

Fares from 2 January 2018 TfL Advice to the Mayor

23 October 2017

Executive Summary

This paper sets out Transport for London's (TfL) advice to the Mayor on the implementation of the TfL fares freeze in 2018. This advice reflects the Mayor's commitment to deliver a more affordable transport service by freezing TfL fares over the four years to 2020.

In the light of the Mayor's commitment, TfL proposes to continue to freeze all fares on buses and all fares on the London Underground, Croydon Tramlink and the Emirates Airline, which are set by TfL. Fares are also proposed to be frozen on the DLR, the London Overground and TfL Rail services where Tube fares apply and on those Train Operating Company services which accept fares set by TfL.

All TfL fare concessions are protected and maintained without change.

TfL's advice recognises the fare agreements with the Train Operating Companies (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 RPI have been mandated by the TOCs.

As a result, Travelcard fares and the associated PAYG caps will increase from January 2018 in line with the 3.6 per cent annual increase in the Retail Price Index (RPI) in the benchmark month of July 2017. These increases reflect national government rail fares policy over which the Mayor has no control.

TfL's advice to the Mayor is that continuing 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. Planned improvements in the efficiency of TfL, which are regularly set out in its annual budget and five year Business Plan, enable this.

1. Introduction and background

- 1.1 This paper sets out TfL's advice to the Mayor on fares for 2018. This advice reflects the Mayor's commitment to deliver a more affordable transport service by freezing TfL fares over the four years to 2020.
- 1.2 In the light of the Mayor's commitment, it is proposed to continue to freeze all fares on buses and all fares on the London Underground, Croydon Tramlink and the Emirates Airline that are set by TfL. Fares are also frozen on the Docklands Light Railway (DLR), the London Overground and TfL Rail, where Tube fares apply, and on those Train Operating Company (TOC) services that accept fares set by TfL.
- 1.3 The proposals build on the benefits of the new bus Hopper free transfer fare introduced in September 2016 and the successful development of night services on the Tube. Work is proceeding to launch the unlimited Hopper in the course of 2018.
- 1.4 Market research in recent years has shown consistently 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 around 2.4m trips a day. This will mean savings for bus passengers of over £25m in 2018. On TfL's rail services, fares will be frozen for some 1.7m trips a day, saving passengers around £50m in 2018. Total passenger savings will thus be around £75m in 2018.
- 1.5 TfL's advice to the Mayor is that continuing 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. Planned efficiency improvements, which are set out in TfL's Business Plan, will enable this.
- 1.6 Travelcard prices and the cost of the multi-modal pay as you go Travelcard caps are set by agreement with the TOCs. The TOCs are permitted by the Department for Transport to increase their regulated fares in line with the 3.6 per cent 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 2018

- 1.7 TfL fare proposals for 2018 are set out below. The proposals for bus and Tube fares reflect the Mayor's commitment to a TfL fares freeze until 2020. 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 1.7 above.
- 1.8 The Travelcard and cap price changes mandated by the TOCs increase TfL fares revenue by 1.8 per cent or £77.5m in 2018. The annual revenue increases are put at £57.5m for LU; £15.8m for bus; and £4.2m for London Rail and TfL Rail.
- 1.9 The Mayor's TfL fares freeze is expected to encourage additional travel and to generate fares revenue worth £21.7m in 2018 (£11.4m for LU; £8.5m for bus; and £1.8m for London Rail and TfL Rail). In combination, the TfL fares freeze and the increases in Travelcard prices will increase TfL fares income by £99.3m in 2018.

Bus and Tram fares

- 1.10 On buses and trams, as part of the Mayor's four year freeze, fares are frozen as shown in Table 1.1. 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 bus season tickets are also frozen. The scope of concessions and discounts is unchanged. The scope of the Bus Hopper fare will be expanded in 2018 to allow unlimited journeys within an hour for the price of a single fare, which will reduce fares income by around £5m per annum, though this is expected to be off-set by an anticipated increase in bus far income of £8.5m as a result of the fares freeze.

Table 1.1: Bus and Tram fares being frozen in January 2018

	2017	2018	Increase
PAYG – single	£1.50	£1.50	-
PAYG - daily cap	£4.50	£4.50	-
7 Day Bus & Tram Pass	£21.20	£21.20	-
1 Day Bus & Tram Pass	£5.00	£5.00	-
Tram cash single	£2.60	£2.60	-

- 1.11 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 1.4 per cent or £16m pa.

Travelcard season tickets in Zones 1-6

- 1.12 Travelcard season ticket prices increase as shown in Table 1.2. These increases have been mandated by the TOCs. The overall increase is 3.4 per cent. This reflects DfT guidance to the TOCs that no individual increase should exceed the increase in the July RPI benchmark, which was 3.6 per cent.

