

REQUEST FOR MAYORAL DECISION – MD1299

Title: January 2014 Fare Changes

Executive Summary:

This paper sets out Transport for London's (TfL's) revised fare change proposals to be implemented from 19 January 2014. The proposals will reduce TfL fares marginally in real terms relative to the 3.1% annual increase in the Retail Price Index (RPI) in the benchmark month of July 2013. The revised changes to fares are expected to raise £100m per year for TfL, an increase of 2.7%. The Travelcard season price increases reflect the link with National Rail fares and the latest guidance from the Secretary of State for Transport that regulated NR fares overall should rise in line with RPI in January 2014. The one day bus cap and all the One Day multi-mode caps are all frozen to provide a better deal for part-time workers and commuters. On the Underground all single fares are frozen except for the Zone 1 fare and the off-peak Zones 1 to 2 fare, which increase by 10p. Overall PAYG fares go up by 1.8%. The bus PAYG single fare increases by 5p to 145p, while the Bus & Tram Pass season price increases by 3.1%, the bus cash single fare and the One Day Bus cap are frozen. The One Day Travelcard range is simplified, with certain off-peak tickets withdrawn. All the One Day caps are maintained to promote switching to Oyster and Contactless Payment.

Decision:

The Mayor:

- (i) Approves the proposed revisions to TfL fares to be implemented from 19 January 2014 as set out below; and
- (ii) Signs the attached Direction to TfL issued pursuant to the power in section 155 (1)(c) of the Greater London Authority Act 1999 to:
 - (a) Implement these fares from 19 January 2014; and
 - (b) Revoke the Direction in MD 1243 issued on 2 December in relation to January 2014 Fare Changes with immediate effect.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The TfL Business Plan to 2014/15, developed during Summer 2012 and approved by the TfL Board in December 2012, assumed that fares would increase over the then-current spending review period (i.e. to 2014/15) by RPI+2%. However, the government announced in November 2012 that additional funding would be made available to enable the fare increase in January 2013 and January 2014 to be held down to RPI+1%. The Train Operating Companies (TOCs) were also directed by the Department for Transport to hold down the increase in their regulated fares, including the Travelcard, to RPI+1% in January 2013 and January 2014.
- 1.2 Subsequently, TfL's Business Plan adopted an ongoing assumption of RPI+1% fares, rather than the previously-assumed RPI+2%, and an anticipated grant reduction from 2015/16. The reduction in income this caused was offset through TfL's ambitious savings programme: over £5bn of unsecured savings, including the new £3.3bn New Savings Programme, and an additional £1.1bn of Commercial Development. Delivery of these efficiencies and income remains a key challenge, but allowed TfL to continue to assume RPI+1%.
- 1.3 The draft TfL Business Plan assumed annual fares increases of RPI+1% in future years. However, as a one-off measure prompted by current pressures on the cost of living, the draft Plan assumes an increase in fares on TfL services overall of 3.1% in January 2014, which is in line with the benchmark RPI of 3.1% in July 2013. In the light of the Chancellor's 2013 Autumn statement, the January 2014 increase has been further reduced to 2.7% overall, including the effect of freezing Travelcard prices in real terms.
- 1.4 TfL's new Business Plan includes a reduced grant from 2015/16: a reduction of £222m against a baseline of the DfT having held TfL's grant flat. Last year TfL expected a grant cut and adopted the additional efficiencies and commercial development described above, as well as drawing down from cash reserves, to offset the impact when the Department of Transport announced its final settlement. TfL also de-scoped some non-critical investment to meet the grant reduction.

Latest trends – fares income

- 1.5 The performance of fares income last year was a key element in meeting Spending Review funding targets, and was fully reflected in TfL's Budget and Business Plan published in December 2012.
- 1.6 To date in the current financial year, TfL revenues are broadly in line with Budget. Passenger numbers on both the buses and the Tube are continuing to grow and are at record levels. These positive trends are projected to continue in the short term, with the restraining effects of higher fares being offset by positive employment trends and growth in the visitor and leisure markets. Longer term revenue forecasts remain under review, and are closely tied to growth of the London economy.

