Valerie Shawcross (Chair): It is my very sad privilege really to say hello and goodbye to Tim [O'Toole]. I wanted to kick-off, Tim [O'Toole], by just saying to you that I do personally think that your six and a quarter years of leadership at London Underground (LU) has been extraordinarily successful through some incredibly difficult times.

You started in a turbulent period. You had a succession of difficult challenges - appalling challenges - including the bombings on 7 July 2005 (7/7) and I think you have dealt with it all with incredible intelligence and grace and decisiveness. I particularly have this feeling about the Northern Line, which serves my constituency, having got a lot better. There are visible improvements to the performance of some aspects of the Tube. I also perceive that the morale of the staff at London Underground is very, very high. You have got some great station staff in particular and you have really been getting the best out of people. We do not agree with everything you have done, Tim [O'Toole], but we are genuinely sorry to see you go and we wish you well for your future. It is very amusing to me to see that an American citizen has ended up as a Commander of the Order of the British Empire. I think that was a very richly deserved award, Tim [O'Toole], for your service to us in London.

Before you go - and I gather you are leaving on 2 May 2009 now - we wanted to give you an opportunity to debrief us on what you see as the major challenges for the future of the Underground and tell us any truths you feel empowered by your leaving to tell us. Although I am sure you will not turn over the tables in the bar as you leave, we do think it is a good opportunity to have an airing of some of the big public issues regarding the Underground and we would be grateful for your frankness.

We thought you would like to kick off by making a statement to us telling us what you would like to tell us about the state of the Underground and how far you have managed to bring it and what we need to do next.

Tim O'Toole (Managing Director, London Underground): Thank you for your very kind remarks. Thank you also for inviting me here. It was generous of you to make this extra time to give me a chance to step back and reflect; something you do not often get an opportunity to do. Unfortunately when I came here hoping to exploit that opportunity, the Underground in its infinite variety of challenges prevents me from doing so, of course, with the action on the Victoria Line today, which further points out that it just does not end. I thought I should actually start with an update on that situation and then I will get to my considered remarks.

We have an industrial dispute, a local dispute at Seven Sisters depot. The Victoria Line is unique in that it only has one depot, so that when you have one of these it has a more devastating impact, which is why we have not been able to deliver service. I apologise for this. There is no way that a strike should be involved. It is a situation arising out of discipline applied to an employee who failed to follow safety procedure following a mistake. The mistake is not the problem; it is the failure to follow safety procedures. Similar cases occurred last year at the same depot. You did not see this kind of action because these things are usually a function of personalities and whether someone is in with the right crowd or not and whether or not the National Union of Rail, Maritime and Transport Workers (RMT) decides to make an issue of it. They did in this case. It is a shame the process has not even concluded in terms of all its appeals, so this is really premature if anything and it is really quite unfortunate.
I feel it is especially unfortunate because it tarnishes, I think, one of the elements of greatest progress of the last six years and that is the improvement we have made in relations with our employees and with the trade unions. We have had about four and a half years of absolute peace and I would put these six years up against any period in the modern era and I think you would not find a similar period in the last 25 years where you had such little action like this. It is unfortunate but, when you confront these situations, you have just got to be consistent and firm. It is important to do that for the management. It is important for the employees and it is even important for your trade union relations, because I promise you if I had done a fiddle in order to make this go away so I could slip out of town smoothly there would have been five more cases from the other trade unions within two days. So you just have to treat everyone the same way in order to get through this. I think it is that consistency that has helped deliver the relative peace we have seen.

Turning from that specific incident I am happy to answer any questions if you want to get into it though it takes me into the more general remarks and I would say the area I am most pleased about the London Underground is the progress we have made in our relations with the employees and with management. I admit it was largely accelerated by the events of 7/7 and the reawakening of the pride that people felt. We did not neglect that reawakening and we have really pushed it with comprehensive engagement with our staff. It started with a programme we initiated just shortly after the bombs where we had all the employees come down for meetings, question and answer sessions with myself and other senior managers and a presentation of the vision and strategy we had; driving that down through the lines. We have just completed again a very large programme running some 10,500 employees through it recently about our values and behaviours and how we are going to take this to another level.

It has been very, very successful. It has been very gratifying. I think the response you see from employees - the fact that there are more announcements on trains and the fact that people are more helpful in stations - is not just rah-rah, increase the morale, it is the fact that we have put together a narrative that makes sense to employees. They actually can see their future. They want to have a world-class metro [Tube]. They understand the strategy we have put forward, which is we will give you a basic, reliable railway; not maybe the greatest and most modern in the world but we are going to put all this money into it. If we marry that with the brand of this place, which was created back in the 1930s of customer care, of good signage, a safe environment, aesthetically pleasing; the combination of those few things when you get to perform on the greatest stage in the world actually takes you to world class.

The employees get that and they also get that they face this big challenge: in order to get there we have to keep London moving. We cannot just stop to rebuild. So we have set out for them in detail when each of the capital programmes are going to be delivered, what is the burden going to be on them on so on because of that engagement I think they get it. They want to seize this opportunity to do something great so that people know they were here. In many ways I think that is the most exciting thing, because we spend so much time talking about the sticks and the bricks and the big programmes and the claims and the rest of it, but at the end of the day 80% of running anything is about people.

I just think that interaction has been the great success, but there has been success on the physical plant side. You can just see it all around you. You can see the delivery of the Western Ticket Hall. You can see the new station on Wood Lane, the new station at Terminal 5. These are all things delivered on budget, on time. This is not the old London Underground of the Jubilee line extension (JLE). These people can deliver. They are doing a good job. We have had, as you know, the interesting dealings with the Public-Private Partnership (PPP) and the collapse of Metronet, but on the other hand we have had Tube Lines delivering for us repeatedly and we have tried to work through all of this. The bottom line is the accumulation of everyone’s contribution - and your reference to the Northern line is a perfect example where it was not just us, it was not just Tube Lines,
it was not just all those people coming together - the accumulation of all of these efforts over the six years gives us numbers that it seems to me are just irrefutable in terms of signs of progress.