Table 1.2: Travelcard seasons – 7 Day ticket prices

Number of zones	2017	2018	Change
Including Zone 1			
2	£33.00	£34.10	3.33%
3	£38.70	£40.00	3.36%
4	£47.30	£49.00	3.59%
5	£56.20	£58.20	3.56%
6	£60.20	£62.30	3.49%
Excluding Zone 1			
2	£24.70	£25.50	3.24%
3	£27.30	£28.20	3.30%
4	£32.80	£33.90	3.35%
5	£41.20	£42.60	3.40%

Note: increases mandated by the TOCs

Tube, DLR and Overground fares in Zones 1-6

- 1.13 On the Underground and other TfL rail services where Tube fares apply, PAYG single fares are frozen in line with the Mayor's four year pledge. See Table 1.3.
- 1.14 The flat child off-peak PAYG fare which applies on both TfL rail services and National Rail is proposed 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 2018

Number of zones	2017		2018		Increase	
	Peak	Off Peak	Peak	Off-peak	Peak	Off-peak
Zones incl.						
Zone 1						
1	£2.40	£2.40	£2.40	£2.40	-	-
2	£2.90	£2.40	£2.90	£2.40	-	-
3	£3.30	£2.80	£3.30	£2.80	-	-
4	£3.90	£2.80	£3.90	£2.80	-	-
5	£4.70	£3.10	£4.70	£3.10	-	-
6	£5.10	£3.10	£5.10	£3.10	-	-
Zones excl.						
Zone 1						
1	£1.70	£1.50	£1.70	£1.50	-	-
2	£1.70	£1.50	£1.70	£1.50	-	-
3	£2.40	£1.50	£2.40	£1.50	-	-
4	£2.80	£1.50	£2.80	£1.50	-	-
5	£2.80	£1.50	£2.80	£1.50	-	-

Oyster card deposit

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

LU cash fares in Zones 1-6

- 1.16 The £4.90 and £5.90 adult Tube cash fares for up to 3 and 5 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

- 1.17 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.
- 1.18 The all day PAYG Travelcard caps are set by agreement with the TOCs to be 20 per cent of 7 Day Travelcard prices. The caps increase between 20p and 50p 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 2017 and 2018

Zones	All day caps		
	2017	2018	Change
1-2	£6.60	£6.80	3.0%
1-3	£7.70	£8.00	3.9%
1-4	£9.50	£9.80	3.2%
1-5	£11.20	£11.60	3.6%
1-6	£12.00	£12.50	4.2%

Note: increases mandated by the TOCs

One Day Travelcard tickets

- 1.19 The prices of both the Zones 1-6 off-peak Travelcard ticket and the Zones 1-4 all day Travelcard increase by 40p to £12.70. The Zones 1-6 all day Travelcard ticket price increases by 60p to £18.10. 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 2017 and 2018

	Day Travelcards		
	2016	2017	Change
All day 1-4	£12.30	£12.70	3.3%
All day 1-6	£17.50	£18.10	3.4%
Off-peak 1-6	£12.30	£12.70	3.3%

Note: increases mandated by the TOCs

Concessions and discounts on TfL rail services

- 1.20 For the under 16s, all 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 Travelcard for the under 16s aimed at the visitor market increases in price by 20p or 3.3 per cent to £6.30. These increases have been mandated by the TOCs and reflect national Government rail fares policy.
- 1.21 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.
- 1.22 The scope of all TfL fare concessions is proposed unchanged in 2018.

Tube fares for travel beyond Zones 6

- 1.23 Beyond the Greater London area, PAYG and cash single fares involving Zones 7 to 9 applying on the Tube and on certain other rail services are proposed frozen.

- 1.24 Travelcard prices and the associated PAYG caps with coverage in Zones 7 to 9 increase by an average of just under 3.4 per cent, reflecting the increases being mandated by the TOCs and national Government rail fares policy.

Fares on services transferred to TfL in May 2015

- 1.25 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 3.5 per cent.
- 1.26 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 at or below standard Tube fares.
- 1.27 Beyond Zone 6, most PAYG fares are frozen. There are 10p and 20p increases in a number of fares involving Cheshunt, 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 will be provided in the Fares Direction.

Emirates Air Line

- 1.28 On the Emirates Air Line, all fares – including child fares and cash fares - are frozen.

Expected outcomes

- 2.1 The Mayor is under a statutory duty to develop and implement policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London. The proposals to freeze TfL bus and Tube fares aim to ensure that fare policy supports the objectives and policies set out in the Mayor's manifesto and will promote the use of London's public transport facilities and services
- 2.2 The increases of some 3.6 per cent in London Travelcard prices and the associated PAYG caps have been mandated by the TOCs and reflect national government fare policy for the railways.
- 2.3 Overall, the fare changes are considered to be consistent with the continued delivery of TfL's transport investment programme while also supporting the transport objectives of the London Plan and the Mayor's Transport Strategy.

Equality comments

- 2.4 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and TfL must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under section 149 of

the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, marriage or civil partnership status (duty to eliminate unlawful discrimination only).