Overview of proposed fare changes in January 2014

- 1.7 Detailed fare proposals for 2014 are set out below. These proposals start from the 3.1% increase in the July RPI benchmark. The overall fare increase is 2.7%, providing a marginal reduction in fares relative to the RPI benchmark. The annual revenue yields for TfL are put at around £60m for LU; £33m for bus; and £6m for London Rail.

- 1.8 Travelcard fares, One Day PAYG caps and certain PAYG fares involving National Rail are subject to agreement with the London Train Operating Companies. The proposals envisage that Anytime Day Travelcards and Travelcard Season fares generally increase by RPI in line with the current NR target for January 2014. It is proposed that adult Anytime Day PAYG caps, adult Off-Peak Day Travelcard fares and adult Off-peak Day PAYG caps are frozen. The Zones 1 to 2 and 1 to 4 variants of the Off-Peak Day Travelcard are withdrawn. All the One Day caps are maintained.

Bus and Tram fares

- 1.9 On buses and trams, fares are proposed to increase as shown in Table 1.1. The adult PAYG single fare increases from 140p to 145p; the One Day bus and tram cap remains unchanged at £4.40; the bus cash fare remains unchanged at 240p. The 7 day Bus and Tram season ticket increases from £19.60 to £20.20. Longer period bus season tickets increase in the same proportion as the 7 day ticket. The scope of concessions and discounts is unchanged.

Table 1.1: Bus and Tram fares in 2014

	2013	2014	Increase
PAYG - single	£1.40	£1.45	3.6%
PAYG - one day cap	£4.40	£4.40	0.0%
Cash - single	£2.40	£2.40	0.0%
7 Day Bus & Tram Pass	£19.60	£20.20	3.1%

- 1.10 Overall, taken with the effect of the Travelcard prices outlined below, the changes deliver a revenue yield for buses of 2.7%.

Tube, DLR and Overground fares in Zones 1-6

- 1.11 On the Underground and other TfL rail services, PAYG fares within Zone 1 in the peak or within Zones 1 to 2 off-peak are increased by 10p. All other fares are frozen, as shown in Table 1.2.

Table 1.2: adult PAYG fares on TfL rail services

	2013		2014		Increase	
	Peak	Off-peak	Peak	Off-peak	Peak	Off-peak
Zones inc Zone 1						
1	£2.10	£2.10	£2.20	£2.20	4.8%	4.8%
2	£2.80	£2.10	£2.80	£2.20	0.0%	4.8%
3	£3.20	£2.70	£3.20	£2.70	0.0%	0.0%
4	£3.80	£2.70	£3.80	£2.70	0.0%	0.0%
5	£4.60	£3.00	£4.60	£3.00	0.0%	0.0%
6	£5.00	£3.00	£5.00	£3.00	0.0%	0.0%
Zones exc Zone 1						
1	£1.60	£1.50	£1.60	£1.50	0.0%	0.0%
2	£1.60	£1.50	£1.60	£1.50	0.0%	0.0%
3	£2.30	£1.50	£2.30	£1.50	0.0%	0.0%
4	£2.70	£1.50	£2.70	£1.50	0.0%	0.0%
5	£2.70	£1.50	£2.70	£1.50	0.0%	0.0%

- 1.12 The flat child off-peak PAYG fare, which applies by agreement also to National Rail journeys, remains at 75p. The off-peak cap, which is priced as two singles, also remains at 150p. The child peak LU PAYG fare is unchanged at 80p – half the minimum adult peak fare.

- 1.13 The PAYG fares being adopted by the Train Operators are shown for information in Table A1 in the Annex, together with the associated Train-Tube PAYG fares. The PAYG through fares are priced as the sum of the Train Operators' own PAYG fares plus add-on amounts for through travel. Under the PAYG Agreement with the Operators, the add-on amounts can only be less than the minimum TfL PAYG fare if the Operators agree.
- 1.14 In the case of the non-Zone 1 Train-Tube PAYG fares, the Operators have consented to the add-ons remaining unchanged at zero in 2014. In the case of the Train-Tube PAYG fares involving Zone 1, the Operators have specified revised add-on amounts for 2014. These are equal to the 2014 TfL minimum fares in the peak and off-peak. As a result, the add-on amounts involving Zone 1 typically increase by 10p to £1.60 in the peak and to £1.50 in the off-peak.
- 1.15 As shown in Table A1, the Train Operators' new fares and the revisions to the add-on amounts, mean that the PAYG peak 1-6 Train-Tube fare increases from £7.20 to £7.50 and the off-peak fare from £4.90 to £5.10. These two fares will continue to determine the peak and off-peak entry and exit charges for all rail PAYG journeys.
- 1.16 The Oyster card deposit remains unchanged at £5.

