

Fares in 2017 TfL Advice to the Mayor

4 November 2016

Executive Summary

This paper sets out TfL's advice to the Mayor on the implementation of a TfL fares freeze from 2017. This advice reflects the Mayor's commitment to deliver a more affordable transport service by freezing TfL fares over the next four years.

In light of the Mayor's commitment, TfL proposes a freeze in all fares on buses and on the London Underground (LU), Croydon Tramlink and the Emirates Airline, which are set by TfL. It is proposed that fares are also frozen on the Docklands Light Railway (DLR), the London Overground and TfL Rail services where Tube fares apply and on those Train Operating Company (TOC) services that accept fares set by TfL.

As set out in the Mayor's manifesto, TfL proposes that all TfL fare concessions are protected and maintained without change.

TfL's advice recognises the fares agreements with the TOCs and national government. These agreements determine the prices of Travelcards and the associated pay as you go (PAYG) caps.

The Mayor has called on the Government to join with him in freezing fares. However, increases in the cost of London Travelcards and the associated caps in line with the Retail Prices Index (RPI) have been mandated by the TOCs.

As a result, Travelcard fares and the associated PAYG caps will increase from January 2017 in line with the 1.9% annual increase in the RPI in the benchmark month of July 2016. These increases reflect national government rail fares policy over which the Mayor has no control.

The Mayor's policy of freezing TfL fares over the next four years is a very significant change of direction to that previously assumed in TfL's Business Plan. TfL fares have generally risen by the increase in the RPI in each of the last five years.

TfL's advice to the Mayor is that the TfL fares freeze will not have an adverse impact on TfL's ability to run and invest in the transport services that London needs to remain successful and that his manifesto commitments can be met in this context. Planned improvements in the efficiency of TfL, which will be set out in its new Business Plan, will enable this.

1. Introduction and background

- 1.1 This paper sets out TfL's advice to the Mayor on fares for 2017. This advice reflects the Mayor's commitment to deliver a more affordable transport service by freezing TfL fares over the next four years.
- 1.2 In light of the Mayor's commitment, it is proposed to freeze all fares on buses and on the London Underground, Croydon Tramlink and the Emirates Airline, that are set by TfL. Fares would also be frozen on the DLR, the London Overground and TfL Rail where Tube fares apply and on those TOC services which accept fares set by TfL.
- 1.3 The proposals build on the benefits of the new bus Hopper free transfer fare introduced in September and the successful launch of night services on the Tube.
- 1.4 Market research in recent years has consistently shown that high and rising fares are a major concern for Londoners, particularly the less well off. The proposal to freeze fares, rather than increase them in line with RPI, will benefit most Londoners who travel by bus – with fares frozen for over 2.5m trips a day. This will mean savings for bus passengers of over £13m in 2017. On TfL's rail services, fares will be frozen for over 1.5m trips a day, saving passengers over £27m in 2017. Total passenger savings will thus be over £40m in 2017. These savings are in addition to the estimated £30m pa savings resulting from the Mayor's bus Hopper fare.
- 1.5 TfL fares have generally risen in line with the increase in the RPI in each of the last five years. The Mayor's policy of freezing fares is a very significant change of direction to that assumed in TfL's previous Business Plan.
- 1.6 TfL's advice to the Mayor is that the proposed TfL fares freeze will not have an adverse impact on TfL's ability to run and invest in the transport services that London needs to remain successful. Planned improvements in the efficiency of TfL, which will be set out in its new Business Plan, will enable this.
- 1.7 Travelcard prices and the cost of the multi-modal pay as you go (PAYG) Travelcard caps are set by agreement with the TOCs. The TOCs are being required by the Department for Transport (DfT) to increase their regulated fares in line with the 1.9% increase in the RPI in the benchmark month of July. Under the TOCs' agreement with TfL, even if TfL and the Mayor wish to freeze fares, the TOCs may elect to mandate RPI-matching increases in London Travelcard prices. The TOCs have chosen to do this.

Overview of proposed fare changes in January 2017

- 1.8 TfL fare proposals for 2017 are set out below. The proposals for bus and Tube fares reflect the Mayor's commitment to a TfL fares freeze for the next four years. The proposals for Travelcards and the associated caps reflect the increase in the July RPI benchmark and have been mandated by the TOCs in line with Government policy as under paragraph 1.7 above.
- 1.9 The Travelcard and cap price changes mandated by the TOCs increase TfL fares revenue by 1.0% or £41.2m in 2017. The annual revenue increases are put at £29.3m for LU; £7.9m for bus; and £4.0m for London Rail and TfL Rail.

- 1.10 The Mayor's fares freeze is expected to encourage additional travel and to generate fares revenue worth £11m in 2017 (£7m for LU; £3m for bus; and £1m for London Rail and TfL Rail). In combination, the fares freeze and the increases in Travelcard prices etc will increase TfL fares income by £52.2m in 2017.

