would be helpfully facilitated by that. And obviously, I am delighted with what you said about the DLR three-car operation as a possibility, but I am sure there are other aspirations in London which could be met by looking at this as well.

Lynne Featherstone (Chair): I think we would actually appreciate quite an extensive explanation of it, but perhaps John is right, not now, as we are nearing the end. Would that be all right? It is a new area, really.

Jay Walder, Managing Director of Finance and Planning, TfL: I am more than happy to do it. TfL is spending an awful lot of time on this, because we believe that, one, it is critically important, and two, frankly, that TfL and the GLA are not typical local authorities. And given the resource base that TfL has, which totals over £2 billion a year from non-tax resources, that we need to think very carefully about the way that this is done.

We are engaging this discussion with DfT; we are engaging this discussion with Treasury and other parts of government. It is at an early stage, because the legislation has just passed, and because people are thinking it through. I would be more than happy to put it in a letter to the Chair.

John Biggs (Deputy Chair): Given the very different nature of TfL as against most local authorities, which will not have such enormous potential capital projects, there is obviously an elephant trap sort of risk in here, which is that if TfL grosses up all the things that you could fund through prudential borrowing, it might make such a difference to your accounts that it would not actually be a mechanism that could be funded. So I think it would be healthy if, as part of this, we had some sort of understanding of the quantum that you were thinking of possibly funding through this mechanism.

Jay Walder, Managing Director of Finance and Planning, TfL: There are three things that I will take immediately off the table that we should recognise: Projects that lend themselves easily and in a value-for-money way to a PFI/PPP contract or are already accounted for and are not part of prudential borrowing. Operating expenses are obviously not part of prudential borrowing as well, and we have to remember the word 'prudential' at the front of the 'borrowing.'

And then third, to the extent that there are programmes for which there are capital investments, but those are basically continuing capital investments on a level-funded basis, they are much less applicable to prudential borrowing. And the reason for that is that there is really not an argument for why you are borrowing to be able to do something that is really a level-funded aspect. So what we have sought to do is to look through the business plan, then at the subset of investments that would lend itself to this type of borrowing framework, some of which are large, like the DLR extension, some of which are actually very modest, but that when accumulated represent a sizeable amount of money.

You might think, for example, of several million pounds that we might put into various bus stations or bus depots or a depot for the DLR or other things of that nature, which in and of themselves are not items that would ever be for a borrowing programme, but that in the conjunction of an overall borrowing programme might make sense. Similar type of effort might make sense for something like a new countdown system for bus information, which would not really lend itself to a PPP/PFI framework, but might lend itself to prudential borrowing. I would be more than happy to capture this in a note and send it to you.

Lynne Featherstone (Chair): I think that is a good idea, because we are running out of time.

Valerie Shawcross (AM): Perhaps you could write to me as well about the expenditure on the trams, if you would be so kind, because I am just looking at Table 12, and I can see that for the West London Tram, the other tram scheme, which I presume is the Cross River, and the Croydon extensions, there is only a TfL expenditure of £6 million and then £9 million in next year and the year after. I am just concerned that is actually an incredibly small figure for such massively complicated projects which will require a lot of effort at the planning stage, will they not?

So could you give me some more information about the funding, the expenditure plans on both of those tram schemes… all three.

Jay Walder, Managing Director of Finance and Planning, TfL: I would be happy to. Again, just to restate, those are the types of schemes that are in this plan on a PFI basis, so all you are picking up is the amortised portion of the debt.

Valerie Shawcross (AM): Sure. That is why I focused on the early stuff, because that is what would be the totality of the expenditure, is it not, until the PFI extra funding kicks in, so if you are really going to put a tram scheme in central London, I would have thought that that is a sneezy, small amount of money. It just looks unrealistic to me.

Jay Walder, Managing Director of Finance and Planning, TfL: We will be happy to follow that back.

Lynne Featherstone (Chair): Thank you all very much for coming today. I hope the government has got deep pockets.