Cash fares in Zones 1-6

- 1.17 The £4.50 and £5.50 adult Tube cash fares, which are now used by just 1% of Tube users, increase by 20p to £4.70 and £5.70 respectively. Child cash fares for the under 16s remain at half the adult fares. (The under 11s travel free on TfL rail services.)
- 1.18 Cash through fares to NR services within the zones increase by similar percentages. Full details are set out in Table A2 in the Annex.

One Day Travelcards and related price caps in Zones 1-6

- 1.19 Table 1.3 below sets out adult Day Travelcard and cap prices. See also Table A3 in the Annex.

Table 1.3: One Day Travelcards and caps

	One Day Travelcards			One Day caps		
	2013	2014	Increase	2013	2014	Increase
Anytime						
1-2	£8.80	£9.00	2.3%	£8.40	£8.40	0.0%
1-4	£11.00	£11.40	3.6%	£10.60	£10.60	0.0%
1-6	£16.40	£17.00	3.7%	£15.80	£15.80	0.0%
Off-peak						
1-2	£7.30	Withdrawn	n/a	£7.00	£7.00	0.0%
1-4	£8.00	Withdrawn	n/a	£7.70	£7.70	0.0%
1-6	£8.90	£8.90	0.0%	£8.50	£8.50	0.0%

- 1.20 Anytime Day Travelcards increase by 3.1% on average. The Zones 1 to 6 Off-peak Day Travelcard is frozen, whilst the Zones 1 to 2 and 1 to 4 Off-peak Day Travelcards are withdrawn. These changes have been agreed with the Train Companies.
- 1.21 The Companies have also agreed that the adult PAYG one day caps corresponding to the one day Travelcards above are frozen in 2014 at 2013 prices. This will encourage migration from printed tickets which are expensive to retail and prone to fraud and misuse.

- 1.22 Child One Day Anytime Travelcards and caps will remain at half the adult price. The price of the printed child Off-peak Travelcard aimed at the visitor market increases from £3.40 to £3.60. The off-peak child cap available through the Zip card is frozen at 150p.
- 1.23 The overall increase in PAYG and One Day Travelcard fares in 2014 is 2.4%

Travelcard season tickets in Zones 1-6

- 1.24 Travelcard season ticket prices increase as shown in Table 1.4 and Table A3 in the Annex. These increases have been agreed with the Train Companies. The adult fares shown are always rounded to 20p to enable the half price child fares to be set as multiples of 10p. Due to the rounding of individual fare values the overall increase is 3.2%.

Table 1.4: Travelcard seasons – Adult 7 Day ticket prices

	2013	2014	Increase
Zones inc Zone 1			
2	£30.40	£31.40	3.3%
3	£35.60	£36.80	3.4%
4	£43.60	£45.00	3.2%
5	£51.80	£53.40	3.1%
6	£55.60	£57.20	2.9%
Zones exc Zone 1			
2	£23.00	£23.60	2.6%
3	£25.20	£26.00	3.2%
4	£30.20	£31.20	3.3%
5	£38.00	£39.20	3.2%

Concessions and discounts on TfL Rail services

- 1.25 The Train Companies have agreed to offer holders of 16 plus Zip cards half price PAYG from January 2014, aligning their fares with the concession already available on TfL Rail services. The daily PAYG caps for holders of 16 plus Zip cards are also reduced to half the adult rate. Otherwise the scope of all fare concessions on TfL Rail services is unchanged in 2014.

Fares outside Zones 1 to 6 on TfL Rail services from 19 January 2014

- 1.26 Fares on TfL rail services beyond Greater London involving Zones 7 to 9 increase in line with fares in Zones 1-6. Both adult and child PAYG single fares are frozen. Cash fares increase by up to 30p. Full details are given in Table A4 in the Annex.
- 1.27 Travelcards with coverage in Zones 7 to 9 increase by an average of 3.1%. Full details are given in Table A5 in the Annex.