In this past year we took away more railways on weekends than ever before: five, six closures a weekend, withdrawing all that transportation capacity in order to get the work done. Notwithstanding the withdrawal of all that input to any statistics we could amass we clocked more kilometres than ever before; we delivered a higher percentage of schedule than we have in the last 20 years; we moved more people than ever before and we hit the highest customer satisfaction scores ever. In fact, all of the models we have predict that it is impossible; when you carry this many people with this much crowding, that your customer satisfaction could get above about 77.5% and this year we ended up at 79%. This is not our measure. This is a measure by an outside agency, a third party and I think what it tells you is we have broken through a wall. This is not the old railway.

Now the issue is how high can it get and while I am very sorry to be leaving now, as you well know, I am especially sorry because the step change is about to happen. The biggest toys are about to be unwrapped and the fact of the matter is that whoever comes after me, there is going to be a lot of ribbons to cut and there is a big party on 2012 and I wish everyone well, because I think you will find that the London Underground is going to do its part to make sure the world acknowledges that this is the greatest city on earth. Thank you.

Valerie Shawcross (Chair): Thank you, Tim. We have got quite a few questions. Just to go back. You did not talk much, as you said, about the bricks and sticks and big programmes and over the years various Transport Committees have drilled in, in different ways, to the issues about the PPP. Just for a minute can I get outside of that format and ask you to comment if you can about the balance of capital investment in all of our transport system in London? I think sometimes we forget and take for granted how big and important the capacity of the Underground is to us in London. Do you feel that the balance of capital investment, where the fix-it-and-move-on money is going in transport is right at the moment in London? Do you think the Underground is getting enough attention?

Tim O’Toole (Managing Director, London Underground): Well we do face difficult years. The Underground is not unfazed by the events of the greater world and the economic collapse that we all are living through and so I do worry about the funding. It is a fact that all of the plans we have with regard to other initiatives assume a functioning Underground. So if you do not rebuild the Underground the base case just does not exist actually and you will not get the throughput from other things. So, for example, I think it is critically important that the country follow through on Crossrail. It is so rare to actually get to the starting line, to retreat would be an absolute disaster. The thing has to be built and, having said that, you cannot really have Crossrail unless you finish the rebuilding of the Underground. It is always a temptation to go for the new shiny thing because that is the clear ceremony that everyone can mark someone’s tenure, when in fact I believe the obligation of anyone who runs any enterprise is to take what you have and return it to a state of good repair. That is what has to happen on the Underground. You do not want Crossrail showing up with gigantic trains at Tottenham Court Road disgorging hundreds of people only to find they cannot get on the Northern line because the Northern line is not providing an adequate service.

So I think that the plans that are in place and the budgets that are in place are sufficient to give us that core capacity increase for the Underground that we need. I think Transport for London (TfL) is consciously protecting the Underground in that regard and making sure that these line upgrades are delivered. I do think, notwithstanding the fact that I want more because I want to do more things, it is a greater investment than has ever been seen before, so we cannot forget that. One of the areas where we will discover, after we get these new train systems in, that is going to need more work is the expansion of some of the key stations. This is a phenomenon you can see across the world, it is not just on old systems; you will see it if you go to even some of the more modern systems, they complain about this problem. Unless the stations are big enough so that you can clear those people off the...
platforms quickly, you cannot fire the trains through as fast as you want. So I do believe that there is going to be strain on the system and in the delivery of projects like Bond Street, Tottenham Court Road, Victoria, Highbury & Islington, Finsbury Park, Vauxhall; all of these pinch points that have to be addressed. I would hope that there is a way to find funding to accelerate some of those programmes over time.

**Caroline Pidgeon (Deputy Chair):** Tim, I was reading some of your interviews. I think you have recently done one with the Evening Standard and in that you talked about the future of the PPP contract perhaps being in doubt if Tube Lines could not deliver the Jubilee line by the end of the year and so on. How big a risk is it in your view that Tube Lines could collapse as a result of cost increases and the arbitration bit that is going on at the moment?

**Tim O’Toole (Managing Director, London Underground):** Well I did not predict a Tube Lines collapse - I want to be very clear - but I did say Tube Lines faces two big challenges. I want to preface this. Terry Morgan (Chief Executive, Tube Lines) and his team, deserve a lot of credit for putting together an organisation that delivers and has consistently delivered. I can argue with Terry [Morgan] about value for money all I want but I cannot deny the fact that he has delivered that station programme when he said he would and some of the other items.

I was merely pointing out, however, that all of that accomplishment pales in comparison with what he is about to deliver and that is the Jubilee Line upgrade. This is an order of magnitude of complexity beyond what they have delivered in the past. I have said this within London Underground, too: it is the upgrades that will define us all. It is whether or not they get delivered or not; that is what the stories will be all about. It is not going to be about the station programme. It is going to be about, "You promised us 30 trains per hour, where are they?" That is what people will notice. I think that the delivery of the Jubilee Line upgrade by the end of this year, which is when it is due, is a tough, tough assignment because of its complexity. I think they can do it but it is very tough. I was merely pointing out that the failure to deliver that would certainly take away their greatest armour, which is, "Hey, we deliver. Why would you want anything other than us?"

I was merely also making the other point which is we are in periodic review right now with them. No one has ever been through this so no one actually knows how this will work. We were glib in the past by saying if you ask a contractor do they want to raise their prices you could guess what the answer is going to be; therefore, worrying about what the output would be. I was merely making the point that it is not that obvious that Tube Lines does not have the same problem that we have, in the sense that it seems to me they have to be under some pressure to present a commercially sensible solution for the next seven and a half years.

