

MAYOR OF LONDON

John Biggs AM
City Hall
London
SE1 2AA

Our ref:

Date: 8 April 2014

Dear John

TfL fares briefing from September 2012

Following a trawl of outstanding Freedom of Information requests, and in keeping with the Mayor's commitment to ever greater transparency in GLA operations, I am happy to say that the Mayor has decided to disclose the TfL fares briefing from September 2012 to you in full. I am attaching it to this letter.

In taking this decision, the Mayor has been mindful of the change in the balance of the competing public interest considerations over the period of time since you made the initial request.

Following our standard practice, the briefing will also be published on the GLA website.

Yours sincerely



Sir Edward Lister
Chief of Staff and Deputy Mayor for Policy & Planning

TRANSPORT FOR LONDON
MAYORAL BRIEFING

SUBJECT: JANUARY 2013 FARES

DATE: 6 SEPTEMBER 2012

1 PURPOSE

- 1.1 This note considers options for the TfL fares revision in January 2013. A separate paper on the agenda considers the fares assumptions to be taken in the TfL Business Plan for the years after 2013.

2 BACKGROUND

- 2.1 The existing TfL Business Plan assumes an annual fares increase of RPI+2%. Fares revisions in January are generally based on the published RPI for the preceding July, which was 3.2%.
- 2.2 Under the current DfT policy, national rail fares are due to be increased by RPI+3% in January 2013 and 2014, before reducing to RPI+1% in 2015. Travelcards are part of the DfT regulated fares basket so the London Train Operating Companies will seek an increase to Travelcard prices in line with the general increase in national rail fares.
- 2.3 There has been considerable public pressure to reduce the national rail increases. It is possible that, as last year, the Treasury funds DfT to accept a lower increase (most likely RPI+1%). In that case, we would press for DfT to pay additional grant to TfL to fund the difference between RPI+2 and RPI+1. It would be important not to make any announcement on TfL fares ahead of clarity on whether such funding might be available
- 2.4 Based on these considerations and choices made on TfL's fares there are essentially four key outcomes as listed in the table 1 below.

**Table 2a: Travelcard seasons – 7 Day ticket prices
RPI+3 increases in January 2013**

	2012	2013	Increase
Zones inc Zone 1			
2	£29.20	£31.00	6.2%
3	£34.20	£36.40	6.4%
4	£41.80	£44.40	6.2%
5	£49.80	£52.80	6.0%
6	£53.40	£56.80	6.4%
Zones exc Zone 1			
2	£22.00	£23.40	6.4%
3	£24.20	£25.80	6.6%
4	£29.00	£30.80	6.2%
5	£36.40	£38.60	6.0%

**Table 2b: One Day Travelcard prices
RPI+3 increases in January 2013**

	2012	2013	Increase
Anytime			
1-2	£8.40	£9.00	7.1%
1-4	£10.60	£11.20	5.7%
1-6	£15.80	£16.80	6.3%
Off-peak			
1-2	£7.00	£7.40	5.7%
1-4	£7.70	£8.20	6.5%
1-6	£8.50	£9.00	5.9%

- 3.2 Table 3 sets out the cash yield for differing levels of fares increase overall compared with the existing Business Plan assumption of RPI+2%.

Table 3: Indicative yields from alternative January 2013 fare increases

	Base revenue £m	£m yield with fare increase of..			
		RPI+2 (5.2%)	RPI+1 (4.2%)	RPI (3.2%)	TfL-only freeze
Bus & Tram	1,180	54	46	38	16
TfL Rail	2,229	105	88	70	70
TfL total	3,409	159	134	108	86

All options assume Travelcard prices increase by RPI+3 (6.2%).

- 3.3 If TfL is seeking to raise fares overall by RPI+1% and Travelcards are increasing by RPI+3%, the fares set out in Table 4 would deliver the required yield of £88m.

3.9 As customers switch to the new bank card offer, TfL's ticketing costs will fall while new users will grow fares revenue. Sales of printed magnetic tickets will diminish, helping reduce congestion at stations and queues at ticket offices. As demand falls, one day printed tickets would be gradually withdrawn, with such tickets withdrawn completely by 2016. The one day caps would remain in place.