- 2.5 The duty above applies to the Mayor's duty to direct TfL as to the general level and structure of fares under the GLA Act 1999. The Mayor is not required to conduct a consultation in relation to the fares proposals in this decision.
- 2.6 TfL has identified seven groups of Londoners (highlighted below) who typically face increased barriers to public transport use. Among the key issues for these groups is the cost of fares. The January 2017 fare package will freeze all TfL bus and Tube fares. The freeze will add to the benefits already created by the bus Hopper fare. Londoners with protected characteristics who are likely to be affected by increases in fares, such as those on low incomes or who rely on public transport, will especially benefit. However, the increases to Travelcard prices etc mandated by the TOCs in line with inflation may have an adverse impact. The potential impacts are considered further below.
- 2.7 **BAME Londoners** are more likely to live in low income households and are likely to cite affordability barriers to transport. The freezing of TfL bus and Tube fares in the January 2018 fares package should reduce barriers to travel for these groups as it will provide a real terms reduction in fares.
- 2.8 **Women** tend to be the primary carer at home so are less likely to be in full-time employment and more frequently cite affordability as a barrier to transport. The freezing of TfL bus and Tube fares in the January 2018 fares package should reduce barriers to travel for women as it will provide a real terms reduction in fares.
- 2.9 **Older Londoners** are more likely to be retired, and many live on low incomes. **Disabled Londoners** are also more likely to live in low income households. The 60 plus concession and the Freedom Pass for the elderly and disabled mean that the January 2018 fares will have only marginal effects on these two groups.
- 2.10 **Younger Londoners** are less likely to be physically disabled but more likely to be from a BAME community. The Zip card concession and the freezing of bus and many Tube fares limit the impact of the January 2018 fare changes on younger Londoners.
- 2.11 **Londoners on low incomes** tend to be women and older, BAME and disabled people, and those not in work. Low income largely reflects working status, though the underlying causes are tied to education, qualifications, health and, in some cases, transport. The January 2018 fares should reduce barriers to travel for low income Londoners whose priority tends to be on local trips by bus where all fares are being frozen.
- 2.12 **LGBT Londoners** tend to be younger and have reported hate crime as a concern for them. Men form the greater part of the LGBT community, which is in contrast to the general population. The January 2018 fares have no specific implications for the LGBT community.
- 2.13 Many of those who comprise the seven groups above are likely to benefit from free travel concessions or discounted fares. All current concessionary fare schemes are being maintained in order to keep public transport accessible to people who face barriers to public transport use, and thereby offset or mitigate any detrimental impacts including those discussed above.

2.14 The fare concessions available are set out below:

- Children under 11 travel free on all TfL services (subject to a maximum of 4 accompanying an adult).
- 11-15 Oyster photocard provides free TfL bus and reduced fare rail travel in London.
- 16+ Oyster photocard provides free TfL bus and half fare rail travel in London.
- 18+ Student Oyster photocard provides reduced rate TfL Bus Pass season and Travelcard season travel.
- Job Centre Plus Travel Discount Card provides half price TfL bus and rail travel.
- Bus & Tram Discount photocard provides half price TfL bus and tram travel.
- Veterans Concessionary Travel provides free travel in London
- 60 + London Oyster photocard (men and women up to female pensionable age) provides free travel in London
- London Freedom Pass (men and women over female pensionable age) provides free travel in London.

The Mayor is required to consider the potential equalities impacts discussed above, and any mitigations in place, at the time a decision to direct is made in relation to the fare proposals in this paper.

Links to Strategies

- 2.15 The Mayor's draft Transport Strategy and the Mayor's "A City for All Londoners" vision highlight the importance of improving transport for all Londoners and, in doing so, ensuring that the costs of transport remain affordable. On buses and trams, fares are being frozen as part of the Mayor's four year programme, while all concessions for the less well-off are being maintained.
- 2.16 On the Tube and other TfL rail services, all concessions are being maintained and Tube fares frozen on all the rail services in London where they apply. National Government railway fare policies being mandated by the TOCs mean that Travelcards and the associated caps will increase in line with RPI.

Fares Revenue

- 2.17 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 1.79 per cent or £77.5m in 2018. As Travelcards and the associated caps are accepted on both buses and the Tube, fares revenue for buses will increase by some £15.8m and for the Tube by some £57.5m per annum. For TfL's other rail services, fares revenue will increase by some £4.2m.
- 2.18 The Mayor's fares freeze is expected to encourage additional travel and to generate fares revenue £21.7m in 2018 (£11.4m for LU; £8.5m for bus; and £1.8m for London Rail and TfL

Rail). In combination, the fares freeze and the increases in Travelcard prices etc will increase TfL fares income by £99.3m in 2018.

Table 2: Revenue yields from the 2 January 2018 fare changes - £m pa

	Bus yield	Tube yield	Rail yield	Total Yield
TfL Cash and PAYG singles	-	-	-	-
PAYG Travelcard caps	3.7	10.7	2.1	16.4
Off-peak day Travelcards	0.4	5.3	0.2	5.9
Anytime day Travelcards	0.2	4.9	0.1	5.3
Bus and Tram season tickets	-	-	-	-
Travelcard seasons	11.5	36.6	1.8	50.0
Total yield from price increases	15.8	57.5	4.2	77.5
	1.40%	2.00%	1.35%	1.79%
New traffic due to the fares freeze	8.5	11.4	1.8	21.7
Total increase in fares income	24.3	68.9	6.0	99.3

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