Emirates Airline

- 1.28 Proposed fares for the Emirates Airline are shown in Table 1.5 below. The overall increase is 3.2%.

Table 1.5: Emirates Airline - adult ticket prices

Fare	Cash / Discount	2013	2014	Increase
Adult	Full rate	£4.30	£4.40	2.3%
Single	Discount & Oyster PAYG	£3.20	£3.30	3.1%
Child	Full rate	£2.20	£2.30	4.5%
Single	Discount & Oyster PAYG	£1.60	£1.70	6.2%
Adult	Multi trip/Oyster regular user	£1.60	£1.60	-

1.29 The scope of all discounts is unchanged.

2. Objectives and 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 Mayor's Transport Strategy (MTS) contains the Mayor's policies and proposals for doing this. Overall, the fare proposals aim to ensure that fare policy fully supports the objectives and policy criteria set out in the MTS. The one-off increase of 2.7% proposed for January 2014, below the benchmark July 2013 RPI increase, has been prompted by current pressures on the cost of living. The revised fare changes will continue to sustain the transport investment programme needed to support the delivery of the objectives of the London Plan.

3. Other considerations

a) Links to Strategies and Strategic Plan

3.1 The MTS highlights the importance of improving transport opportunity for all Londoners and, in doing so, ensuring that the costs of transport remain affordable. All concessions for the less well off on buses are being maintained, along with the free travel concessions for the under 18s.

3.2 On the Tube and other TfL Rail services, all concessions are also being maintained.

b) Impact Assessments and Consultation

3.3 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 the Equality Act cover 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). The duty applies to the Mayor's duty to direct TfL as to the general level and structure of fares under the GLA Act 1999.

3.4 In the present case, the primary aim is to ensure that sufficient financial resources are available to fund key projects and services. The new fares are projected to increase TfL revenue by some £115m per annum. The new fares will help support TfL's investment programme which is predominantly focused at enhancing and extending the public transport network. The direct impact on public transport ridership will be small. Both bus and Tube passenger journeys are projected to increase in 2014.

3.5 TfL has identified seven groups of Londoners (listed below) who typically face increased barriers to public transport use:

- **BAME** Londoners have a younger age profile than white Londoners, are more likely to live in low income households and are more likely to cite barriers to transport.
- **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.

- **Older Londoners** are more likely to be retired, and therefore many live on low incomes. They also are more likely to be white and/or disabled. For older and disabled Londoners, the greatest barrier to transport is concern over antisocial behaviour, while for all other groups it is overcrowding.
- **Younger Londoners** are less likely to be disabled but more likely to be from a BAME community.
- **Disabled Londoners** tend to be older and are more likely to be white, women or retired. They are also more likely to live on low household incomes. Disabled and older Londoners are more likely to experience difficulties relating to physical accessibility.
- **Londoners on low incomes.** These tend to be women and older, BAME and disabled people, and those not in work. This largely reflects working status, though the causes of low income are tied to education, qualifications, health and, in some cases, transport.
- **The LGB community.** Men form the greater part of the LGB community, which is in contrast to the general population. LGB Londoners also tend to be younger and have said hate crime is a concern for them.

3.6 Key issues across these groups are:

- **Travelling around the Capital.** On average, Londoners make 2.45 trips per weekday. However, for the equality groups covered above, the average number is lower with, for example, BAME Londoners making 2.25 trips per weekday. The exception is women who make a greater number (2.56) of short trips per weekday, on average.
- **Cost of fares.** For many, the affordability of fares is also a significant issue. Half of Londoners have an Oyster card, although this figure is lower among younger, older, low-income and/or disabled people. These groups may be more likely to benefit from other travel concessions or discounted fares. The bus is the most popular form of public transport in all equality groups. It is particularly important for women, BAME Londoners, those on low incomes and younger people. For some, the cost of travelling may encourage higher bus use, as would the travel options available.
- **Crime and antisocial behaviour.** Concerns about crime and antisocial behaviour tend to affect the travel behaviour of women, BAME Londoners, younger people and/or those on lower incomes more so than other groups (this is particularly evident for BAME and younger Londoners). For women, these concerns are more apparent after dark (during the day they are no more concerned than men). White men are less likely to view crime and antisocial behaviour as barriers to increased public transport use.
- **Access to information.** Some people feel there is insufficient information to help them make full use of the network – this is particularly true among BAME Londoners, those on low incomes and/or disabled people. There is also evidence to suggest a low awareness of the information tools produced by TfL.