What I said to the writer was not that they were going to collapse. I said if they do not it would certainly lead to people starting to throw around alternatives, because if the number is high enough you could start to look at a lot of things would make sense. It seems to me it is in their interest not to allow the debate to go there. So I was trying to make the point that there is pressure on them to come up with something sensible come June when they produce their numbers. The point being: that is why you cannot assume there is a large funding gap on Tube Lines, because until you see how they play that hand you do not know. This might not be as bad as everyone is predicting.

**Caroline Pidgeon (Deputy Chair):** In your interview you also said that the PPP had not delivered sufficient technical innovation. I am just wondering what you mean by that? Tube Lines would appear to be using all sorts of new technology to halve station refurbishment costs and speed up some of the processes. What other innovation were you hoping for?

**Tim O’Toole (Managing Director, London Underground):** Well what I was referring to is that there, I think, was an expectation going to the PPP that one of the things you got out of - and one of the reasons you would pay - this high premium is you would get these private companies to come in
and they would use modern technologies and innovation to deliver you the same railway at 70%, 80% of the cost that London Underground would have. So there was an expectation that you were going to be almost bombarded with the new. In fact that did not happen. In fact, yes they work better and they deliver escalators faster, but that is largely by storing inventory on site. It is not by doing it a new way and it is not by introducing new technologies. Yes they have the DISAB machine that sucks up the wet spots but that is actually kind of modest stuff.

The real issue is the CAT1 standards, the standards by which the railway is maintained and built, there was an expectation they would be challenged by the infrastructure operating companies (Infracos). In fact there was a whole regime created to do this and change so you get a new kind of railway, an even more modern railway. I think the Infracos were largely rational and they figured out, “No, no, no. It’s much better for us to just build to those standards, not take the risk of anything new because we’re going to get paid for it.” It was that lack of innovation I was referring to. The fact that the core standards for LU have actually not changed and there was an expectation they would.

Valerie Shawcross (Chair): Does it matter?

Tim O'Toole (Managing Director, London Underground): Well I will give you an example. The trains we will get on the Victoria line, which came out of the original Metronet procurement, or that we will get on the Piccadilly line - that procurement is still in front of us - largely look at them, they are pretty similar to the trains that have been there for the last 20 years in terms of design, weight, all the rest of it. You are not seeing experimentation with these new evolutionary trains you see in other places where it is a semi-trailer design with only one bogie so you can remove so much weight and thereby save on energy, which is certainly an issue that has gone up dramatically in people’s agenda. It is that kind of completely new railway.

One of my frustrations has always been - and I gave a speech to the annual meeting of civil engineers when I said, “You have to ask yourself in this modern age where are the engineers?” Most of the solutions to our transport problems are from planners and lawyers: the PPP from lawyers; congestion charging from planners, but we need new machines. Where is Brunel? We are largely buying bespoke variations of old trains. The airline industry is going to lighter, faster, swifter. We are going to heavier and more energy consuming. We need a new way forward.

Caroline Pidgeon (Deputy Chair): Have you had those conversations with the Infracos over the period that you would like to see this sort of thing?

Tim O’Toole (Managing Director, London Underground): Yes. I will give you a concrete example. One of the things that I brought to this job is I came from a railway that had to be completely rebuilt and so the first thing I looked for in my very simplistic way are “Where are the big, new, yellow machines that do the work?” I did not see any big, new, yellow machines for about three or four years and that was a constant request of mine: one specifically, a machine that would do rail grinding, which would dramatically improve the life of the rail and the ride. We now have rail grinding but it took five years to get there. So it is these kinds of things that I would have liked to have seen come sooner and we had these conversations. As you might imagine, the Infracos’ version of events was that we were stopping them from innovating. There are two sides to all of these conversations.

Caroline Pidgeon (Deputy Chair): Can I just move the discussion on slightly in terms of we have got all these issues coming up and we have got the periodic review. We could be in a position where Tube Lines cannot secure the necessary funding. There is such a big difference and so on. What do you think would be the best structure to replace the PPP?

Tim O’Toole (Managing Director, London Underground): Well I think the best thing to happen would be for them to produce good prices. I do want to emphasise that and I will answer your question, but I do also worry about the employees at Tube Lines. There are a lot of very good people
there who work very hard and I do not want to just be taking cheap shots at their livelihoods and threatening them with things that I do not know whether they will happen or not. I think the important thing is for them to keep going.

If something were to happen I think you need to get away from these rococo structures. It has got to be much simpler and straightforward because you are paying a very high premium for these complex risk transfers that you later find out no risk was transferred. So I think what you do is what we do in building Wood Lane. You have a conventional contract; you put accountability on someone; you expect them to deliver and if they do not deliver you move them on and get someone else. I just think you need transparency and direct accountability. Keep in mind the same companies are going to do the work. It is not like London Underground is going to build the station. It is just the clarity of the contractual relationship that I think should be preferred.

**Victoria Borwick (AM):** You talked about the work on the Jubilee line and signalling, well the work on the Jubilee line which is obviously crucial. What is Plan B if they do not manage to achieve it on time or what impact would that then have maybe on the Northern line and the other work? I am really taking you back to where you spoke about that.

**Tim O’Toole (Managing Director, London Underground):** Well a couple of things could happen. You could have new signalling on a part of the line and then a handover operating with the old signalling, which would still be in place. So that is part of what we will learn as we go through this year because it is not like they finish it and you flip a switch. They will be turning it on in sections. The real issue for them is whether the last section, which is Dollis Hill to Stanmore gets finished. That is where the big challenge is and the reason that is the big challenge is that is where the are four tracks as the Metropolitan line also runs on that section.

