

Budget and Performance Committee – 14 July 2016

Transcript of Agenda Item 5 – Transport for London’s Financial Challenge

Gareth Bacon AM (Chairman): Item 5, which is the main item of business today, relates to Transport for London’s (TfL) financial challenge. I would like to welcome our guests, Stephen Locke, the Chair of London TravelWatch, Nicole Badstuber, who is a researcher from LSE Cities; and Jonathan Roberts, who is a transport planning adviser. Thank you all very much indeed for giving up your time this afternoon. We are looking forward to your contributions immensely.

I am going to start by asking a fairly general and open question and asking each of you to give your thoughts on it. What do you feel TfL’s key financial challenges are with the new Mayor taking office?

Jonathan Roberts (Transport Consultant): I see them as four major watersheds to address. The first is having to – and it is already partially signed up to – address the Mayor’s fares freeze policies. It has indicated a budget capability for the first two years but, clearly, that leaves a further two years to consider how that can be addressed.

The second is the effect of the revenue grant cap removal, indeed, which is a central Government requirement, and local authorities face not dissimilar pressures from central Government as well.

The third is a slightly later but still very significant effect on capital investment and how they might address it across the surface transport, the bus side, cycling and so forth, but also how the Department for Transport (DfT) and TfL – with their rail hat on – might see things going forward in terms of both the basic Underground/main line relationship and also any potential further rail devolution.

The fourth, perhaps inevitably, is Brexit and what that potentially means for both London and its general finances and its forward forecasts, for which it could have a number of implications, and, secondly, as we have experienced in previous years since the Olympics, a stronger pressure from other regional authorities with their own spending priorities, and potentially finding European funding cuts coming out – the latest *Local Transport Today*, for example, majors on that. There is the Welsh Government and there is Cornwall already talking about how the Government in this country is going to replace possibly missing new grants in the future and, in parentheses, what about London? We need our monies as a priority. There is a fourth whammy there that really has to be understood and addressed, clearly, by all parties down the river at Westminster and Whitehall as well as here at City Hall.

Nicole Badstuber (Researcher, LSE Cities): I would say that the loss of the operational grant is the largest challenge here, mainly because it also sends quite a strong message. There are no other cities, except for Hong Kong and that is a very particular case, where subsidies come through a different means and so there is no subsidy for the operations. If we think about public transport, it is more the means of achieving other social policy objectives. There is quite a strong case to give some public money to do that.

Also, if we think about how most of the tax revenues are centralised here in the UK, unless we devolve powers by which London could raise funds, it seems that that is the largest challenge. Unless we have the powers by which we can replace the subsidisation of operations for TfL, TfL needs to collect a lot of surplus in other areas such as property, which seems to have already been exhausted and ring-fenced for other projects.

I would say that the grant is the main one. Obviously, the fares freeze puts additional pressure on that. If the national Government is not willing to chip in on some of the costs, they would turn to the users and then also some of the business rates, but the users are now also capped.

The challenge really is, if you summarise, dealing with wanting to expand the network, wanting to improve the network and ensuring reliability and maintenance of good service whilst facing a shortfall in the funds to do so.

Stephen Locke (Chair, London TravelWatch): At London TravelWatch, we tend to see this from the other end of the telescope. I agree with the comments that Nicole and Jonathan have made, but we see the challenge as a consumer one as well. Resource pressures were already intense before any additional round of austerity because of London's increasing population, the demand for travel, severe capacity and overcrowding problems and major construction. There are an enormous number of contextual issues there, which are already in place.

The challenge now is to maintain and sharpen the focus on consumer needs at a time when resource pressures are becoming ever more intense. The fact is that there are real risks to bus passengers if route mileages face cuts. There has already been a noticeable shift in the social geography of London in terms of disadvantaged and low-income consumers moving from inner to outer London and needing to travel further. There is a real risk that the tightened environment, whether it is through cuts in spending or raised fares, although there is limited scope for that, will inflict real hardship on many people. No one is against cuts in wastage and unnecessary overheads. On the contrary, the search for those is more urgent than ever, but it does seem particularly important to ensure that the needs of at least the vast majority of – and especially disadvantaged – consumers are properly weighed in the balance.

Gareth Bacon AM (Chairman): I am going to take the final point that Jonathan raised and I will put the question to you, Jonathan, because it is the elephant in the room and so let us get it out of the way straight away: Brexit.

When TfL was in front of us, they told us that they thought that Brexit would have no immediate impact on them at all. From the tone of what you said a moment ago, I take it that you would disagree with that. Is that correct?

Jonathan Roberts (Transport Consultant): In terms of immediate expenditure, it does not have a direct impact; it is more the grant aiding process which is the issue. However, these things have a nature of gathering momentum. Once you start something moving down whichever particular slippery slope you visualise, things can change. This is then a combination of the inevitable political pressures that are already becoming visible about our guaranteed funding – from other points of view, but it applies to London as well – going forward. That is a general issue across the new Chancellor's desk.

Then there is the effect of confidence in London, where trend forecasts are being based on continuing growth. You will be familiar with the London 2050 Infrastructure Plan and some trend planning there. Will this actually be assured going forward in terms of the nature of that and the nature of incomes that you, in effect, are projecting as surpluses if you are TfL? Where does that go in the future? Does it go down? You can have a central view. Is it going up or is it going to lessen? It seems to me as though one is going to be extremely dependent on a very precise analysis, which nobody is in a position to do yet, of where this actually is heading and it is monitoring it almost on a month-by-month or six-month-by-six-month basis. That is my concern. It is going to have to be clearly understood.

Finally, there is the absolute effect in terms of simply the confidence levels: the financial star rating. TfL has a large amount - billions of pounds - out on loans and borrowings from various sources, the European Investment Bank (EIB) not least. Even just a change of a quarter per cent in refinancing some of those loans and bonds could make a significant difference to TfL's bottom line. That will be part of the general view about the status of Britain going forward as an economic entity.

Therefore, yes, TfL has a major challenge. It is, like all of us, starting to wake up to the issues.

Gareth Bacon AM (Chairman): All of the bits and pieces that the three of you have put down as answers to what was an open question we have follow-up questions on and so I am not going to tread on colleagues' toes by exploring those now.

Nicole Badstuber (Researcher, LSE Cities): Can I just add to Jonathan's [Roberts] point about confidence? That will also affect the deals that can be made in property development. If we look at Earls Court, already Brexit has affected the forecasts on how much money will be made there. There was reporting on that. The confidence will make quite a big impact.

I do not know if you had questions specifically but I had a few more comments on the effect of Brexit, but I am happy to wait for that.

Gareth Bacon AM (Chairman): Go ahead.

Nicole Badstuber (Researcher, LSE Cities): Something that TfL did not seem to mention and did not seem to quite have captured is the effect on staffing levels. Quite a lot of TfL staff are European Union (EU) citizens. If we look a few years into the future, if they all require visas and sponsorship, it will be quite an additional cost. It will also mean that they will not be able to get the best staff for certain projects or get staff who have worked abroad on other EU projects or in other European cities.

Also, looking at research, a lot of the universities get a huge chunk of their resources for research from the EU, in particular Horizon 2020. There are a few projects specifically looking at TfL's trajectory and how it has evolved and a lot of projects to do with TfL. If we do not make the concessions to join that funding stream for research, then a lot of the research that is currently being produced by universities here in London and elsewhere will not be available for TfL to benefit from.

Gareth Bacon AM (Chairman): When they were here last time and we put questions to them, they were fairly confident that the EIB arrangements would stay unchanged and were also quite confident that they would still be able to hire the appropriate staff. The thing about visas and things is something that we do not know yet and that will be determined. All of these things are genuine concerns, though.

Keith Prince AM: Clearly, there are a number of challenges for TfL around the capital investment programme and especially with other pressures. Do you think that TfL can deliver the Mayor's manifesto commitments while continuing to invest in the transport network?

Jonathan Roberts (Transport Consultant): If I can reply first on that, the fact is that at present, in broad terms, TfL is spending north of £3 billion annually - about £3.5 billion, I think - and quite a lot of that is to do with big rail projects and, in a sense, Crossrail 1 as the spend tapers off on that. Providing you can be clear about things like continuing with the Community Infrastructure Levy (CIL) and potential additional business rates from that direction, then you can have a degree of confidence about replacing one scheme with another.

By definition, Crossrail 2 is the next very big one in TfL's sights, but that is not until the early 2020s, somewhere downstream.

However, there is a huge issue to do with pressures, as Stephen [Locke] has indicated, on things like quality, where there is a very large spend, in the broadest sense. "Quality" includes things like accessibility, air quality and what you do to mitigate those issues. Inevitably, when you have a large across-the-board spending programme, you will have to review - and I am sure that they have said this - every single programme both at the margin, and in some respects probably much more centrally, as to whether you just axe it by 50% or not.

I lived through the 1960s and 1970s budgetary cuts that were forced on Britain and on spending authorities like the then Greater London Council (GLC) and London Transport. We had major capital spending constraints in the late 1970s and the Fleet line [now Jubilee line] did not get extended for reasons like that. The reality is that those will come around again as pressures, and people have to be absolutely clear on the fundamentals and the right ingredients for London to maintain the sense of a world city, the sense of quality, the sense of capability and margins to absorb expansion. Things like Brexit will not stop the population growing, whether it is internal migration or external migration, frankly.

Network Rail forecast in its 2013 long-term market study for the London and South East area that, although it had various levels of optimism or pessimism about what the British economy would look like by 2043 and had more or less bracketed things like a Brexit impact, even though this was in 2013, in fact it still was expecting that under all circumstances there would be a continued massive increase in housing requirements per annum through to the 2040s. That in turn has a knock-on effect on transport demand and the London economy.