- 3.7 All current concessionary fare schemes for those less able to pay are being maintained in order to make public transport accessible to more people, and thereby offset or mitigate any detrimental impacts including those discussed above. The concessions are set out below:
- Children under 5 travel free (subject to a maximum of 4 accompanying an adult)
 - 5-10 Oyster photocard
 - 11-15 Oyster photocard
 - 16+ Oyster photocard
 - 18+ Student Oyster photocard
 - Job Centre Plus Travel Discount Card
 - Bus & Tram Discount photocard
 - Veterans Concessionary Travel
 - 60 + London Oyster photocard (men and women up to female pensionable age)
 - London Freedom Pass (men and women over female pensionable age)
- 3.8 For adult fare payers broadly similar increases are to be applied across all modes and ticket types and no significant or material equalities impacts for groups with particular protected characteristics are envisaged as being likely to arise. However 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 revised fare proposals in this paper. The public sector equality duty applies to a decision of the Mayor to issue a revised fares direction in relation to the revised proposals in this paper to the same extent, and with the same force, as it did to the Mayor's decision on 2 December 2013 to direct in relation to the January 2014 Fare Changes.
- 3.9 The Mayor is not required to conduct a statutory consultation on fares.
- c) Risk
- 3.10 The fare changes follow a conventional pattern. GLA officers therefore consider that implementation risks are minimal.

4. Financial comments

- 4.1. There are no direct financial implications for the GLA from these proposals.
- 4.2. Table 3.1 summarises the revenue yields for TfL from the fare changes. Overall, the fare changes increase fares, for the 67% of bus users and the 95% of Tube users who pay fares, by 2.7% on average. The bus fare changes yield some £33m and the Tube fares changes some £61m in additional revenue per annum. A further £6m will be raised by the parallel increases of London Rail fares. The proposed changes are expected to increase TfL's fares revenue by £100m per annum in 2014.

Table 3.1: Revenue yields from the 19 January 2014 fare changes

	Bus yield £m	Tube yield £m	Rail yield £m	Total Yield £m
Price effects				
Cash single	0.0	4.0	0.3	4.3
PAYG fares	23.0	23.0	2.0	48.0
PAYG cap freeze	-10.0	-5.0	-1.0	-16.0
Off-peak day Travelcards (inc switch to PAYG)	1.0	11.0	1.0	13.0
Anytime day Travelcards	0.1	2.0	0.2	2.2
Bus and Tram season tickets	9.0	-	-	9.0
Travelcard seasons	10.0	26.0	4.0	40.0
Total yield	33.1 +2.7%	61.0 +2.8%	6.5 +2.3%	100.5 2.7%

5. Legal comments

- 5.1. Under section 155(1) of the Greater London Authority Act 1999 (“the GLA Act”) the Mayor may issue directions to TfL as to the manner in which it is to exercise its functions, including, under section 155(1)(c), specific directions as to the exercise of its functions. Under section 174(1) of the GLA Act, the Mayor is under a duty to exercise his powers under section 155(1) so as to ensure that the general level and structure of fares for passenger transport services (provided by TfL or other persons who provide services under agreement with TfL) are determined. The power in section 155(1) of the GLA Act includes a power to revoke a previously issued Direction. This decision is consistent with these statutory obligations.
- 5.2. Due and careful regard that is appropriate in all of the circumstances must be had, at the time this decision is made, to the equalities obligations referred to at paragraph 3.3 above.

6. Investment & Performance Board

These proposals were considered by the Investment and Performance Board in December 2013.

Appendices and supporting papers:

Annex A: Summary Fares Tables

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Christian van der Nest has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Victoria Hills has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Isabel Dedring has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date