So I think it is a question of whether we all get what we expected when we expected it or whether we get a partial solution and then the rest comes a month or two later. That might not seem like, “Well, what is a month or two?” I think for the integrity of the whole upgrade programme you do not want to miss even a day. You want to give people faith in our ability to deliver and so I think it is important to all the other upgrades, as well, that we pull this off.

**Victoria Borwick (AM):** OK, so the impact on the Northern line?

**Tim O’Toole (Managing Director, London Underground):** It is one programme, Jubilee and Northern Upgrade Project (JNUP), and to the extent that the Jubilee line were to slip it would have an impact on the Northern line almost certainly I believe unless they are able to bring in more resource and backfill it. I would not want to leave the impression that if they do not make it by the end of the year the railway does not run or something. That is not what will happen. It will just not get to the throughput as quickly as we are anticipating.

**Victoria Borwick (AM):** OK, and then my second question was taking you back to the figures that you were talking about earlier and really to get away from, as you say, Tube Lines but back to we read in the papers the other day another £400 million hole in Metronet’s losses but that is over two years ago that that they went into receivership. It is obviously a very difficult situation for you and how are we going to get over that? Back to obviously the question that was asked around the table before about the PPP Arbiter - will he be able to examine Metronet’s figures and how are you going to sort that out?

**Tim O’Toole (Managing Director, London Underground):** Well the Arbiter, by the way, I can just deal with that first of all. The PPP Arbiter has access to Metronet’s figures and the exact same figures he has with Tube Lines and that was part of our agreement with him, because he needs those in order to make his comparison and that will continue.
When Metronet went into administration we frantically tried to renegotiate the contract and save a lot of money, which we did. However it did not just magically become an efficient, successful company or part of London Underground simply because I buy my suits in a different place than Andrew Lezala [former Chief Executive Officer, Metronet]. There are some huge pieces of work that you have to do and one of them was to go through these annual asset management plans and take it apart and these stretch out for nine years. So we have been doing that and as that is done you uncover things like, “Nobody had in their budget putting in the cable brackets running out the Metropolitan line.” “That is not in anybody’s budget.” “Well that’s going to have to go in.” As you take these things apart they do produce big numbers, but it is not a tomorrow big number, it is a nine year big number.

So as we went through the annual asset management plans that is the kind of level of dislocation we found. What would have happened if Metronet had not collapsed is there would have been a claim between them and one of their contractors about who should have budgeted for that and then ultimately they would have sued us. It would have been encountered but not as quickly as we encountered it because we got into the numbers.

We feel fairly confident we understand the Metronet task right now. The only equivocation I would put on it is we have to do this procurement for the subsurface signalling and this will be by far the biggest project London Underground does – it is 40% of the network. So I would be foolish and a hostage of fortune to make an absolute prediction of how that will turn out, but I am hoping the competitive marketplace will give us numbers that then will not produce any further surprises that someone will have to explain to you.

Victoria Borwick (AM): Yes, right; otherwise somebody else will be back here telling us where the hole is.

Tim O’Toole (Managing Director, London Underground): Right.

Jenny Jones (AM): When you were new in the job you came here to a Transport Committee meeting and the Tories actually challenged you at that meeting and said that you had only ever run cattle trains, what did you know about passenger services? You said, “A lot of your cattle travel better than Londoners.” Do you still think that is true?

Tim O’Toole (Managing Director, London Underground): Jenny [Jones], I do not even believe that story. It just seems impossible.

James Cleverly (AM): It is a good story.

Jenny Jones (AM): It is true, we probably still have the record. You see I do not make a regular journey by Tube because I do not live on a Tube route, but my impression is that at rush hour people are still packed in like cattle and that the upgrades have not kept pace with the increase in use.

Tim O’Toole (Managing Director, London Underground): Well the upgrades have not happened yet. They have not been turned on yet. You have not got any throughput, but you are right, the crowding continues. When I came here people said to me, “All right, you carry three million people a day. What are we going to get out of all this money?” I said, “Well, I make a prediction by ten years from now we will be carrying four million people a day” and I was off by eight years because we carried four million people a day about three years ago, and we did it again the following year and we did it again last year in that first Friday of December, which is when we always hit that record.

The usage has gone up. When I came here we carried three million a day. Now we carry three and a half million a day. While we do pump out more service than ever before, so we have put out more service than when we were carrying three million the fact of the matter is these trains get very, very crowded and it is very, very unpleasant to ride on them at some times of the day. For me I am not an
apologist about that. For me that just makes the case of why no one can get in the way of this funding. This is the core. It all falls apart if the centre will not hold and the Underground is the centre of this city. It has got to be rebuilt. We have got to follow through.

You would not see the kind of relief you are looking for, however, until we turn on these signalling systems and we are right on the cusp. So you get the Jubilee line and the Victoria line this year. Then they move on to the Northern line, which we should have by 2012. In 2010 you are going to get the new air conditioned trains on the subsurface. I could say something about that. I drove the first of those trains about three weeks ago. I will tell you when you see this train it is going to knock your socks off. This thing is gorgeous. The air conditioning works. It is a walk through train. When this appears on the network I promise you Londoners are going to go, "Oh, now I get it."

**Jenny Jones (AM):** Isn’t it the mock-up we saw a few months ago?

**Tim O’Toole (Managing Director, London Underground):** No, this is the full train. This was an eight-car train on our test track.

**Jenny Jones (AM):** No, what I mean is it is the same as the mock-up we saw a few months ago.

**Tim O’Toole (Managing Director, London Underground):** Yes, except a mock-up does not do it justice, because you have to be able to look all the way down this train and you think, "Oh my god, this is a whole different beast."

