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Dear Gareth

Information request for Budget and Performance Committee

Thank you for your letter of 16 June.

As I have informed the Assembly, the financial value of a fares freeze is uncertain because it has to be based on forecasts of a number of variables. The real value will be determined by the actual outturn for those variables, including inflation and demand for our services.

The estimate of £1.9bn was produced at the beginning of last year to estimate the cost of freezing all fare revenue over the full five-year period of our Business Plan.

The table below shows our calculations in more detail.

Commentary	Estimate (£m)	Change (£m)
Early 2015: Original estimate based on the then forecasts in the five-year 2014 Business Plan for RPI (1.9 per cent for July 2015, 3.5 per cent thereafter) and covering all fares, including Travelcards	1,910	-
Inflation forecast for July 2015 reduced to 1.3 per cent from 1.9 per cent	1,846	-64
Slight increase in traffic forecast for Tube and rail while bus patronage lower; actual inflation for July 2015 at one per cent	1,874	+28
Decrease in inflation assumption for July 2016 to 1.9 per cent from 3.5 per cent and changes in traffic forecasts	1,766	-108
Freezing all TfL fares	1,100	-666
Four years rather than five	640	-460

The £640m estimate covers the impact of freezing TfL fares only (ie. those within the Mayor's direct control). Travelcards and daily and weekly caps are set by agreement between us and the DfT under the terms of the Travelcard agreement. The financial impact of freezing those fares would, therefore, be in addition to the £640m estimate.

These estimates include the impact of anticipated changes to passenger demand for Tube and bus services. We update our passenger demand forecasts quarterly, making adjustments based on updated information. The change shown in the above table is due to the change in customer demand forecasts only and not due to any specific fares policy.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mike Brown', with a horizontal line underneath.

Mike Brown MVO