Back to the point about trends, people are going to have to rapidly employ a lot of statisticians who think with wet blankets over their heads. It will not guarantee that all capital investment is achievable. It will have to be prioritisation.

Stephen Locke (Chair, London TravelWatch): If I can just add to that, those statisticians will also have to be very alert because they will have to pick up a whole lot of data trends that are turning and shifting all over the place. Exactly how people respond to major changes in things like the fare structure is quite difficult to tell. We know also that if there is a decline in quality, people will vote with their feet, both in the short term in terms of using substitutes and other forms of transport and in the long term in terms of adapting modes of travel to work and where they choose to work and where they choose to live. There has certainly been some evidence recently that the decline in bus speeds and bus reliability has caused quite a significant fall in the number of people using buses in inner London. That may just be a portent of things to come if we see significant declines in reliability, quality, availability and the like across the board.

Keith Prince AM: Just quickly picking up on that bus question, this is not a question but it is true that on certain routes you can walk quicker than the bus travels.

Stephen Locke (Chair, London TravelWatch): Absolutely, yes.

Keith Prince AM: Revenue does make a contribution to the capital programme and, as we know, the Mayor has chosen to reduce the amount of revenue that we are likely to get going forward. You have mentioned that we will have to review which projects are going forward. Which would you say are the projects that are most at risk due to the cutbacks of, maybe, at least a third going forward?

Jonathan Roberts (Transport Consultant): There are ones that are in general nice to have rather than must-dos. For example, I was at a meeting this morning to do with the London Borough of Lewisham. Think

of the Bakerloo line extension; how many times in the last 40 years has there been a scheme for a Bakerloo line extension? Caroline [Pidgeon MBE AM] knows it perfectly well. The reality is that it has always been nice to have but never on an “it must be done next week or next year” basis. That was already put as an “open in circa 2030” objective just as far as Lewisham let alone any further, which has some other complications. That is an immediate example.

There are some rail schemes that just simply have to happen; otherwise, London and those parts of London will stop working. Crossrail 2 is an example. There will be others. As one of the authors of the *Turning South London Orange* report for the Centre for London earlier this year, rail devolution and the delivery of better services, for example, in south London is going to be an absolutely critical thing for a number of fairly obvious reasons, let alone the reality of capacity.

Personally, I am most worried of all about the surface transport side. There is a need for continuing revenue support, whether that comes from operating profits - that is the wrong word - or operating surpluses on the Underground for help funding the bus services or whether it is the quality of the roads. London can be proud of what has been achieved by TfL in the last few years in terms of things like road surfaces, literally the surfacing of the roads. If you go somewhere else, it is “pothole-land”. Those sorts of issues are going to be critical. They are dependent on the mix of both capital and revenue support.

I would openly wonder whether at some point in the dialogue that will need to happen between the Mayor and others more broadly with central Government there might need to be thoughts about things like stamp duty and other things that were in the London Finance Commission report of the other year, which you will be familiar with.

Also, London may need to start considering things like local sales taxes. I do not see why not, frankly. In a sense, it is being asked already that London makes a profit, frankly, on its public transport and I do not think anywhere else really achieves that much in Western Europe, let alone anywhere else. That, if you like, is a sales tax. Why can one not look at things like a local sales tax on, say, petrol in the London area? In the United States (US), that is precisely how a load of transit schemes get funded. It might also link directly with issues like air quality if people are incentivised to think really hard about putting that extra gallon of petrol in the car or using the car slightly less. I do not see why we should not explore it. If we are in a radical situation nationally, then people need to respond with possible radical things.

Stephen Locke (Chair, London TravelWatch): Can I just add to that in terms of capital spending? We are well aware of what sorts of things are or might be in the pipeline. It does seem to me that the current environment is going to sharpen the need for very clear and very rigorously applied priorities to spending, so that it really is delivered where it gets the best possible benefit to the largest number of people. That is an easy thing to say, but it is more difficult to do in practice. It means being very firm about things that are nice to have or, still worse, vanity projects and focusing really tightly on the greatest good for the greatest number, if you like, especially with the needs of disadvantaged consumers who have relatively few choices.

Gareth Bacon AM (Chairman): What nice-to-have vanity projects do you believe TfL has in its business plan at the moment?

Stephen Locke (Chair, London TravelWatch): I am not an expert in the full range of things, but an example of something that had been nice to have in the past was the Routemaster bus. That was very expensive and not something that in the current environment would have commanded a priority.

Gareth Bacon AM (Chairman): Thoughts on that? Agreement? The Mayor and TfL have said in public that they are very confident that the estimate for the fares freeze, which they have now put at £640 million, they can achieve through efficiencies and not through anything that knocks on to the investment programme. Do you agree with that?

Jonathan Roberts (Transport Consultant): It is two-thirds of £1 billion, in round numbers. That, I understand, is the cumulative number and so it grows year-on-year as the Retail Prices Index (RPI) changes, as staff costs change and so forth.

Gareth Bacon AM (Chairman): Yes, it is over the four years.

Jonathan Roberts (Transport Consultant): In a sense, you need to be very clear that that is achievable and that, more so, you do not necessarily suddenly change the world at the end of four years. You will have to plan ahead beyond that period or at least somebody has to be thinking through the consequences. You do not just draw a graph and then it changes like that or at least we did not until the 1982 Fares Fair¹ policy and the consequences there --

Stephen Locke (Chair, London TravelWatch): Yes, some of us remember that, too.

Jonathan Roberts (Transport Consultant): I still remember. The reality is that it is a continuum. I was looking when preparing for this yesterday at some of the London Transport situations. I just happened to have in my library the 1983 London Transport reports. I have them all since 1933, actually, but I will not bore you with those. The reality is that here you had a situation where, by 1983, London Transport was hugely dependent on about 40% to 50% grant funding in one form or another as very largely in most cases revenue support because of the nature of the local policies with County Hall in those days. How do you change from that to London Regional Transport and then a much more efficient mandate told to London Regional Transport to go and do and deliver? Actually, the organisation was capable of doing it. There were nasty consequences along the way, though, in terms of changes in priorities and changes in spending and not everybody was comfortable with that. However, I do trust that TfL will be able to respond just in the same way as we found that 30-plus years ago.

What I am concerned about is, however, where we achieve changes at the margin. An interesting one - and I know that this is being considered here and elsewhere - is a greater trading priority. There is all sorts of material in this [1983 report] and other reports about London Transport trying to trade more profitably and do more business in a commercial world outside to draw in more resources. I will just read one paragraph, if I may from here, only a short one, because this is one of these things. London Transport International Services Ltd, ie a consultancy --

Gareth Bacon AM (Chairman): That sounds familiar.

Jonathan Roberts (Transport Consultant):

"1983 was another busy year with major projects undertaken all over the world. Gross income for the year amounted to £1.8 million but, despite this level of activity, London Transport International made a loss in 1983 for the first time in its history."

¹ A GLC transport fares policy that was ruled to be illegal

This and other means are not a guaranteed pot of gold at the rainbow's end. Having looked at all of these in the last 24 hours, from when it started on 24 August 1976 to when it was wound up on 31 March 1992, it made a net profit cumulatively for the whole period of just over £1.1 million. It was broadly profitable up to 1982 and in the years after that it had swings and roundabouts.

For every item of spend that TfL is looking at, and it has to look at these, it is right that they do and the efficiency point is well taken. We cannot assume anywhere around this table that it is always going to guarantee a strong new revenue stream. The world is not like that. People are also, therefore, going to have to make strong judgements on the commercial worth of doing these things.

That is an example that did not, at the end of the day, make a vast amount of money. It was, I am sure, beneficial to some staff in seeing other experiences elsewhere and bringing those skills and knowledge back from abroad, but it was not something that made a fundamental difference to the bottom line. At the end, the 1991/92 annual report says, "We have decided to wind this up because we need to concentrate on our core business". There we are. Those are the sorts of pressures that are going to have to be judged over the next few months.

Caroline Pidgeon MBE AM: You were talking about "nice to have" schemes and must-do schemes but, actually, given the growth in housing that is needed in London, most of them are must-do schemes. The Bakerloo line and the tram extension into Merton and Sutton and all of these are the only way we are going to then be able to build the homes and for the Mayor to meet those targets. How does that all stack up if virtually every scheme is a must-have?

Jonathan Roberts (Transport Consultant): I would say that amongst the critical schemes are those seedcorn ones such as the TfL Growth Fund where one is trying to ally significant changes to transport quality and transport supply to support population growth factors. That is very important.

On the bus side, I would argue that the buses are now getting too slow. How you suddenly create the relevant prioritisation in road space - because one is not building lots more road space and it is in some ways being allocated more to cyclists - is going to be critical not least because the journey times and the use of bus staff resources had to be improved. It is a no-brainer in principle. They are going to need to be able to move more efficiently on the main road system through the major bottlenecks more than now simply because, otherwise, we will be seeing buses standing in a queue and that is no good. I went past, as it happens, the old County Hall earlier today and there was a queue of buses in the Waterloo area just not getting through major roadworks. There is an example of prioritising something that represents an underlining of maintenance and improvement of quality and making sure that the efficient operation of services is still given a priority.

Keith Prince AM: One of the advantages, of course, of the much-loved new Routemaster is that you can hop on and off it as you are going along. Clearly, at the moment, if you are on a bus and it is stuck in a traffic jam, unless the bus driver wants to break the rules and let you off, you are stuck and you will miss your interconnection. That is the advantage of the Routemaster, which of course is now being destroyed by the Mayor's £11 million cut to the conductors.

Jonathan Roberts (Transport Consultant): As I understand it, it is only six routes which have a customer service assistant. It is not all of them.