**Jenny Jones (AM):** My understanding is that some of the upgrades have been put back. That there is not money for as much as you originally wanted. Is that true?

**Tim O’Toole (Managing Director, London Underground):** Well, the line upgrade for the Bakerloo line was originally planned 2020 and is now 2022, but none of the other line upgrades have been put back. What has been put back is a lot of stations work. In delivering a line upgrade you have got different elements. You have got the trains, you have got the signalling, you have got the power upgrade, you have got to put in tunnel cooling, and you have to do all of those or the thing will not work. It is really a single machine. The one variable when you have cost pressure is the station. So what you have seen in our dealing with our budget pressures and dealing with Metronet is just that. A lot of the station work that should have been done has been pushed out into the second period, and some of the congestion relief work that I think we would like to do much faster has been pushed later into the plan. As we all know, we do not have the money to go ahead to where we hope to go with step-free access as fast. So those are the areas that take the shrinkage when you get these cost pressures, but the upgrades themselves have not been pushed back.

**Valerie Shawcross (Chair):** You are leaving before lots of this goes live, before we get our 33 trains an hour through the Northern line and Jubilee line.

**Tim O’Toole (Managing Director, London Underground):** Yes, yes; but Chair, that is not the way I look at it. The way I look at it is somebody else’s gets to show up and cut that ribbon.

**Murad Qureshi (AM):** Yes. Well I am sure, Tim [O’Toole], that your successor will not be as well dressed as yourself at those opening events, because I think that is going to be a very difficult act to follow on that front certainly. The serious point I wanted to follow up with is the litmus test you have set on the upgrade of the Jubilee line. Now I am old enough to actually remember the first refurbishment of the Jubilee line after the Queen’s Silver Jubilee in 1977 and it appears to me it takes a lot longer to get things done on the newer end of the Jubilee line than it does on the older bits of the line which used to be the Bakerloo line. Anyone using those lines regularly will clearly see that. I do not still quite understand why the upgrade at this end is taking so much longer and is more difficult than the older part of the line and system.
**Tim O’Toole (Managing Director, London Underground):** Well, as you know, it is an old story in that the signalling system that was contracted for was not delivered and so they stuck in a jury-rigged duff signalling system with terribly long blocks which prevents you from getting any kind of throughput. They just had to jury rig something to get it ready so the Queen or whoever it was could ride on it. We have been stuck with that ever since, so that if everything goes perfectly during the day we can get 24 trains an hour down there, and it is rare that everything goes perfectly.

What you are now going to get is a true modern signalling system that is equal to the architecture in all the stations and that will allow the kind of throughput you should be able to see. As I was saying earlier, actually the hardest technical part is going to be on the old Bakerloo part of the line, because that is where we are going to have to deal with the Metropolitan line.

**Murad Qureshi (AM):** I do find that older bit actually more reliable than the new end but that may be to do with my usage patterns. Can I just come back to something I have actually picked up once before from *The Economist*, which suggested on 13 September 2008 that there is a possibility of diverting cash from other projects, possibly from Crossrail to the monies needed on the PPP. Now I am not one to put that out but the fact that *The Economist* has put that out I thought you have to take quite seriously. I just wondered whether you could shed light on this.

**Tim O’Toole (Managing Director, London Underground):** Well the monies for Crossrail are ring-fenced, so it is not like we can poach them. I suppose one of the incentives London Underground has, because London Underground is the interface with Crossrail more than any other institution. We touch it over 100 times and we have to work with them on a lot of joint station projects and the like. So I would like to think that it is an incentive for us to make sure Crossrail is delivered as efficiently as possible so that we at the end of the day could make a case for the money that was not spent to go back into the Tube.

At the front end we cannot start with poaching their money, because you know what will happen next? Crossrail will not get started and that would be a big mistake.

**Murad Qureshi (AM):** What in your mind do you consider to be the best Tube line in terms of customer service? Because it is clear that is something that you put a very high premium on and I think there are some differences between different lines actually.

**Tim O’Toole (Managing Director, London Underground):** You are just going to get me into trouble with some of my employees. I mean over the last couple of years certainly the greatest throughput has come from the Central line because of its computer-controlled system. I think what the employees of the Northern line have done, including the employees at Coburg Street in the control centre, in turning that around, which was truly a misery and a misery for any of us who had to describe what was going on. It was a hell of a piece of work and I am very proud of what they did.

**Richard Tracey (AM):** Mine is a general question about the whole operation of the PPP. You have in several recent interviews been very critical indeed of the concept of the PPP. I wonder whether your judgment is that the PPP is fundamentally flawed and was never really going to be able to deliver what the then Chancellor, now the Prime Minister [Gordon Brown] and PricewaterhouseCoopers, believed?

**Tim O’Toole (Managing Director, London Underground):** Well it is a ‘what if’ situation. It fundamentally delivered if it is what you had to do to get money in the first place and start the programme. That is what people tell me is the history, so I have to take that on faith. When I talk to some of the people who used to work at LU back then they say,” this was the only way to get it”, and “starting this programme was the most important thing.”
I did not make this point somewhere earlier. In some respects at least this Government came to grips with the problem. I remember reading a newspaper article by one commentator who said, “Geez, I remember the Underground back in the 1960s when it made money.” Well I have got a newsflash for you. No passenger train in the world makes money. It is impossible to amortise the capital cost with fares, it is just arithmetically impossible. Everyone that does make money is a fiddle. It is some kind of special arrangement in order to subsidise those capital costs. If the Underground was appearing to be making money in the 1960s, I will tell you what was happening; they were not putting enough money into the capital programme, which is exactly what we saw. So that behaviour was really indistinguishable from a corporate raider. They were just sweating the assets and did not realise that is what was happening.