Bus and Tram fares

- 1.11 On buses and trams, as part of the Mayor's four year freeze, it is proposed that fares are frozen as shown in Table 1.1. Under this proposal the adult PAYG single fare is frozen at £1.50 and the free Hopper transfer maintained; the One Day Bus and Tram cap is frozen at £4.50, equal to the price of three bus fares. The Tram cash fare is frozen at £2.60 while the One Day Bus and Tram ticket is frozen at £5.00. The 7 day Bus and Tram season ticket is frozen at £21.20. Longer period season tickets are also frozen. The scope of concessions and discounts is unchanged.

Table 1.1: Bus and Tram fares being frozen in January 2017

	2016	2017	Increase
PAYG - single	£1.50	£1.50	0.0%
PAYG - daily cap	£4.50	£4.50	0.0%
7 Day Bus & Tram Pass	£21.20	£21.20	0.0%
1 Day Bus & Tram Pass	£5.00	£5.00	0.0%
Tram cash single	£2.60	£2.60	0.0%

- 1.12 As a result of the Travelcard price increases mandated by the TOCs and outlined in the sections below, the January fare changes deliver a revenue yield for buses of 0.7% or £7.9m pa. By comparison, the bus Hopper fare has reduced fares revenue by some £30m pa.

Travelcard season tickets in Zones 1-6

- 1.13 Travelcard season ticket prices increase as shown in Table 1.2. These increases have been mandated by the TOCs. The overall increase is 1.8%. This reflects DfT guidance to the TOCs that no individual increase should exceed the increase in the July RPI benchmark, which was 1.9%.

Table 1.2: Travelcard seasons – 7 Day ticket prices

Number of zones	2016	2017	Increase
Including Zone 1			
2	£32.40	£33.00	1.85%
3	£38.00	£38.70	1.84%
4	£46.50	£47.30	1.72%
5	£55.20	£56.20	1.81%
6	£59.10	£60.20	1.86%
Excluding Zone 1			
2	£24.30	£24.70	1.65%
3	£26.80	£27.30	1.87%
4	£32.20	£32.80	1.86%
5	£40.50	£41.20	1.73%

Note: increases mandated by the TOCs

Tube, DLR and Overground fares in Zones 1-6

- 1.14 On the Underground and other TfL rail services where Tube fares apply, it is proposed that PAYG single fares are frozen in line with the Mayor's four year pledge. See Table 1.3.
- 1.15 Under this proposal the flat child off-peak PAYG fare, which applies on both TfL rail services and National Rail, is frozen at 75p. The child peak LU PAYG fare is frozen at 85p – half the minimum adult peak fare. The off-peak child cap is frozen at £1.50.

Table 1.3: Adult PAYG fares on TfL rail services being frozen in January 2017

Number of zones	2016		2017		Increase	
	Peak	Off Peak	Peak	Off-peak	Peak	Off-peak
Zones incl. Zone 1						
1	£2.40	£2.40	£2.40	£2.40	0.0%	0.0%
2	£2.90	£2.40	£2.90	£2.40	0.0%	0.0%
3	£3.30	£2.80	£3.30	£2.80	0.0%	0.0%
4	£3.90	£2.80	£3.90	£2.80	0.0%	0.0%
5	£4.70	£3.10	£4.70	£3.10	0.0%	0.0%
6	£5.10	£3.10	£5.10	£3.10	0.0%	0.0%
Zones excl. Zone 1						
1	£1.70	£1.50	£1.70	£1.50	0.0%	0.0%
2	£1.70	£1.50	£1.70	£1.50	0.0%	0.0%
3	£2.40	£1.50	£2.40	£1.50	0.0%	0.0%
4	£2.80	£1.50	£2.80	£1.50	0.0%	0.0%
5	£2.80	£1.50	£2.80	£1.50	0.0%	0.0%

Oyster card deposit

- 1.16 The Oyster card deposit is proposed to remain unchanged at £5.

LU cash fares in Zones 1-6

- 1.17 The £4.90 and £5.90 adult Tube cash fares for up to three and five zones respectively, and the £6.00 fare for Zones 1-6, are all proposed to be frozen. Child cash fares for the 11s to 15s remain at half the adult rate. Under 11s will continue to travel free.

One day PAYG price caps in Zones 1-6

- 1.18 Tables 1.4.1 and 1.4.2 below set out proposed all day PAYG Travelcard caps and One Day Travelcard ticket prices. These increases have been mandated by the TOCs.
- 1.19 The all day PAYG Travelcard caps are set by agreement with the TOCs to be 20% of 7 Day Travelcard prices. The caps increase by 10p or 20p in proportion to the increases in Travelcard season ticket prices, which are being mandated by the TOCs.