Stephen Locke (Chair, London TravelWatch): Could I just pick up on the bus priority point. It does seem to me that a major investment in increasing bus priority is one of the very few things that are possible in the current environment that would both improve services for a lot of customers and save costs. This needs to be

considered very seriously indeed and on a major scale. There is, after all, a huge cost problem for TfL in having buses sitting in queued-up traffic, just as there is a loss for passengers spending much more time or having to find other means of travelling. We think that there is really some scope in investing much more widely in bus priority, even if that has some disadvantages for other road users, because the numbers concerned are so enormous and the potential benefits are so large.

Gareth Bacon AM (Chairman): That was interesting.

Caroline Pidgeon MBE AM: In terms of buses, it is an easy way in terms of saving revenue if you can just gradually slice a few buses off each route per hour if you need to. However, it was interesting yesterday when Valerie Shawcross [Deputy Mayor for Transport] before the Transport Committee announced that they are going to be doing a big review of buses, partly linked to Oxford Street, looking at the routes and basically putting a lot more buses into - I am trying to think of what phrase she used - middle and outer London rather than into the centre. Particularly the Hopper ticket - or the "one-hour bus ticket", as I like to call it - enables that to happen.

Can you see that there are huge advantages to that but do you think that there are also ways to save money by reshaping the whole bus network?

Stephen Locke (Chair, London TravelWatch): It could do. I am not an expert on TfL's cost structures. The fact is that most customers do not pay to be on a bus for a long time. They pay to get from A to B. The quicker they can get from A to B the happier they will be and the lower costs there will be for TfL as a result. I am not quite sure how that meshes in with TfL's plans in terms of reconfiguring the route network, but I can see that there are some win-win solutions in there, at least for the vast majority of people concerned.

Nicole Badstuber (Researcher, LSE Cities): Having reliable, frequent bus services could also open up some areas in London that may currently not have very good transport accessibility, which may reduce the need for rail investment schemes and also use up those areas where it is not really feasible to have rail investment schemes. Yes, we should really consider prioritising buses more. It is a quick-win solution to improving accessibility and reliability on key routes.

The bus Hopper ticket, as you said, does enable a whole new side to that and new scope for considering opening up accessibility to, maybe, lower-income groups who, through having a bus Hopper ticket, can now travel further. However, we will need the willingness to prioritise buses as road users and there are many road users demanding space on London's roads and so that, I guess, is quite a political stand to make.

Caroline Pidgeon MBE AM: Thank you.

Sian Berry AM: I just wanted to go back to something that Stephen [Locke] said earlier on when we were asking about the types of projects that might be at risk and which should be prioritised. We have covered some of that in buses. The point I wanted to make and the question I wanted to ask was about projects like the Bakerloo line extension or the Sutton tram extension. They are binary. You go or you do not and you make the whole project or you do not, whereas, with buses, you can invest in them more incrementally. Conversely, things like that can be taken away and cut incrementally as well and potentially are at risk from a salami-slice budget process.

I noticed that the previous Mayor had increased some of the capital spending, including the station accessibility fund, which he doubled in the last part of his last term. It is things like station accessibility and

quality improvements that possibly might be at risk. I just wondered whether, Stephen, you had a view on that?

Stephen Locke (Chair, London TravelWatch): It is very difficult, isn't it? Quality is not necessarily just nice to have. It is actually something that has real effects on people's lives. It makes people feel safer when they are using stations, for example. It makes it easier for people who have poor mobility or baby buggies or large amounts of luggage - or whatever the story might be - to get around. Therefore, you cannot say that it is quite as simple as the hard engineering types of things with lots of wheels on tracks are worth paying for and those that involve improving the environment are not. What I am saying is that the need is to be very rigorous about what exactly those benefits are and try to identify which people will be benefited and, indeed, how their behaviour and their lives might change as a result. TfL does have a lot of data and knows very well what people think about things like station environments. It also knows to what extent poor environments will put people off travelling.

On the accessibility fund, we would like to see that developed and expanded as much as possible. In the current circumstances, that is going to be difficult, but we should not underestimate the extent to which the improvements in accessibility that have already been made in a number of places have brought quite serious benefits; nor should we underestimate the extent to which accessibility is something you need both when you get on a mode of transport and when you get off it. It is no good just investing in, for example, one station on the line. You have to be consistent and you have to make the network function properly.

All of those are benefits. Some of them are easier to quantify than others, but they do all need to be included in weighing things up.

In terms of the very big projects, extensions to new train lines and Underground lines and the like, those are clearly either/or, are very expensive and are very long-term. Again, just because something is long-term, it does not mean that it should necessarily be disqualified because there are major areas of capacity shortage around. I do not think that anyone seriously, even if they wound back the clock, would suggest that Crossrail 1 should not have been built because it was so obviously a major need, even though it was going to take a long time to realise the results. We should not discount the possibility that there are other similar projects in other parts of London.

Jonathan Roberts (Transport Consultant): I would add briefly to what Stephen has said. Back to the rail devolution and *Turning South London Orange* and what may happen in sequence, at this stage it is seen as Southeastern being the first priority when that is refranchised around 2018 for the inner services, then maybe South West Trains as a variation on the new franchise, and finally Southern unless that is brought forward and the DfT has choices there. TfL I know has done an indicative scale of what it is going to cost to take the railway service, reinvest in it, improve it and finally get a new suite of trains that are more efficient and easier for people to get on and off.

The reality is that the railways are already fairly asset-rich. They may not be perfect, far from it, but they are fairly asset-rich. There are still significant numbers of staff out there. It is a question of how those can be turned to much better advantage as, if you like, the TfL mantra. West Anglia had its teething difficulties and that was to do with the quality of the trains, which were being run down by the previous national rail operator, but it is sort of all right now. The staffing quality, the cleanliness and the belief in the service becoming better are not actually very expensive changes.

In terms of leasing trains - people apparently do not buy them anymore; they lease them off a train salesman, as it were, through a bank - there is no reason in that sense why that costs new capital. If anything, at the

moment the train leasing market is fairly benevolent in terms of costs. Therefore, in the time between TfL taking over West Anglia last year and the new trains running by 2017/18, which is a two-and-a-half or three-year timespan, there is no reason why those things have to cost more on either the capital or the revenue budgets.

I do, therefore, believe that there can still be very significant changes and improvements in service quality around what are the inner suburban services where currently TfL is not allowed by the Government to have that input and that level of control and quality outputs. There are still some significant positives out there to be achieved.

Whether that in parallel will then lead to somebody saying, "If you are improving the Southeastern train service, you need slightly fewer buses on parallel roads", who knows? With Crossrail 1, it will be very interesting to see whether there is a general restructuring of bus operations either in central London or on the relevant western and southeastern suburban corridors. Certainly I can recall the Victoria line opening in stages from September 1968 to March 1969 when it finally got through to Victoria. Bus services were changed around it and became in some respects more of a feeder service and the core trunk route became the railway. That happened with the W buses² in Finsbury Park and Walthamstow and so on. It can happen and there are still, therefore, positives to be found in the process.

Nicole Badstuber (Researcher, LSE Cities): I was going to add to your question earlier, Caroline [Pidgeon MBE AM] about housing and how some of the rail projects are considered to be must-haves for that. What we need to look at is better ways of doing land-value capture or property-increase capture. I know that Crossrail 2 is trying to explore retaining some of the property taxes there through stamp duty with a deal with the national Government. If we see transport as a vehicle to increasing the values and if we think we need this and we need to unlock the housing, then we really need to actively explore how that can be done or look at integrating budgets. For instance, I was looking at active transport work. Instead of just getting money from the DfT, maybe TfL would be getting some money from the Department of Health or the Department for Communities and Local Government. Looking at our funding streams is a way that that could be realised if those narratives could be put in place and if the right people are lined up to sign things off.

Gareth Bacon AM (Chairman): The next area we are going to look at is the wider effect on passengers and the economy.

Unmesh Desai AM: In terms of non-TfL fares, how likely is it that the Government will agree to fund a fares freeze and, if this does not happen, what are the implications for passengers?

Nicole Badstuber (Researcher, LSE Cities): I would say that it is quite unlikely that it would fund a fares freeze. I am basing this on its incremental reductions in the budget and then its dismissal of the operational grant. It would be quite unusual if it now decided to fund that fares freeze.

Gareth Bacon AM (Chairman): Just for clarity, it is not the fares freeze on the TfL network; it is the fares freeze on the main line rail and the Oyster cap.

Nicole Badstuber (Researcher, LSE Cities): Exactly, yes.

² Bus routes with a W-prefix in that area of London

Stephen Locke (Chair, London TravelWatch): I endorse that view. Our understanding is that the chances are pretty much nil that the Government will fund a fares freeze for non-TfL fares. The Government already has a policy in this area and it does not include a freeze.

Unfortunately, what it means is that the National Rail-controlled services in the London area, particularly those in south London, will continue to rise and to contrast quite sharply with TfL fares, which means that some of the anomalies and strange features that we have in our fares system will be accentuated. It also increases the risk of a cliff-face at the edge of Greater London where we will have people paying very high fares from towns just beyond the London boundary and where there will be an increasing tendency to engage in what is known as "rail-heading" when people drive their cars across the boundary into a "safe zone" inside the Greater London Authority (GLA) area, park in local areas and take cheaper trains into central London. It will have that undesirable effect as well.

I am afraid that the chances of avoiding that seem absolutely tiny, particularly given the wider concerns about austerity and the likely strains on the DfT's budget.

Jonathan Roberts (Transport Consultant): Yes, the DfT is itself under considerable financial pressures. I would imagine that it is now worrying about the viability of some of the rail franchises that were let only very recently in terms of the forward economic forecasts. Even if the DfT is, if you like, taking the revenue risk - as it is doing so currently on Thameslink and so forth - it will find a difficulty in making sure that its relationship with the Treasury and its internal finances are on a stable basis.