So I do think this Government deserves a lot of credit for coming to grips with it. I do think the structure was flawed. I think Tube Lines has succeeded because of the quality of their people and the organisations that make it up, not because of the structure. I think the fact that two-thirds of it collapsed within five years – which is almost a record collapse when you consider the amount of monies available to them – tells you enough about the structure. I just think it was too complex and it was probably over engineered because of a fear of what was going to happen to it when it was handed over to Ken Livingstone [previous Mayor of London] and Bob Kiley [former Commissioner of TfL]. They thought they would do violence to it, so they made sure there were enough nuts and bolts on it that you almost could not touch it.

Richard Tracey (AM): In one of the interviews you have given you said that it prevented you having proper oversight of work, you could not withhold payment to contractors if they were not delivering, and of course you also said that it has actually lost Londoners a lot of money.

Tim O’Toole (Managing Director, London Underground): Well I do not think you need me to say that. You can see that in Metronet, that is really what I was talking about. When you consider that in 2005 Metronet was projecting that they were underspending and then in a year suddenly that underspend went to, “Oh, we have a £1.2 billion problem, could you help us out?” The fact that we tried to use the contractual mechanisms to get control of their station programmes so we could see what was going on, and they were able to appeal that in court and have our case thrown out speaks volumes about how the structure prevents you from doing things that you would have otherwise done in a conventional contracting relationship.

Valerie Shawcross (Chair): Can I just throw back a challenge to you, Tim [O’Toole]? You talked about more traditional procurement of upgrade work, but of course the Jubilee line was the last big traditional procurement we had. It was over £1.5 billion overspent and of course the signalling was so bad that it needed replacing within eight years. So there must be some arguments that say we were flawed in our traditional procurements in some way.

I think my other question would be you said that the system and the work that Tube Lines has done, which as you say has been excellent, has not been innovative. Do you think London Underground Limited (LUL) will now be able to be innovative in the areas of work that you have taken over from Metronet? Do you expect to be able to do it any better?

Tim O’Toole (Managing Director, London Underground): First of all, what you say about the Jubilee line extension is absolutely correct and that is the burden we carry. As a result of that we get the PPP, but I would point to the amount of money that Metronet would have been over and I would say that I think it trumps that story. So the cure was worse than the disease in some respects.

When you look at urban rail projects worldwide - there was a study in Sweden or Norway - you find that of all infrastructure projects they tend to be the most underestimated and it is largely because people are afraid to put the real number in order to get the project started. So the Jubilee line overrun came in about mid table for the world in terms of such projects.
Will we be able to be innovative? Well not right away actually because mostly we are dealing with already procured things, which is why the Victoria line train will be what it is. Two of the things we have already started, however, is number one, the way the subsurface signalling gets procured. We are hoping to deliver a new way of doing the work that will lessen the amount of closures that you need and thereby lessen the pain for London. We are also hoping that it delivers inter-working with the Tube Lines system that would be much better than what would have been there.

Two, our people are working on that next generation, what we are calling Evo-1 train for the Bakerloo Line. It is a long way off, but it is our first shot at really delivering a new kind of rolling stock that would be more energy efficient. I suppose one good thing about my talking about this is it puts the pressure on us to do just that, doesn’t it?

Valerie Shawcross (Chair): Yes, OK. Thank you, Tim [O’Toole].

Caroline Pidgeon (Deputy Chair): We talked about the PPP and if it does go belly up at some point, but how can we secure more funding into the Underground system if the Government says, “Actually, we’re not going to give you any more.”? What other options are there in terms of private sector and other that could really get the investment we need in the Underground, or are we just going to be in the position where we see more and more reductions in the scope of works? You have already talked about station upgrades and so on, but could we actually see some of the upgrades at risk over the next few years do you think?

Tim O’Toole (Managing Director, London Underground): Just on the numbers I see, I just do not see that because we are protecting the upgrades. The Mayor has been absolutely firm on this. He said it almost from the first day he came into office. TfL has always in its budgeting gone there first. So I think there are a lot of pieces to move around before the upgrades are threatened. I just hope that we do not have to go through the pain of proving why we need any of this, because the way I see it is Londoners are voting with their feet. This is what they want. This is the most important thing to improve the quality of their lives is to rebuild this Tube. It is the thing that is part of London’s brand. I believe it is going to happen one way or another. The only question is will it happen on schedule or are we going to have to go through some pain so that people are forced to address it? I would hope it is not the latter.

Caroline Pidgeon (Deputy Chair): Are you saying the upgrades will be protected no matter what? The money will be found for them, you think.

Tim O’Toole (Managing Director, London Underground): So far, yes.

Caroline Pidgeon (Deputy Chair): Do you think that means other projects in the rest of TfL could be at risk?

Tim O’Toole (Managing Director, London Underground): Well it is not so much TfL. It is mostly LU, because when you look out in that ten-year timeframe most of TfL’s capital money goes to LU other than Crossrail. So it is really about the pieces that move around on LU.

One of the ones that is very important to us all, and there is a lack of precision in numbers because we have never done it before, is the tunnel cooling programme. That has to be done and it is going to have to be rolled out and we are going to learn as we go as to its cost.

Jenny Jones (AM): You see for me I can see times are going to get even harder and there is a real possibility that there will not be enough money for all the Tube upgrades and Crossrail. I am just curious that you seem to be saying that Crossrail is really important but the Tube upgrade is more important.
Tim O’Toole (Managing Director, London Underground): Well I think the Tube upgrade is more important than anything, so to drop Crossrail in that sentence, you could drop anything in there. It is just we move so many people; whether it is Network Rail, Crossrail, nothing compares with the Tube and it is simple commonsense. If you think of how small our asset base is and you see how many people we move, our business case is always going to trump everything. Between 2005 and the start of Crossrail we will have swallowed in gross the number of people that Crossrail will move, and that is in addition to the people we already move.