4 BUS AND TRAM FARES IN JANUARY 2013

4.1 Table 5 illustrates the increases in bus only fares needed to achieve overall bus fares yields of RPI or RPI+1% in January 2013 (3.2% and 4.2% respectively). The increases yield between some £38m and £46m pa in 2013, as indicated in Table 3.

Table 5: Bus and Tram fares prices with lower overall increases

	2012	2013 – RPI+1 increase			2013 – RPI increase		
	Price	Price	Pence	%	Price	Pence	%
PAYG - single	£1.35	£1.40	5	3.7%	£1.35	-	-
PAYG – one day cap	£4.20	£4.30	10	2.4%	£4.30	10	2.4%
Cash - single	£2.30	£2.40	10	4.3%	£2.40	10	4.3%
7 Day Bus and Tram Pass	£18.80	£19.60	80	4.3%	£19.60	80	4.3%

Note: The table shows bus and tram ticket price increases needed to achieve overall increases across all ticket types of RPI+1% or RPI if Travelcard prices increase by RPI+3%.

4.2 The RPI+1% target requires the PAYG bus single fare to increase by 5p to

4.3 140p. This fare can be frozen with the RPI only fares target. If all bus only fares, including the bus cash single fare and the Bus Pass price, are frozen, the overall bus yield is under 1.5% - less than inflation – even with Travelcard prices increasing by RPI+3%. This is because Travelcard income is less important to buses than to the Tube. The overall TfL increase if all bus only fares and all TfL rail fares are frozen is around 2.6%. This increase yields some £86m pa in 2013, as shown in the last column of Table 3.

5 OTHER FARE OPTIONS

5.1 Other options which could be considered for introduction in 2013 include reduced bus transfer fares (proposed by Assembly members), cashless bus operation and child bus fares.

- 5.9 At times customers may not have a ticket or other means to pay for travel at times when the off-system retail network is largely closed. In order to meet the challenge from this it is proposed that Oyster top-up devices would be installed at key interchanges and procedures for customers unable to pay their fare late at night extended.

Child bus fares

- 5.10 A final option would be to introduce PAYG bus fares for most children over the age of 11 (who currently hold Zip cards). The proposal aims to reduce the large number of very short bus journeys generated by free bus travel. This would relieve pressure on peak bus services and reduce the need for additional capacity as demand grows.
- 5.11 Free travel would continue to be provided from 7am to 7pm Monday to Friday for all groups up to and including age 18 listed by the 2006 Transport Act: more details are given in Annex B. Under the proposals, all under 11s would continue to travel free while most 11-15s would pay quarter rate or 35p at current fares. Most 16-18s would pay half fares or 70p. Annex A sets out the detailed reasoning behind the proposals.
- 5.12 Zip card holders now constitute around 30% of morning peak bus traffic. See Diagram A1. Many of these journeys are very short. Around 1 in 3 journeys are for rides of a mile or less, and could reasonably be made on foot or by cycle, particularly by the 16-18 age group.
- 5.13 The legal duty to fund free travel for young people in the 2006 Act categories rests with their local Boroughs. However, in assessing the financial impact of charging fares, it has been assumed that all free bus travel in London would continue to be funded by the mayor/TfL and that TfL would not seek to recoup the cost of free travel from the Boroughs.
- 5.14 Charging would be phased-in, starting with the 16/17 group in September 2013. For the 11 to 15s, it is envisaged that existing free travel Zip cards would be allowed to expire but that from January 2014, all 11-15 cards would be issued on the new basis.
- 5.15 Administrative arrangements would be put in place to cater for those 11 to 18 year olds covered by the 2006 Act exemptions, with the local Borough responsible for verifying eligibility. Overall, travel concessions for young people in London would remain more generous than elsewhere in the UK; and more generous than in virtually any major city in the world.
- 5.16 Once fully implemented, it is estimated that the new fares proposed would raise over £60m pa. This additional revenue could be used to support lower fares generally or to help fund the new concessions for apprentices and the over 60s to be launched over the next 12 months.