It has certainly been looking for bidders for the new rerun of rail franchises to be much tougher in terms of things like driver-only operation where it does not exist and that is part of the reason for the problems with Southern, if one reads between the headlines. It is certainly seeking more efficient train operations. It is, above all, still sticking to the policy of ensuring that the passenger pays a reasonable market price for the services. I do not know precisely where you would position that. For some services, like South West Trains, the franchise as a whole is contributing a large quantity of net profits from passengers and so people from, say, Kingston are actually - it is a sales tax again at that point - contributing to the wellbeing and funding of services that are making a loss, which may be partly in London but probably also elsewhere around the country.

Those pressures will not ease up. They will get harder. I do not see the DfT giving ground on that. If the Mayor and TfL want, as they explicitly do and for good reasons, a greater say in the rest of the inner suburban services around the London area, there is going to have to be a very pragmatic set of horse-trading that is going to happen around those negotiation tables. Fares are going to be one area where I believe that it will have to be at the DfT's specification about the net impact on DfT finances of changing those franchises. It will not necessarily be an individual station-by-station thing or re-zoning or whatever, but it will have to be a situation where there is no revenue downside for the DfT.

Nicole Badstuber (Researcher, LSE Cities): It is important to mention also that if TfL does take over some of these routes, though, it will have some agreement with the DfT where TfL will possibly have to be contributing to the DfT for running these services because it is expected that these routes are making a profit and they are cross-subsidising some of the routes that are not making a profit. There will not be an easy solution where TfL can just take up the routes and not be making those contributions.

Unmesh Desai AM: Forgetting the ifs and buts, in terms of the fares freeze as it stands right now, how do you see it specifically affecting passenger demand and travel patterns? We touched on some points earlier.

Jonathan Roberts (Transport Consultant): I tend to believe that the model that is called “generalised cost” is a reasonably good indicator. That is the combination of the fares plus the journey times. If you like, rolling it up, what is the value of your time and so forth?

In London, quite often you do not have much choice. The nature of the animal is that the railway in that sense is fairly efficient for your journey time, even if it is not very pleasant in the conditions you experience. The fare you pay plus the value of your time going to and from work particularly is put up with - that would probably be the kindest way of describing it - in that you do it.

In the case of optional travel and in the case of, as Stephen [Locke] has mentioned, buses, the generalised cost is potentially heading the wrong way, not necessarily because of the fares topic but because of the journey times being slower and slower and that is a real cost to people. Therefore, I do believe in generalised cost in that sense.

Going forward, as I have indicated, I see scope for significant further inner suburban rail improvements where TfL can assist matters. To that extent, it may not be critical to the individual users or *en masse* if the fares, unfortunately, have to continue being responsive to the DfT-set policies providing you can maintain and improve the quality and make sure that passenger journey times are not increased but are improved. There is the way forward on the rail side.

On the bus side, it goes back to the point that I think we have all made. There really has to be serious input to improve the quality and not least the journey times.

Nicole Badstuber (Researcher, LSE Cities): Generalised costs, by the way, also includes a measure by which you take into consideration the environment that you are travelling in and there are different factors that are involved: whether it is crowded or uncrowded, whether you are standing and waiting or actually travelling.

Unmesh Desai AM: Talking specifically about the bus Hopper ticket, how do you see that impinging on the demand for bus services?

Nicole Badstuber (Researcher, LSE Cities): It will increase demand for bus services. Cost-wise, it is estimated to be just under £50 million, which is quite small in comparison to the general revenue. It is just over 1% of the revenue. Yes, it will increase use of the network, as it does for, for instance, someone who has a season ticket versus someone who pays for every journey. There are opportunities that having a bus ticket does open up; for instance, rationalising the bus routes along Oxford Street and elsewhere within London or those other centres.

Stephen Locke (Chair, London TravelWatch): I agree with that. It should increase demand not least because it is something new and is something that will be quite heavily marketed and has entered the public domain as a major innovation. There will also be some change in the nature of demand because people may take journeys that are quicker on two buses than on one rather sinuous bus route or they may choose to change buses at a different point in the route in order to take advantage of the second leg of the journey being within an hour.

There will be some changes. It is impossible to forecast in detail. It is very important that at the point the ticket is introduced as much learning is in place to ensure that we know what that means for bus demand and how the system needs to respond. Similarly, when we move from the two-journey Hopper ticket to a

multi-journey one, there will be some learnings that will need to be applied. Overall, it is bound to increase demand because it is foreseen as a good thing.

Nicole Badstuber (Researcher, LSE Cities): It may also require some investment in the interchanges for bus routes and allowing those interchanges to happen more easily.

Unmesh Desai AM: Finally, TfL at our last meeting told us that they had not tried to quantify the impact of the Mayor's commitments on London's economy. How do you think the fares freeze will impact on London's economy as a whole? General trends?

Jonathan Roberts (Transport Consultant): In gross spend, it is going to be a transfer payment. A true economist would say, "So what?" The reality is that it will slightly assist the pound in the pocket for people using public transport, which no doubt will increase their willingness to use public transport. That is fine.

The issue is are there any consequent significant changes in demand? If so, what are the services or routes or types of services that are going to be under greater pressure as a consequence? That could have a negative impact on those routes if suddenly more people start waiting for specific services.

I take Stephen's point about the bus interchanges and the bus Hopper ticket; it will be very interesting to see whether people start changing between bus routes at different locations, or more often, and how more readily - or not readily - people can then use bus services as a consequence. I had to go via Elephant and Castle today. I got off by the Bakerloo line station and went around the corner and took a bus up towards London Bridge. Those sorts of practical interchange locations probably need to be looked at very carefully as a reality. What is the supply of bus services going to be like?

In terms of rail travel, over the years since the early 1950s there has been a radical change in how people commute across the central London cordon. In the last year of trams, 1952, there were over 250,000 people commuting across the central London cordon by bus, trolleybus or tram - the figures are fairly fresh in my mind - and the proportion was in the order of about 600,000 for both Tube and rail. We now have a situation where the proportion of people using buses across that central London cordon is lower, I believe, than 80,000 in the morning peak three hours from 7.00am until 10.00am, and the rail number has gone up. This has been helped by Oyster pay-as-you-go and the Travelcard, which finally came in with zonal fares. That has led to a greater short-distance loading on the rail services when comparing those decades then and now.

What will happen with the bus Hopper fare is yet to be seen. It might have some benefits in terms of encouraging some short-distance transfer away from rail journeys. Some rail journeys are literally going one or two stops, changing and going one or two stops. Will the bus be a more effective network? Not necessarily unless the journey times are improved, but it could do and it might bring that balance back to the rail being more used for slightly longer journeys and the buses being more used for slightly shorter journeys. That remains to be seen, but certainly the history is a trend in declining bus use even though one might think that it could be very efficient in getting people across from close-by inner suburbs into the centre.

Sian Berry AM: I would like to ask a few more questions about demand and the effects of the fares freeze and other changes that we might see. I find it really hard to talk about demand for one mode at a time and not think about things in an integrated way because that really does matter.

Not to go back as far as the 1950s, Jonathan, but to go back to the 1980s and the introduction of the Travelcard, the previous attempt at introducing dramatic fare cuts did lead to an enormous increase in demand for buses particularly and a detectable decrease in traffic. In the 2000s we introduced the Oyster card and the

2000s were also characterised by consistent increases in bus services. I lived through that decade and almost every week another one of my buses went 24 hours, it seemed. There were lots more increases in the service. That did lead to a reduction in traffic in London, which is now, worryingly, slightly reversing.

There are a number of things that seem to be behind that which we could combat, potentially, with a reduction in fares. My question is whether you think that might work. If we get new passengers on buses and trains, will they come out of cars, do you think? Is a fares freeze or a fares reduction something you could do to combat the slight competition that there is from Uber cars? If you have four people in the car, you are definitely below the level of public transport costs now. Do you think it might be a way of clearing some traffic off the roads and also creating more space, more reliable bus journeys and getting back into a virtuous circle again? If so, is a fares freeze enough to do that?

Jonathan Roberts (Transport Consultant): The effect of having an integrated Travelcard in the 1983 to 1989 period – when Capital Card, the National Rail version, was merged in 1989 with Travelcard, fares got closer - was that in that period the number of people who more readily changed between the Tube and rail and by extension between bus, Tube and rail went up by about 10% to 15%. I have some figures in a table but I do not have them here.

Oyster and pay-as-you-go had a similar effect and, indeed, it is most evident from the London Underground numbers from 2005 onwards. Up to 2005 from about 2000, they were going up and down with the economy but were roughly fluctuating around a fixed number of passenger journeys on the Tube. There was then a radical change and the graph just kept on going upwards from about 2005 onwards. The economy had had the recession in 2007 and 2008 and so on, but the nature of the demand is that that has grown by about 25% at least from the baseline and consistently so. It is total extra journeys being made because the average number of journeys per station per year has been remarkably constant at about 315 passenger journeys per person per year on the Underground. It is the absolute total number of people travelling that has gone up, which is quite interesting.

What happens with a fares freeze? It should, back to the generalised cost, stimulate more travel. It is hard to believe that it would not, particularly on a rail-based service where journey times are fairly constant. You have reduced the price of travel and the journey times are pretty constant. To the extent that you can still improve service quality, that is another positive and so you would expect more people.

I have to say that I find it more difficult to see how the bus achieves that radical change, which one might want for capacity reasons, unless and until effectively the road delay factors are reduced. To the extent that people change more between buses, it may well be levelling out. Some people will benefit and others will not. However, it is the quality element that is going to make the biggest difference in terms of the effectiveness of any fares freeze on the bus side. That in turn means that in terms of expenditure priority going forward, if you are going to do a fares freeze, then you do not just do a fares freeze. You have to improve the quality on the roads as well. Otherwise, it may well just not achieve all that the Mayor and his team want.