So yes, the Tube is more important. It is more important to get home at night than to get to Heathrow faster. The fact of the matter is the Tube will only keep pace with London. It will not deliver the step change. It is only Crossrail that will do that, and it has taken so long to get here that Crossrail has to be supported, it has to be built. It would be such a shame to put this back another generation.

Richard Tracey (AM): So let us just be clear, you would not postpone Crossrail in order to deliver the Tube upgrades?

Tim O’Toole (Managing Director, London Underground): What I have said is the Tube is more important, but there is a real politic issue that has to be grappled with that when you get a project as big as Crossrail finally in the starting gate you have to let it go or it may not happen. I have personal experience with this I feel like in this system, because as you know when I came here the project in the starting gate was the rebuilding of Camden Town station. It was not at the front of the queue because it was the most important. It was because it was at the front of the queue. Well, when the planning permission was turned down that went back for years. That is what would happen to Crossrail, and that would be a real shame.

Richard Tracey (AM): Your successor though obviously has got to fight very hard as clearly you have fought very hard for the Tube upgrades and to make sure that TfL, the TfL Board, the Mayor and all do stay focused on delivering. Is there just a danger, do you think, that if Crossrail funding runs into difficulty then somebody would try to pull it away from the Tube upgrades in order to bolster up Crossrail?

Tim O’Toole (Managing Director, London Underground): I suppose in one respect Crossrail is in a different and more advantageous position because it is in essence a joint venture with the Department. The Department is still in there and accountable and so I assume that they will respond more readily than they are responding to my constant pleas for more money. So I would not think that they would be looking toward us. They are going to be looking for the Government to rescue the Government’s project.

Richard Tracey (AM): Which, do you think, delivers the greater fiscal stimulus: the Tube upgrade or Crossrail?

Tim O’Toole (Managing Director, London Underground): Well Crossrail is a giant construction programme so that will definitely deliver a lot of jobs. A lot of times these big programmes, their greatest virtue is the stimulus effect. The Tube work is ongoing so it does not present new stimulus to the economy it would be a negative thing. It would be a question of if you withdrew all that work and that would be quite bad. It would be bad for a different reason really, because if you did that, given the age of these assets, capacity would not stay where it is and not get better. It would start to decline and our models show that over a ten-year period it could decline as much as 30%. Imagine using the Tube network that could not handle 30% fewer people than what it handles now. That would truly be a bad situation.
Valerie Shawcross (Chair): Tim [O’Toole], we have been asking about London Underground compared to other transport investments in London such as Crossrail. How do you think the business case for London Underground compares to say intercity travel in the United Kingdom? We do not tend to think of it in a national context.

Tim O’Toole (Managing Director, London Underground): Well now I get on my soap box.

Valerie Shawcross (Chair): I just gave you one.

Tim O’Toole (Managing Director, London Underground): Right. The fact of the matter is, as I said, we have a very tiny asset base and yet move about the same number of people as the whole rail network. So that tells you what a comparison will look like, number one. Number two; the historical imperative we all face is this issue of more people live in cities than do not for the first time in human history. So the challenge to humanity is how do people live ever closer together and still prosper? That is the challenge.

So I think the big issue is how do you get to Harrow? It is not: how do you get to Birmingham? If you go around the world and you look at Shanghai, Beijing, Barcelona, Madrid, any of them; what are they doing? They are building metro lines because that is what the city needs in order to work. I think if we are going to deal with congestion, if we are going to find ways for a city to continue to grow, you have got to get more people underground moving around.

Murad Qureshi (AM): Part of the upgrades are - if I remember rightly - being financed by increases in the fares, Retail Price Index (RPI) plus one. Now that is assuming that the Retail Price Index is going up; yesterday, or last night certainly, we were told that RPI is actually going down. I was just wondering what the long term effect could be as a result of that assuming passenger numbers still stay the same?

Tim O’Toole (Managing Director, London Underground): Well of course the fares decision is not directly tied to it, but your description is roughly accurate with what has happened over the last six or seven years. That has certainly been part of the formula for how do we pay for all this stuff. Certainly the Government expects the fare payer to do their part in order for them to throw in their money, so it is kind of the exchange. That being the case a decline in RPI does have very devastating consequences because of the compounding effect. On the other hand your prices theoretically are lower, as well, but unfortunately those tend to be one-off savings, not compounded.

It is because of this change, however, that the Mayor’s budget that was revealed, it was with the view that RPI was going to be lower that these tough choices had to be made. Some of the rearranging we have done in our capital programme actually addressed that very phenomenon. If it gets a lot worse, yes. You can name any variable; if it gets worse, we will have to deal with it. So far it is because we changed our outlook on RPI that we had to lower our ambitions with regard to some of our station programmes.

Joanne McCartney (AM): Can I move on then to some of the comments you were making about the improvements with the unions and with staff? The Mayor in his election campaign said he wanted to move to look at seeing whether we could have a no strike agreement with the unions. What I want to ask you is first of all what work has gone into that? Have there been meetings, have there been discussions, and how likely do you see that will happen?

Tim O’Toole (Managing Director, London Underground): Well we are just beginning the negotiation of a pay deal, which we hope to be long term, to follow on the long term one that is just expiring and that we think has done such good for our relations with our employees; for our employees and certainly for London. I would certainly hope that those negotiations produce the kind of labour peace that the Mayor’s call for a no strike agreement would imply. How that request - and
we put that in front of the trade unions - actually plays out, and what form it takes is something we will just have to see from the negotiations. It is unfair of me I think to take that very far, because I am not going to be here or so accountable for what I might say.

Joanne McCartney (AM): Because often in the past those were the agreements that have gone hand in hand with improvement in terms and conditions.