6 SUMMARY AND FINANCIAL MODELLING

- 6.1 The RPI and RPI+1% options, with many TfL only fares frozen or increased by less than inflation, significantly reduce the revenue projected in the current Business Plan. Table 6 shows the impact on the years to 2016.

Annex A

The London free bus travel schemes for young people

Aims and objectives

- 1 The free London bus travel schemes were developed to make bus travel in London more affordable for less well off families; to reduce car trips involving children; and to encourage use of London's leisure and cultural facilities. These objectives have been considered in this review alongside the Mayor's objective to promote walking, cycling and healthy lifestyles; and a more general aim of avoiding policies for specific groups that have detrimental effects on others.

Background

- 2 Free travel concessions for young people now account for nearly 20% of all bus passenger journeys in London, amounting to over 1m rides a day or some 400m rides a year. This compares with around 12% of all journeys before free travel was introduced in 2004/05. In the morning peak, around 30% of bus trips are now made by young people travelling free. See Diagram A1.

The original aims of free bus travel were:

- to make public transport **more affordable** for the least well off;
- to enhance young people's **access** to London's opportunities – cultural, leisure, sporting etc;
- to reduce **car use**: to discourage the school run; to make public transport a more attractive proposition relative to the family car and a more familiar option for young people.

The policy was also intended to contribute to wider strategies:

- to make London a more sustainable city;
- to reduce traffic congestion and pollution; and
- to boost the use Londoners make of their cultural and leisure facilities.

MORI polls¹ show strong support for free travel for the young, but this is when the concession is presented as a free gift without strings.

Impacts

¹ MORI February 2007: "78% of Londoners support free travel for young people"
14/01/2014 11:03

For the older groups, it is difficult to see how a better balance between the five objectives can be achieved without some mechanism to deter the use of bus for short distance travel. Introducing some kind of fare payment is an obvious solution, provided vulnerable groups are protected and the implications for the overall fares burden are recognised.