Nicole Badstuber (Researcher, LSE Cities): I emphasise that it is really a combination of improving the reliability of the services and the connectivity along bus routes. As well as the fares freeze, then if you did want to reduce congestion on the roads, you would also have to reduce the attractiveness of private cars or private hire vehicles, which you could do through reducing parking. If you give away some of the parking spaces to loading bays, it may help to tackle the rise of e-commerce vehicles trying to use the roads and slowing down bus lanes because they are often parked in bus lanes. You really need a combined approach. One measure on its own can help.

Stephen Locke (Chair, London TravelWatch): I would endorse what Nicole has just said. It is a combination of stick-and-carrot if you want to move people out of their cars and into buses and other forms of public transport.

Jonathan [Roberts] is absolutely right, though, that simply freezing fares on its own will not achieve that much, especially where you are seeing quite serious declines in bus use in inner London because of slow speeds and poor reliability. Indeed, that decline has happened at a time when fares have not been rising particularly and so that is not really a response to major increases in the cost; it is a response to huge decreases in the convenience and increases in the amount of time spent to get from A to B. The concept of generalised cost is very helpful as something that wraps in the journey time, the fares and the qualitative environment.

Gareth Bacon AM (Chairman): What do you think the objective of the fares freeze is?

Nicole Badstuber (Researcher, LSE Cities): According to the manifesto, it is supposed to help those people who are struggling to pay for transport as well as feed their children. It is intended to target people who are struggling; affordability, basically.

Personally, there were other measures that could have been introduced that would have more effectively targeted that. You could have had concessionary fares for low-income groups and had that staggered so that it was not cut off. That would have more effectively targeted those in most need of assistance with their travel costs with probably a lower price tag than the £640 million we have today.

Stephen Locke (Chair, London TravelWatch): It will have some benefits for lower-income consumers. There is no doubt about it because even small amounts of money per day can mount up to much larger amounts per week or per month.

What would be useful, though, would be to monitor very closely the impact that the fares freeze has over time, to see to what extent it has benefited particular groups and what it has done to travel patterns and to use that information then to influence future fares strategy and thinking about this whole area. At the moment, it is a little bit of an unknown.

Gareth Bacon AM (Chairman): It is very early, isn't it? That is a perfectly fair comment.

Keith Prince AM: This is really aimed at Stephen. The Mayor's partial fares freeze: how fair do you think that is? It does mean that Londoners in the south will not benefit anywhere near as much as us lucky people in the north, doesn't it?

Stephen Locke (Chair, London TravelWatch): There are some people in the north who will lose out as well because there are many parts of northeast and northwest London where people depend on surface rail as well.

In a wider sense, no, it is not fair, but lots of things in this world are not fair because they are not applied equally to all sectors of the population. That does not mean to say that it is a bad thing for those who directly benefit from it. As I made clear in my earlier comments, it will mean that fares will be seen to be rising disproportionately and in a non-uniform way across parts of the capital that are not served by TfL services. It will be seen as slightly unfair, but that does mean to say it is necessarily bad for those who benefit.

Keith Prince AM: On the bus fares, you were saying that you do not think that the partial fares freeze - it is a fares freeze on the buses, to be fair - will have a great impact and you said that a bigger impact would

happen if the speed of buses could be increased. Do you think that it may have been better, instead of having a fares freeze on the buses, to use that money to improve bus priority routes?

Stephen Locke (Chair, London TravelWatch): The fares freeze was a political decision and a priority that the current Mayor was keen on. We do not have views on that one way or the other. My comment is that in order to deliver real value to bus users, as well as a fares freeze you need to ensure that the service is good enough and that it gets people where they need to go quickly enough. Without that, the benefits are going to be rather thin.

Keith Prince AM: Thank you.

Caroline Pidgeon MBE AM: I wanted to pick up an area that we have not talked about in terms of fares and whether it is affordable. The previous Mayor brought in the 60-plus London Oyster card, basically giving a Freedom Pass to anyone who is 60-plus for an admin fee a year. In the last year the cost had already doubled to £44 million. By 2019/20 the cost is going to go up to about £100 million a year because the female state pension age is increasing. Do you think it is affordable for TfL in this current climate?

Jonathan Roberts (Transport Consultant): It is a consequence of where social policies are generally. In a sense, if the national Government - the Coalition Government then - had not changed the pensionable ages, the figure would be bigger already. The change that you are describing is that essentially women have been pushed back in the pension queue, as I understand it, and that will eventually come back and have to be paid by the transport authorities. I do not see anything particularly wrong with that; it is simply a natural consequence of, in a way, the combination.

Caroline Pidgeon MBE AM: It is affordable? In the climate that TfL is in, do you think that this is the sort of thing they should be looking at? The Freedom Pass nowhere else in the country gets; you would get a bus pass. London has always had this and, absolutely, it is a real prize and you would never say that you would get rid of it. However, the 60-plus is a new thing that the previous Mayor brought in. I am just wondering. Is that something that needs to be thrown into the mix? It is not means-tested, of course. It is for everyone.

Nicole Badstuber (Researcher, LSE Cities): It is more than worth considering what the objective of that policy is. The idea behind having free bus passes for senior citizens is that it helps to tackle social exclusion and helps to get them out and about. There is some work by academics that argues that it also does have positive economic impacts because, by them getting out and about, they are contributing to the economy.

However, if you look at the source of those figures, the article looked at who is benefiting and the majority of the people using that pass are actually people who are using it to commute to work. As the pension age goes up, those people are in a category of over 60 but are under the pension age and are also still working. In effect, we are giving a direct free pass to people who are just over an age limit. That does not seem to be a particularly equal policy because those in lower age bands are not getting that free travel even though they are also trying to make ends meet. It is worth questioning what the argument for that is and whether this policy is the right way to meet that policy direction.

Jonathan Roberts (Transport Consultant): I would possibly just take a slightly expanded response to Caroline there. In practice, what one is talking about is, "Here is the revenue or the income that comes in in total that TfL and the Mayor have then to fund whatever gaps there are". The new baseline revenue budget, which comes out of the fares freeze policy, is in effect largely freezing what the present availabilities are. That is the reality of it. Apart from the extra Hopper capability, it is not saying, "Here is the total disposable income. How are we best able to achieve more social benefits and maximise Londoners' ability to get around?"

It will be very interesting to see how this progresses over the next few months when people will have to work through the detail of the trends and demands. It might be that it then opens up a policy debate, let us say, within the next year about, "That is the new envelope for revenues. Should we look more generally at how the fares structure might be revised in order to achieve greater depth of impact in a number of ways?" Whether that can be achieved within a specific level of fares or whether it can be achieved by redistribution of zones or localities or whatever, it may open up a larger debate about the right sort of fares policy going forward. We would have to see how the numbers could be crunched to get greater output and greater social benefit.

Caroline Pidgeon MBE AM: Stephen, do you have any thoughts on the 60-plus card?

Stephen Locke (Chair, London TravelWatch): Yes. It has benefited people who are 60-plus. There is no question about it. It has been well used and it is, no doubt, highly welcome. By exactly the same token, any move to remove it for whatever desirable social policy reasons would, clearly, be deeply resented and extremely difficult, I suspect. Therefore, we cannot do much more than learn from the experience and celebrate what it has achieved, regardless of whether it is affordable or not, which is not something on which London TravelWatch has a view. We do not have a view on what TfL's overall priorities should be within its budgets and certainly not on what is, essentially, a political decision.

Nicole Badstuber (Researcher, LSE Cities): One way of maybe overcoming the resistance would be to phase it out so that people who already enjoy that -- the age at which they can receive that card slowly goes up and so you are not taking away benefits from people but --

Stephen Locke (Chair, London TravelWatch): Yes, that is a bit easier. That is true.

Nicole Badstuber (Researcher, LSE Cities): -- you are delaying when people might receive that benefit.

Caroline Pidgeon MBE AM: Yes, that is a political choice, as you say.

Keith Prince AM: Just on that point, if what you say is correct -- and I have no doubt that it is -- around the main usage being by commuters, would that not give strength to the argument that perhaps the concession should be restricted, say, to not being used before 9.30am or something? Then it would still have all the social benefits that Nicole pointed out and that I totally agree with, but it would mean that most people who have a job and could afford to pay the fare would pay.

Nicole Badstuber (Researcher, LSE Cities): Yes, it seems like an intermediate solution.

Stephen Locke (Chair, London TravelWatch): Just as a matter of record, you cannot use the pass before 9.30am on National Rail services anyway. It is available before 9.30am only on buses and the Underground. Your point is an interesting one.

Gareth Bacon AM (Chairman): The next section is around funding the Mayor's commitments by reducing costs.

Caroline Pidgeon MBE AM: What I want to really look at is how TfL can become a more efficient transport authority. We had lots of suggestions from TfL. We were told about reviewing management layers, procurement, consolidation of information technology (IT) projects and merging functions such as engineering, but what really can it do in a simple way that would make it more efficient and more cost-effective? Stephen, why don't we go to you first?

Stephen Locke (Chair, London TravelWatch): We do not have views on the internal workings of TfL, I am afraid, and I will have to leave it to the independent experts.

Jonathan Roberts (Transport Consultant): You might be able to change or review some of the accounting policies - those have changed quite radically over various administrations - or whether you can seek better ways of managing things like depreciation and renewal provisions and so on.

Just going through the annual reports recently, there is an amazing variation in how things are reorganised depending on the financial rules and financial requirements, whether from here at City Hall or from the Government. I would give TfL credit for being as innovative as it can in those sorts of circumstances.

With organisations like this you can always keep on asking, I guess, for greater efficiency. At some point, you will find that you have simply gone through all the obvious stuff and so, in a sense, I suspect that you are asking about what is left that is not obvious.