Tim O’Toole (Managing Director, London Underground): Right.

Joanne McCartney (AM): To guarantee that (several inaudible words) is that part of the negotiations, as well?

Tim O’Toole (Managing Director, London Underground): Well it always will be. We are always looking for productivity and they are looking for improvement, as you say, in pay and conditions. I think everybody is very sobered, however, by the conditions out there, by the state of RPI which has usually been the pivot point for any labour deal. So in some respects this is a tougher negotiation than we have faced before because it requires a creativity of mindset that has not been required of prior negotiations. Where before it was just RPI plus some number, 0.5, 0.4, 0.6, whatever, depending on what productivity you have got. When you have RPI going negative putting together the deal, especially a long term deal, gets tougher.

Richard Tracey (AM): One final question on industrial relations for you; what advice would you give your successor on how to deal with Mr Bob Crow (General Secretary, RMT)?

Tim O’Toole (Managing Director, London Underground): Bob’s [Crow] actually quite a decent fellow, contrary to his press. That union can be somewhat mercurial in its total leadership, and so I think all you can do is be absolutely straight and consistent. You cannot do special deals, they will come back to haunt you. You just have to play it straight down the middle. The most important thing you have to do is keep up the engagement with the employees, because if you do that and if they buy into this your ability to force any discussion with a trade union to the substantive and not the trivial is greatly enhanced.

There is one thing about my employees, they are not frivolous people. They are not extras in some Bob Crow pantomime. They are highly trained people who do a great job for London and they do not want to not go to work. They have mortgages, they have families and they do not take any joy in this. So long as management is not in a position where it can be easily demonised there is a much greater chance that your engagement with your trade unions will be constructive and sensible. So that is why I think you just have to keep playing it straight.

James Cleverly (AM): Y Tim [O’Toole], thank you so much for coming in. This is your kind of Frank Sinatra [American singer] moment now in terms of you do not have to break into “I Did it My Way”, but I think we would perhaps forgive you if you did. There is a line in there about regrets and having a few and I am just curious to find out whether - if regret is too strong a word - there are things you would have liked to have achieved that you have not yet, that you were not able to achieve, what they might be? Perhaps you have already mentioned about someone getting the glory to cut the ribbons that you helped to string up so what advice would you give to whoever steps into your position?

Tim O’Toole (Managing Director, London Underground): My greatest regret is that I am leaving. This is a great job. It is an absolute privilege.

Jenny Jones (AM): You can change your mind.

Tim O’Toole (Managing Director, London Underground): Life is complex.
So that is really my only regret. I look back on the early years especially, and I think that we collectively, we and both Infracos wasted each other’s time because of misunderstanding and because of the way this PPP was put together. So I think that Tube Lines and Metronet thought, “Oh, LU’s just going to meddle and slow us down, so we’ve got to make sure they don’t get any information because they’ll give it to Bob Kiley and Ken Livingstone and he’ll use it against us in a press release.” So they spent all this time putting up walls, and I think that in many ways we spent too much time treating the PPP like it was a magical black box that would produce the perfect railway. If both sides engaged more constructively sooner I think we could have made progress faster. So I do have regrets about that, but in some respects I think it was almost inevitable from the music that was being played then when this thing got started.

The only thing I would say to my successor is that it is all about people. Do not kid yourself. It is not about these capital programmes, it is about people, because they are the ones who deliver for you. They are the ones who get you through these issues. You do not actually control them, they control you, and so you have just got to keep up the engagement with them.

James Cleverly (AM): I would just finish up on that last point. We are going through - and we are about to go through - a big period of dramatic infrastructure investment. Do you think the organisation keeps the needs of the passenger in the forefront of their mind enough whilst we are going through this big, sexy, train set building period?

Tim O’Toole (Managing Director, London Underground): Well we try to, but I do think we have to ask ourselves fundamental questions if we are maybe in the wrong paradigm, because if you go to Madrid they have put in new signalling systems and they have no closures. They do these overlay systems. They spend a lot more time planning and it seems to me we cannot just make excuses to say, “Well we’re different.” “Well I have this problem.” I think we have to go there and see if that sort of thing can be done here in London.

I have been having this conversation with Tube Lines, who are not going to appreciate my saying this, but I just do not believe you can upgrade the Piccadilly line the way you have done the Jubilee line, because the Piccadilly line is the central artery of the Underground on weekends in the city. When you think of Harrods, the West End, the football, Hyde Park, the Piccadilly line is heaving all weekend when you use it. I think the idea of closing that is unthinkable and we have got to go to something more like Madrid in order to both get the upgrade, but worry about the people, the experience of Londoners more.

Valerie Shawcross (Chair): Is there anything else you want to say to us, Tim [O’Toole]?

Tim O’Toole (Managing Director, London Underground): No, only thank you very much for the time. I appreciate the way you have always treated me. It is very kind of you.

Valerie Shawcross (Chair): Tim, everybody on this Committee will miss you. You have consistently responded to our requests to come. You have been incredibly open with us about the debates and the issues. We will all really, really miss you. I know that the staff in London Underground will miss you, but I have to say the Fire Brigade staff will, as well, because you have actually done a heck of a lot to help us provide professional leadership really across the Functional Bodies. So you will be an incredibly difficult act to follow. So thank you for your time with us at this Committee and thank you for your time with us in London. I hope we have not seen the last of you. We do expect to see you at some of the ribbon cutting arrangements.

Tim O’Toole (Managing Director, London Underground): Yes, I will be back.
Valerie Shawcross (Chair): Well we would love to see you again, but thank you very much for your time again, Tim [O’Toole]. It is much appreciated.

Tim O’Toole (Managing Director, London Underground): Thank you for your kind words.