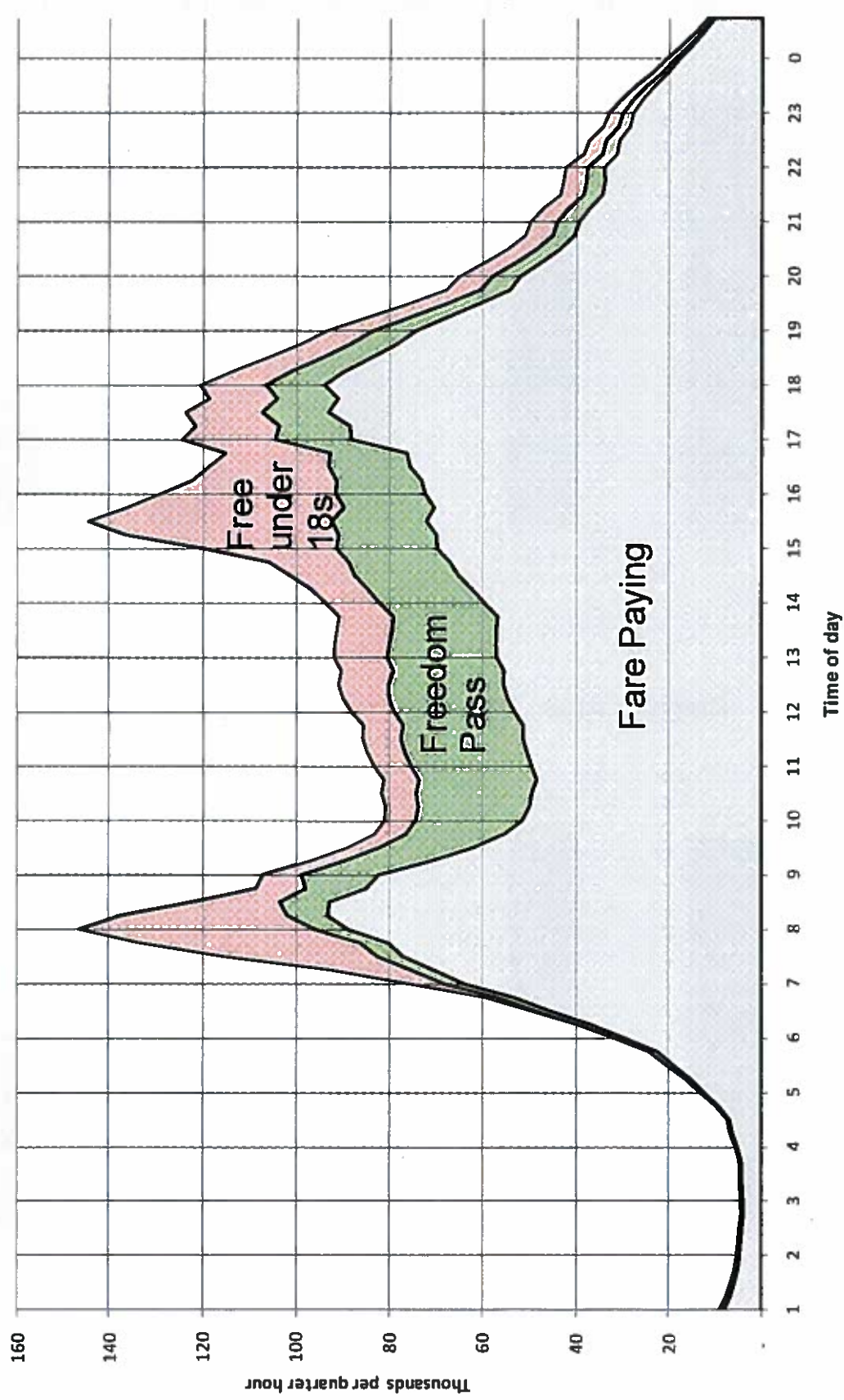
The provisions of the 2006 Education and Inspections Act mean that children from low income families and all children living over 3 miles from school would continue to enjoy free school travel. See Annex B. The provisions of the Act are designed to neutralise negative impacts on access and exclusion.

For the 11-15 group, a low fare anyway appears appropriate, given the balance of advantage shown in table A1. The research evidence is that even a nominal fare can deter 10% to 15% of the bus trips made when travel is free. For the 16-17 plus group, a more substantial fare looks to achieve the best balance across the five objectives and would do most to encourage walk and cycle.

Such changes would still leave London with some of the most generous concessions of any major city. In the rest of the UK, for example, the norm is for half fares to be charged for 5-15s and full fares for 16-17s.

Diagram A1: Bus journeys on an average weekday

Bus journeys on a weekday - June 2012



Annex B

The 2006 Education Act and the LEAs

1. Under the 2006 Education Act, Local authorities such as the London Boroughs have a duty to arrange free travel to and from school for all "eligible children" in their areas. In this context, children include young people of 6th form age.

Eligible children

2. Under the Act, eligible children comprise principally children:
 - i) needing to travel over 3 miles to school;
 - ii) living closer to school than 3 miles where walking is judged unsafe;
 - iii) with medical conditions which mean they cannot be expected to walk to school;
 - iv) entitled to free school meals whose school is at least 2 miles from home;
 - v) whose parents receive maximum working tax credit and whose school is at least 2 miles from home.

Many children in London live within a mile and a half of school and hence will not be classed as eligible children.

3. In the event that child travel in London was not free, TfL would expect the London Boroughs to notify TfL of children in their Borough eligible for free travel. A ticket permitting free travel from 7AM to 7PM Monday-Friday would be loaded on the child's Zip Photocard. Out of these hours, child rate PAYG fares would apply.

Numbers of eligible children

4. It is estimated that some 20% of London children may be eligible for free 7 to 7 travel based on the 2006 Act criteria, with around 15% of current free bus travel covered by the 7 to 7 free travel ticket.