Overheads, as always, appear to be an area that permits productive attack, whether it is instead of owning properties leasing them - and that has been a ready source quite often - or whether it is absolutely being clear about the need for non-duplication. To give a simple example that has already happened, I believe that TfL when it started up in about 2000 had a Director of Integration. All departments ought to be focused on integration; they should not need a directorate to do it. That is a simple example, but you could probably repeat that in various ways. Outsourcing? Yes, they have a list and they have to go through it.

The reality is that the gross turnover of TfL at present is about £10.5 billion a year, of which revenue is about £7 billion and capital is about £3.5 billion. If you are going to need to find economies that are in the order of £750 million in respect of the fares freeze impact over time and if you are looking at other pressures emerging which, so far as I can see when I add up the sums, is heading for another £500 million to £1 billion, you are looking for a major change in how things are administered, and to what extent you can actually be just a lean organisation rather than one with historic, let us say, middle-management layers.

In theory, if I think of Paris, the overarching administration for forward policy planning and so forth has only about 20 or 25 people in it. I do not know how they do it but they do. It is a very tightknit group. The fundamental process has been to put all of the resources into the front line with the necessary operating resources. You can see similar arguments about the National Health Service in this country. How much more can we afford to put in the front line compared to the background administration? Those are choices that TfL has to assess as the responsible executive agency and come back and have a dialogue with you and move from there.

Caroline Pidgeon MBE AM: Do you think that it is capable, though, of making that sort of scale of savings? Over the years, it has been protected. As you said, its accounting practices, on which Gareth [Bacon AM] and others are far more up to speed than I am, are slightly different to how everyone else presents things. They are a master of smoke and mirrors half of the time. Are they really going to be able to make the changes needed and the significant budget savings to meet the challenges going forward?

Jonathan Roberts (Transport Consultant): I have my doubts. I will be candid. Simply, the scale of the pressures coming from central Government as well as the consequences of the fares freeze are going to create huge pressures within the organisation. Nevertheless, as I said earlier, they went through a similar transition period between 1983 and, if you like, the end of the 1980s. With the change in control it effectively became a nationalised industry. We did not like all the outcomes that happened as a consequence in terms of service

quality and so forth, but London Regional Transport was able to undertake those things. Here, we have TfL also having to manage the whole surface transport side. There have to be opportunities that historically have not been addressed on the scale that public transport has had, constantly, to try to show that it has improved in administration and efficiency.

Effectively, the road side has been absorbed only since beyond 2000 and more recently. I would certainly be wondering about the scope there for major changes, and as I have said, possibly at the same time as looking at other means of revenue-raising. That is going to be fundamental. Network Rail is under the same sort of pressure; they are reviewing their costs and wondering about asset sales, leasing and other ways of raising revenues. It is going to be a large change in volume of the order, over time, by year four of probably, cumulatively, over £500 million to £1 billion in total volume that may have to be stripped out. Really, that is going to be a massive struggle with the scale of it, but there will be errors.

Caroline Pidgeon CBE AM: I have been pushing it on agency staff, particularly staff who have been there for years and years and are paid through personal service companies, but what do you think are the pros and cons of TfL having all of these consultants and agency staff? Presumably there is some benefit to it rather than having them as employees or do you think it is right that it is going to be getting rid of thousands of these posts?

Jonathan Roberts (Transport Consultant): Back to the frontline issue, people have to be very clear the primary outputs that are going to be required over the next two years. It is essentially about the front line; it is about capacity; it is about policy.

Caroline Pidgeon CBE AM: Do you think a lot of these posts will just go and can just go?

Jonathan Roberts (Transport Consultant): I do not know about that. You look at the outputs and the outcomes you want to achieve and then you work out what the inputs are that you need and they can vary in the consequence. If you do it so that you worry about the inputs and then worry successively about outputs and outcomes, you have the process the wrong way around. [Lord] Heseltine [former Cabinet Minister] was absolutely right and he was being very clear: work out what your outcomes are that you want most of all, as London, as a world city with population growth, the major generator of surplus taxes in the British economy; worry about that. What are the outputs you need in order to achieve and strive and do better in that area? Then you worry about what the inputs are that are going to make the real impact on the outputs and the outcomes. So, in a sense, a lot of the specifics that I have seen in the TfL budget documents and the former business plan are describing the inputs. What I personally cannot fully get my mind around is how that precisely relates to the outputs and the outcomes that London needs. To me, those are the questions I would like to see filled in better.

Gareth Bacon AM (Chairman): TfL's line on that is that about 10% of its staff are what we would call "temps" on daily rates. They argue that there needs to be that number because that number changes. They have lots of specialist project work and things like that, which might last a year or 18 months, and then those people are hired and then released. Members get a bit twitchy when we find that people have been there for three or four years and are working through limited companies, which minimises their tax pay. It does not actually increase the cost to TfL but it does minimise the amount of income tax they would pay to the Treasury. Those are effectively permanent jobs; if you have been there for three or four years, you are effectively a permanent employee, and so the line that TfL uses, the standard defence line, which is that the people are short-term, tends to be watered down a bit.

To what extent do you agree with TfL that it has the balance right in terms of its staffing makeup? Do you accept their argument? Inevitably, they do need a certain number of people on shorter-term contracts for specialist project work, but do you think it is tipping over into having people for too long?

Jonathan Roberts (Transport Consultant): I do not have a strong view about that. Providing the hiring and firing of agency staff is on the basis of being related to specific outputs, as I said, as projects or specific streams of work going forward that have their own timescales, then there is at least a clear balance of relationship between the existence of those people and the existence of those projects, but you have to define what the purpose of those projects is and their importance. It is not much more complicated than that.

Nicole Badstuber (Researcher, LSE Cities): I wanted to add a cautionary note. If you look at a lot of US cities, there is a lot of narrative about, "What we really need to do is efficiencies, efficiencies. That is how we solve all our problems". This seems to be cropping up quite a lot here now and obviously TfL has gone through various iterations of seeking efficiencies. Maybe we could be reaching a point now where we are not really finding efficiencies but we are starting to impact what we can deliver.

Also, there is the resilience of the organisations to shocks or just to things that happen during projects and looking at mega-project management. TfL does huge projects and mega-projects are very prone to budget overruns and time overruns. If you look at projects, say Crossrail that has been managed here, in comparison to elsewhere it has been done quite well.

I am cautious that this narrative around how we have a need to find these efficiencies may be inhibiting our ability to manage things looking forward. Sometimes what we or what an accountant may consider as duplication, say an engineer in both departments, is good because that professional is contributing to a project that is relevant. That is just what I wanted to add.

Stephen Locke (Chair, London TravelWatch): Can I just underline Nicole's point about quality? It does seem to me that whilst the numerical measures of performance are incredibly important, in talking about cutbacks and the like it is absolutely vital to give quality enough weight within the system. If you do not, you end up like Washington DC, which I was going to mention anyway and where I was at Easter, which had a wonderful system 40 years ago - I travelled on it when it first opened - but where progressive efficiency cuts have led to diminution of the quality of the service and even diminution in its safety, because they have had a number of fires on their various trains, to the point where citizens just do not use it. They drive to the centre of the city and cannot be bothered with it, which is a tragedy for a city of that size and that affluence.

Heaven forbid we ever get into that kind of situation, but it is a parable as to what can go wrong if we lose sight of that fundamental issue of quality, which is all the aspects of what consumers experience on their journey: the environment, the reliability, the speed, the frequency, the attitude of the staff. All of those things add up to a very important picture which, on the whole, TfL does very well and of which they need to keep as much as they can.

Nicole Badstuber (Researcher, LSE Cities): Washington is also an example of incremental cuts to maintenance or expanding the time that you would do between maintenance. It has led to now the system basically being shut down. There is hardly any mode share of the usage of the network anymore because it is just not a reliable source of travelling through the city. In many US cities, it is just not a viable option for people. If the aspiration is that we have something like London Transport International or a consultancy where we are going to market how great London is doing with its transport work, then retaining that prestigious reputation is key.

Sian Berry AM: The examples that you give are really good ones, and another one might be to look at bus services in the rest of the UK. They are run down to the point where people would not dream of using them; there is not any kind of service in lots of places. London is not like that and should not get like that.

Gareth Bacon AM (Chairman): As the other side to the coin, efficiencies are one way of paying for a Mayoral commitment. Another is driving up income of course and Assembly Member Duvall is going to lead for us on that.

Len Duvall AM (Deputy Chair): Can we just begin with one of the key issues in terms of the future challenges of TfL, which is about them balancing the need to maximise their revenue streams with other mayoral commitments, such as bringing forward their land for development for affordable housing? How do you think they can do that and what do you think should be the priority in terms of TfL?

Nicole Badstuber (Researcher, LSE Cities): The headline priority should be not just selling off the land but at least retaining the freehold because just selling off land is a one-off boost to the revenues but is not really a long-term solution. If you came up with some original way you could have a reliable income stream that could help subsidise transport, it would be preferable.

Stephen Locke (Chair, London TravelWatch): I will not have a view on non-operational assets and how they are handled in detail, but what is most important is that options should be kept open. We know how much London's accelerating growth has taken many people by surprise over the last 15 or 20 years and there are all sorts of unknowns about the future. It is very important that whatever programme TfL develops for its non-operational assets, it should be developed without compromising potential future passenger needs. It is a matter of keeping eggs in a basket, as it were, so that if, for example, former depots needed to be used again in the future, they could be recycled.

Jonathan Roberts (Transport Consultant): Certainly there is scope to be more innovative with the TfL estate, in essence. That is the roads as well as the bus garages, railway lines, stations and so on. It is a massive square footage or square mileage and there must be opportunities in that way to achieve more.

To give you just a simple example, there is the way in which TfL measures the ability to access public transport, the Public Transport Accessibility Levels (PTAL), which you are probably familiar with. That effectively sets about a kilometre radius around a major railway station and about 600 or 700 metres around a bus stop. The closer you are, the better the service qualities, the greater the density of the service and its quality and the greater the density of the housing that you can justify under the rules here with the GLA.