Table 1.4.1: All Day Travelcard caps in 2016 and 2017

Zones	All day caps		
	2016	2017	Change
1-2	£6.50	£6.60	1.54%
1-3	£7.60	£7.70	1.32%
1-4	£9.30	£9.50	2.15%
1-5	£11.00	£11.20	1.82%
1-6	£11.80	£12.00	1.69%

Note: increases mandated by the TOCs

One Day Travelcard tickets

- 1.20 The prices of both the Zones 1-6 Off-Peak Day Travelcard ticket and the Zones 1-4 Anytime Day Travelcard increase by 20p to £12.30. The Zones 1-6 Anytime Day Travelcard ticket price increases by 30p to £17.50. See Table 1.4.2. These increases are being mandated by the TOCs and reflect national government rail fares policy.

Table 1.4.2: Day Travelcard tickets in 2016 and 2017

	Day Travelcards		
	2016	2017	Change
All day 1-4	£12.10	£12.30	1.65%
All day 1-6	£17.20	£17.50	1.74%
Off-peak 1-6	£12.10	£12.30	1.65%

Note: increases mandated by the TOCs

- 1.21 The overall increase in TfL rail fares revenue resulting from the Travelcard cap and One Day Travelcard price increases is 0.4%.

Concessions and discounts on TfL rail services

- 1.22 For the under 16s, Anytime Day Travelcard prices and all day Travelcard caps, which are set at half the adult rate, increase in line with adult prices. The printed Off-Peak Day Travelcard for the under 16s, aimed at the visitor market, increases in price by 10p, or 1.7%, to £6.10. These increases have been mandated by the TOCs and reflect national government rail fares policy.
- 1.23 It is proposed that the under 16s off-peak cap, available through the Zip card, is frozen at £1.50. Accompanied under 11s continue to travel free on all TfL services; and on TOC services provided a valid Zip card is held.
- 1.24 The scope of all TfL fare concessions is proposed to remain unchanged in 2017, as set out in the Mayor's manifesto.

Tube fares for travel beyond Zones 6

- 1.25 Beyond the Greater London area, it is proposed that PAYG and cash single fares involving Zones 7 to 9 applying on the Tube and on certain other rail services are frozen.
- 1.26 Travelcard prices and the associated PAYG caps with coverage in Zones 7 to 9 increase by an average of just under 1.8%, reflecting the increases being mandated by the TOCs and national Government rail fares policy.

Fares on services transferred to TfL in May 2015

- 1.27 On the Greater Anglia to Liverpool Street services transferred to TfL in May 2015, National Rail cash single fares and point-to-point season prices were retained as part of the transfer arrangements. These National Rail fares increase by around 1.9%.
- 1.28 It is proposed that all PAYG fares in Zones 1-6, where TfL fares apply, are frozen. In both peak and off-peak, three fares to the Liverpool Street terminus where National Rail fares have been retained as a transitional measure will increase by 10p. These fares will remain below standard Tube fares.
- 1.29 Beyond Zone 6, it is proposed that most PAYG fares are frozen. There are 10p increases in a number of fares involving Shenfield and Brentwood, reflecting TfL commitments to keep TfL fares aligned with those applying on the adjacent mainline rail services operated by the TOCs and to avoid creating split ticketing anomalies. Further details are in the Fares Direction.

Emirates Air Line

- 1.30 On the Emirates Air Line, it is proposed that all fares – including child and cash fares - are frozen.

Fares Revenue

- 2.1 Table 2 summarises the revenue yields for TfL from the proposed fare changes. Overall, the increases in Travelcard and cap prices, which reflect national government fare policy for the railways and increases mandated by the TOCs, will increase revenue from TfL users who pay fares by 1.0% or £41.2m in 2017. As Travelcards and the associated caps are accepted on both buses and the Tube, fares revenue for buses will increase by some £7.9m and for the Tube by some £29.3m per annum. For TfL's other rail services, fares revenue will increase by some £4.0m.
- 2.2 The Mayor's fares freeze is expected to encourage additional travel and to generate fares revenue worth some £11m in 2017 (£7m for LU; £3m for bus; and £1m for London Rail and TfL Rail). In combination, the fares freeze and the increases in Travelcard prices will increase TfL fares income by just over £52m in 2017.

Table 2: Revenue yields from the 2 January 2017 fare changes - £m pa

	Bus yield	Tube yield	Rail yield	Total Yield
TfL Cash and PAYG singles	0	0	0	0
PAYG Travelcard caps	1.5	5.3	0.7	7.5
Off-peak day Travelcards	0.3	2.9	0.3	3.5
Anytime day Travelcards	0.2	2.9	0.2	3.3
Bus and Tram season tickets	0	-	-	0
Travelcard seasons	6.0	18.1	2.8	26.9
Total yield from price increases	7.9	29.3	4.0	41.2
	0.73%	1.06%	1.07%	0.98%
New traffic due to the fares freeze	3	7	1	11
Total fares income gain	10.9	36.3	5.0	52.2

Note: Totals may not match sum of individual figures due to rounding