The very nature of London, the densification which is happening from area to area, particularly at this rate in inner London, is where TfL and the local boroughs ought somehow to be incentivised to work closer together in terms of leveraging greater developments, greater density of developments, in close proximity to major interchanges. Highbury and Islington come to mind because you have the Great Northern Line, you have the North London Line, the Overground and you have the Victoria line. There is not much need there to create lots of capacity for garages, car parking or anything; there could be a lot of zero-car-related, high-density property developments in the area. That is just an example of the sort of thing that could be pushed forward.

No doubt TfL is considering those sorts of opportunities, but it is something where you also then have to engage jointly with local authorities and with interested parties such as developers. That could be a very fruitful area. It may not all come to fruition within a two- or four-year period; with the inevitability of these things, they take time. You need planning permissions and you need to get other permissions. There is an

example of a big opportunity, which is the absolute sheer physical scale of the transport estate in the London area.

Keith Prince AM: It was an interesting point you made there, Jonathan, around higher density developments within - let's call it - "transport hubs".

Would you be open to or do you think there would be any mileage in perhaps having two levels of CIL? For instance, if you have a development that requires parking, you pay one level of CIL, but if you are able to maximise the development by not having any parking there should be a greater CIL contribution in order to pay for the extra demand on the infrastructure.

Jonathan Roberts (Transport Consultant): I don't see why not. It came through with the Jubilee line extension: there needs to be a clearer relationship between the transport supply and its capacity, and how developments can be taken forward and some sort of payment scale related to that. You can go through various options, but there has to be some clarity there.

Crossrail 2 is talking of not just potentially replacing the Crossrail 1 CIL with a Crossrail 2 CIL but also some supplementary business rate options. Indeed, I saw the figures the other day. Michèle Dix [Managing Director - Crossrail 2, TfL] has just given a presentation in the House of Commons and she was talking about 17% for one of those and 20% for the other and this is on a project costing £31 billion. The scale of the ability to achieve funding of a substantive large figure basis does exist and it is TfL's belief that that is possible. It is a question of how fast and how readily one can push the case.

Len Duvall AM (Deputy Chair): We met with TfL at our last meeting when we asked them about the capacity to generate income through an operation of a new trading arm to run transport services. It could be described as "lukewarm" or you could describe it as "realistic" in terms of TfL's position.

Can you cite any international examples of where that is the case, particularly since what TfL officers were working towards was probably doing it in partnership with the private sector. What would it yield and how long would it take to build to a business? On both of those questions I have asked you, it is about capacity, isn't it?

We are asking something different from what TfL has had to do in the past; its property services need to be different to realise Crossrail issues and to do some of these deals. The same on the consultancy side: I suspect it has done it small scale. We might be asking it to do something more or require a different approach from TfL officers, maybe new officers. Can you comment on that?

Jonathan Roberts (Transport Consultant): Schemes such as Crossrail are driving a number of new skill areas. TfL is explicit that Crossrail stations must be better developed, frankly. You generally have to, as I say, work through with the support of the local authority and key developers. I was involved in the case for getting a Woolwich station authorised for Crossrail. That was not achieved without a vast amount of political pressure, of which you were aware.

Len Duvall AM (Deputy Chair): Yes, I still remember it. I still feel raw about it. Go on.

Jonathan Roberts (Transport Consultant): Also, it has actively required the Royal Borough of Greenwich and Berkeley Homes, in that case, to engage and Berkeley Homes had to commit to providing the basic infrastructure and they in turn have then been rewarded with an ability for greater development.

These things are possible. You probably need to set up a new unit. Do not tell me whether it is agency staff or not, but the reality is that it has to be pressed forward hard and fast because otherwise each one of these things could take a long while to occur.

What I see is that the financial pressures are going to come in increasingly and remorselessly over the next four years for various causes, as we have discussed. The result is that you need to work out where you want to be and what you think the capacity is with what you have in your knowledge now. Is that enough? No, we need to increase the capacity by that amount in order to achieve back to the outputs and the outcomes. Really, that is the explicit process that has to be engaged in with total commitment by the parties.

Len Duvall AM (Deputy Chair): As a watcher of TfL, then, do you think that is the case? You could say on a broad screen of things where they need to move themselves in terms of facing future challenges, but because they are battling on so many fronts they are delivering a service in their day job and then thinking about those future challenges and delivering the next phase of the future service. Do you think that they really is on top of this?

Jonathan Roberts (Transport Consultant): They are making a good fist of it and more will need to happen. The explicit pressures via Mike Brown [Commissioner, TfL] on the entire organisation and his senior officer team are there. They are there already.

Len Duvall AM (Deputy Chair): It does take time, doesn't it?

Jonathan Roberts (Transport Consultant): It will take time. The usual problem with an oil-tanker, if I can use that simple metaphor, is that you cannot just change course like that; it takes a long while to steer the change of course of the vessel. Here we do not have a lot of time and so TfL and its teams need all the support and encouragement they can get to make those course changes as fast and as radically as is necessary to achieve your expected outcomes.

Len Duvall AM (Deputy Chair): My last question is whether there are any other income-generating opportunities that TfL should be investigating that you do not think it is looking into at the moment. There is an argument about whether they are peripheral or important, but everything counts towards the purse in that sense, doesn't it?

Jonathan Roberts (Transport Consultant): Given that we have public transport fares, which are a sales tax, at whatever level you have it - and we have discussed the potential imbalances in that going forward - it has to be in relation to surface transport, in my view, in terms of new income area opportunities. I have mentioned it. Why do we not think radically about things like, effectively, a petrol sales tax in the London area? It would have to be agreed to an extent with central Government and you cannot just do things without clearing it with Treasury and so on, but I do not see why that could not be looked at.

People always - and you will understand as politicians - shy away from road pricing but in reality, the vehicle excise duty (VED) is no more than a very poor man's version of road pricing. I do not see why there should be a discussion from a London perspective saying, if you have a car in London, you do not necessarily pay for the tax disc but you put it on the petrol price or put it on the diesel price.

One of the reasons why Oyster has been so successful is that you do not go filling up with a new ticket each time; it is a constant, available product that you do not worry about and you are relatively price indifferent. What you need to do, potentially, in that form, is make people, frankly, pay more explicitly - maybe the same amount of money - but pay more explicitly for the road transport side.

Len Duvall AM (Deputy Chair): The international comparison of that to look for is probably the state system in the US, is it not, with the local sales tax?

Jonathan Roberts (Transport Consultant): Local sales taxes are normal in the US and the reality is that those are used to fund a lot of transit schemes. You have to have public polling about it, but it is entirely possible.

Nicole Badstuber (Researcher, LSE Cities): The other controversial and often very difficult tax you get put in place is, for instance, if you look at Boston, which tries to pay for its public transport through a tax on petrol. It is already very low there and there have been huge debates about it. They have actually gone back on themselves and got rid of it.

What you need to look at here is what road users you want to prioritise and which ones you want to make less attractive. Say you want fewer cars on the road, for instance. Putting on a fuel tax may disincentivise them; putting up the Congestion Charge may disincentivise them. I just wanted to add in that, yes, in the US they have sales taxes and gas taxes, as they call it, but they are very difficult to implement. You would have to craft a good narrative around why it is useful.

With the Congestion Charge, one of the reasons why it was eventually successful was that the funds raised through it were ring-fenced for public transport. If you can bring that clear link between how you are going to improve the service so that those people who are currently, for instance, driving into the city could use these better bus services, then that may be a way of getting that through.

Stephen Locke (Chair, London TravelWatch): What this does highlight also is the case for opening up very seriously the debate on road pricing as part of the wider debate on demand management. That has other transport benefits besides the potential for revenue to TfL. We know that congestion is getting worse and the amount of road space is not increasing and there will need to be some means of rationing it out. It is potentially very difficult and no one is going to be overjoyed about the prospect, but the case there from a transport planning as well as from a revenue point of view at least to open up the issues is very strong.

Len Duvall AM (Deputy Chair): As we move towards megacity status - if we are not already there unofficially - and when we reach that target, the number of cars on the road and the economic activity, if we are successful post-Brexit, for those who believe in that, will generate more commercial vehicles on the road. That is when we come into triggering some of that discussion around rationing that space. Is that true?

Stephen Locke (Chair, London TravelWatch): Singapore has already gone a long way down that direction and that is a megacity state, if you like.

Sian Berry AM: I am just trying to tease out some more of these international examples, if I can ask Nicole, because you probably do hear quite a lot of those. One thing we are having is the Ultra Low Emission Zone (ULEZ) being altered; there is a consultation on that at the moment. At the moment it is proposed to be a daily charge that is not distance-based, and so does not fulfil the criteria that Jonathan [Roberts] was talking about there, about how you pay for the impact you have and the distance you drive. Are there any international examples of that?

Secondly, just because workplace parking levies are something that we can do in London under current legislation - we would have to ask to do a petrol sales tax and I cannot think of anything more politically volatile than proposing that; I am not sure any Mayor would - but we could do a workplace parking levy and I

know that the current Mayor has said that he is not looking at that. Do you think he should and that it should at least be on the drawing-board at a feasibility stage?

Nicole Badstuber (Researcher, LSE Cities): If you want to really tackle congestion you need to get rid of some road-users and those who are currently transporting the lowest capacity is the number of people driving in cars. You can make a case for minivans that need to bring around services. Yes, you should actively try to tackle “inefficient” road-users, if that term can be used.

Getting rid of parking is very effective at reducing the attractiveness of driving your car. If you have nowhere you can park it, what are you going to do with it once you are in central London? There are many case studies of how getting rid of parking is crucial to reducing the attractiveness of cars. With the ULEZ, I would have to check but off the top of my head I cannot think of any cities that have done a blanket charge just for going into the zone.

If you want to tie what impact you are having from your individual journey to disincentivising making that journey, you would want to have it in some way based around the length of the journey or the frequency of it. That would be preferable, I would say, but that is difficult because you would need to have, as you do with the Congestion Charge zone, points at which you enter or leave; otherwise you would have to have a GPS tracking system about how much you are driving around the zone. I am not sure how palatable that would be.

Jonathan Roberts (Transport Consultant): That does happen, to an extent, in practice with places such as Canary Wharf because there is an 80% to 90% public transport modal split. Fewer than 10% of people enter the Canary Wharf area by car. That is enforced for other reasons as well, but the point is that in terms of the London 2050 Infrastructure Plan, key major jobs clusters are not just central London but also the Supplementary Activity Zones (SAZs) described for Old Oak Common with the Old Oak and Park Royal Development Corporation (OPDC), in the Canary Wharf area and wider than that, and at Stratford. I have not found any SAZ references in south London; maybe there ought to be one.

The reality is that if London continues on the trend of densifying and clustering major job zones, which is where it has been pointed, I see every merit in making sure that such increases in jobs, representing hundreds of thousands of people cumulatively, are ones where there are very clear policies favouring public transport access to those areas and fairly explicit limitations on car access to those areas. It is happening and nobody complains about it at places like Canary Wharf.

Nicole Badstuber (Researcher, LSE Cities): Again, I would just emphasise that it is important to have the combination of the two; so disincentivising one mode and providing an alternative for people to still get there. You cannot just do the one.

Leonie Cooper AM: You will not be surprised to hear that some of these issues that we have just been touching on came up at yesterday’s Environment Committee when we were talking about air quality, the expansion of the ULEZ, diesel scrappage and the VED, and we did touch on the concept of paying extra when you fill up and road pricing.

I was going to ask you a bit about how you thought TfL might need to change as an organisation to meet some of the challenges it faces, but you touched on that while you were answering Assembly Member Duvall’s questions. I just wondered if you could say anything else at all about whether you think there are specific opportunities that come forward for TfL as it moves forward in terms of meeting the Mayor’s commitments?

Jonathan Roberts (Transport Consultant): It is essentially about being pragmatic, as I see it. The financial pressures we have discussed are there. The pragmatic opportunities are around what is in your ability as TfL to control your environment and to control the quality of your outputs. It is fundamentally around that word "quality". We have mentioned this a lot as a word. Whatever else, London has to achieve and maintain its reputation as a city of increasing quality. That, to me, is fundamental and unless it does that then it will not achieve Len's [Duvall AM] point about being a megacity and a world city. It has to be quality. That also comes back to the environmental point. Therefore, what can be done physically with affordable inputs and good value inputs in terms of surface transport - we have discussed buses - and the quality of the roads. Keep those qualities up in terms of ability to walk and ability to use the bus and the streetscape. TfL has policies on place shaping and so forth and those are high-yield outputs that do not necessarily cost a huge amount.

Secondly, as I have indicated on the rail side, if given the right head of steam by the DfT in the discussions - which I know Val [Shawcross, Deputy Mayor for Transport] indicated yesterday are now underway with the DfT about the future shaping of inner suburban rail services - I am clear that TfL can achieve major quality changes in the right timescale that is possible and that will assist London and assist capacity and assist the ability of those areas served by those rail services to feel better off, be better off and be more accessible. That is fundamental. That is an example of how things can be done.

Leonie Cooper AM: I cannot be the only Assembly Member; pretty much everybody is receiving endless tales of woe about the current situation with regard to Southern and you are talking about that. We did talk earlier on about the dates of franchises coming up. I know that that is something that is in the mix.

Earlier on in this session we were talking about the potential costs attached to taking over those franchises. Do you think it is possible for TfL to achieve that rail devolution to come to TfL and improve, even despite the potential costs that might be involved?

Jonathan Roberts (Transport Consultant): Yes, in a word, simply because, as I indicated, the assets are already out there. Most of those are changeable over time, such as new trains, and it does not necessarily cost to do that change; it is simply a change in the leasing arrangements when the new suite of trains comes on. That is what is going to happen in West Anglia in 2017/18.

Secondly, there is the staffing element of that. Again, those stations are, to a greater extent than before, staffed up. There is an immediate cost if you have to staff every station from first train to last train, but in the round more people will travel and, while it is not necessarily a fully revenue-generating process, over time it will be. The Overground itself, the original Overground, is now 400% busier. It is something like that. That will also have a revenue impact over time.

The ability simply to maintain quality so that people trust that they can go to, let us say, Tulse Hill station or somewhere like that, that there is a train that will turn up, that the station is maintained to a high quality and trusted safety and so on, those things are possible. The notional timescale, as I have indicated - and these things are probably capable of negotiation to an extent - is quicker on Southern than it is currently foreseen because the Govia franchise is effectively a management contract to the DfT. It is a 2018 discussion on the potential takeover for Southeastern, possibly around 2019/20 for South West Trains and, at present, 2021/22 for Southern. That may be capable of being brought forward; that is all for TfL and the DfT and, indeed, the people here to make a difference on.

Leonie Cooper AM: It is very welcome to hear that you feel that the improvements could be brought in. That is certainly very welcome to a number of customers, although the idea of maintaining quality in the

current set of circumstances might be slightly bizarre for the people who feel that there is currently no quality at all to any of their journeys. That is very welcome.

In light of the financial pressures, which are going to be severe for the reasons that we have been outlining, do you think in four years' time - and this will be to each of you individually - TfL's services will be better or worse?

Jonathan Roberts (Transport Consultant): Rail services will be better. This is on an aggregate basis, obviously. Rail services will be better. There will have been the Night Tube started up and that starts next month, doesn't it? It might even have just started the night Overground, possibly, by 2020; why not? The key party to convince on that is Network Rail because it likes its lines either shut for engineering overnight or worse. That is an interesting challenge. The Tube will, I fear, be cubed out. The Victoria line sees its 36-trains-an-hour service either later this year or the next year. There is no more space on the Victoria line until we build Crossrail 2 or whatever.

In terms of service volume, the Tube is going to achieve - and is already on some lines - world standards of frequency. Whether it will hold on to world standards of quality I fear will be under considerable pressure with population growth and economic growth, to the extent that is going to happen. On the bus side, it is utterly dependent on the welly that is given by the Mayor, by his team by City Hall more generally and by TfL in terms of the prioritisation of better journey times on the roads. Cycling, by definition, is carrying on a particular trajectory, but it is the bus services that are the most vulnerable ones at present.

Stephen Locke (Chair, London TravelWatch): I agree with that assessment very much. I hesitate to give a forecast of what will be in four years because I am sure that if I had done it in 2012 I would have got it wrong as of now.

Leonie Cooper AM: I am asking you to gaze into a crystal ball. I am sorry about that.

Stephen Locke (Chair, London TravelWatch): I know, which is very difficult. Four years is not very long in transport planning terms. It is going to depend heavily on TfL's ability to squeeze more out of existing assets. As Jonathan [Roberts] has said, the scope for doing that with the Underground is pretty limited. There are still more lines that are due for modernisation and that might itself produce some dividends. There are some others, like the Bakerloo, which is right at the back of the queue and will not have much of a hope for a while.

With the surface rail, a huge amount depends on whether we are going to get devolution. The case is absolutely overwhelming and indeed recent experience with Govia Thameslink Railway (GTR) and Southern in particular has increased that enormously, but it is not, in any sense, in the bag despite the strategic concord reached between TfL and the DfT earlier this year. There is some evidence, indeed, of the commitments being rather soft and not delivering very much. That would be a very alarming and very retrograde step, but the scope is there.

Over four years, devolution can deliver quite a lot and has proven to do so in relation to, for example, West Anglia and TfL Rail where the benefits have been tangible. Whilst there have been some costs, they have not been that large. In relation to buses, again, as Jonathan [Roberts] said, it is a matter of taking courage by the hands and particularly delivering on bus priorities so that the services can be both cheaper to run and better for consumers.

Nicole Badstuber (Researcher, LSE Cities): They have covered most of it, but I would add that it is highly reliant on what policies are made and what directions are followed. You could see improvements in south

London, potentially turning it into the Overground. In the short-term you would see improvements on the soft measures that Jonathan [Roberts] has mentioned. They do have a real impact. Customers, for instance, would be able to be straight away on the TfL network. It would be a nicer environment, which already reduces the contempt of having to wait, with more information and more awareness of the connectivity. Those soft measures can really make a difference. In 2020 maybe you would already have a plan plotted out of how 'metroisation' - that turn-up-and-go level of service, which is four trains per hour - could start coming on those railway networks, but that would not be the case for the soft measures.

Initially you would start plotting out how that would come on the roads; it is heavily reliant on what road-users we start prioritising and what measures are done there. With Valerie Shawcross announcing yesterday or the day before that there would be a Walking and Cycling Commissioner, you could see progress made there on better public rail and better cycling infrastructure and hopefully more Quietways, which I guess are a less destructive way of bringing more cycling to the capital.

On the Tube, you will quickly see the services maxed out unless we have more railway services and more Underground services, but that is very difficult to achieve now with the high service frequencies already. It is all quite reliant on what policy directions we go to.

I just wanted to note on the Overground, on average that there is 90% revenue coverage. So revenues cover the operational costs at about 90%. Just adding to your question earlier, it is quite plausible that that could be achieved and then you would manage to capture quite a lot of commuters who may not be using the network generally and encourage them to use public transport throughout their life and not just commuting to work. That is how TfL would manage to do that.

Gareth Bacon AM (Chairman): Thank you very much. Can I thank our guests very much indeed for their time and their very informative answers this afternoon? Your contributions are greatly appreciated and so thank you very much.