

MAYOR OF LONDON

Gareth Bacon AM

Chairman of the Budget and Performance Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA090916-5420

Date: 09 DEC 2016



Thank you for your letter of 8 September to both Mike Brown and I along with the Committee's report into Transport for London's (TfL) finances. I welcome this report and our response to your recommendations is set out below. TfL's Business Plan sets out its finances and plans to deliver my transport commitments for London.

Recommendation 1: Six months before the next Mayoral election, TfL should publish a set of highly transparent, basic fare income data and assumptions, on which candidates can base manifesto commitments, and inform the public's understanding of any proposed changes.

I will instruct TfL to do this prior to the 2020 Mayoral election.

Recommendation 2: TfL should publish the full costs of the fares freeze, the hopper ticket, and concessionary fares in its subsequent annual reports.

I am happy to be fully transparent with the costs of these schemes.

TfL has already published cost estimates for my fares freeze and the Hopper and I understand that TfL's Chief Finance Officer, Ian Nunn, has already committed to provide the Committee with actual costs as soon as these can be calculated based on actual inflation and ridership.

TfL has provided the Committee with cost estimates for each of the concessionary schemes it manages and publishes information about the annual usage on its website at:
<https://tfl.gov.uk/corporate/publications-and-reports/oyster-card#on-this-page-6>.

I am delighted that my Hopper fare is making such a big difference to the lives of Londoners, with more than 10 million journeys made using it in its first six weeks. Alongside my commitment to freeze all TfL fares for four years from January 2017, the Hopper is a crucial part of my plans to make it more affordable to live and work in London. Concessionary schemes also help keep transport affordable for Londoners.

MAYOR OF LONDON

Recommendation 3: In its next business plan, TfL should set out its best estimate of the impact of the UK's exit from the EU on TfL. This should include an assessment of the impact on:

- **Passenger growth and fares income.**
- **Borrowing costs.**
- **Commercial plans.**
- **Staff recruitment and retention.**
- **EU grants and EU-funded transport research.**

It is too early to predict the impact of the UK's exit from the EU, so this assessment is not included in TfL's Business Plan. TfL is systematically working through the risks presented by Brexit. This will be easier once we have seen a clear plan from Government about what Brexit means for London.

I am determined to make sure London gets the best deal from the EU to secure the future prosperity of our city. Ensuring a model of access to the single market that enables us to remain globally competitive has to be the Government's main priority. This includes an immigration system that supports economic growth and allows London to continue to attract the best talent from across the world.

EU nationals have contributed significantly to London's success and will do in the future. I have urged the Government to guarantee their status now. I have also launched #LondonIsOpen in part to reassure the more than one million foreign nationals who live in London, including those working for TfL, that they will always be welcome.

London was a success before the referendum and I am determined that it will remain so long after it.

Recommendation 4: The Mayor should instruct TfL to review its concessionary fares system to ensure it meets the objectives of his forthcoming Transport Strategy.

I have frozen TfL fares for my term and guaranteed the 60+ Oyster card and all existing concessionary schemes that I control. I am also committed to continuing to work with London Councils to safeguard the Freedom Pass.

My Transport Strategy will support the development of a more efficient and affordable transport system and will be more ambitious on accessibility.

Recommendation 5: The next TfL Business Plan should clearly set out the investment priorities compared to the previous business plan so observers can easily see what has changed, and how delivery milestones have been affected.

I am happy to make this information available to the Committee and have asked TfL to send you a table showing this comparison as soon as possible. The Business Plan sets out how I will invest in London's transport network for the future and what this will mean for London. For this reason, it is not the right document to capture this comparison.

MAYOR OF LONDON

Recommendation 6: The TfL Board must rigorously scrutinise any proposal for TfL to take over any suburban rail service – including the transfer of liabilities – to ensure that robust plans and financial arrangements are in place to make devolution a success.

The Secretary of State for Transport's decision regarding the Southeastern franchise this week is disappointing. As you can appreciate, this is a recent development and we are considering our response and the role TfL will play in developing the Southeastern service.

The only proven way of improving services for passengers is to give TfL control of suburban rail lines. This is why the Government and previous Mayor published a joint prospectus earlier this year. There is cross-party support for this from MPs, councils inside and out of London and businesses and their representatives. I also thank the Assembly for its continued support for rail devolution to TfL. Under my leadership, the TfL Board will of course closely scrutinise any proposals for TfL to take over any suburban rail service at every step. At our 22 September meeting, the TfL Board endorsed TfL's proposed approach to running future devolved rail services through a concession model. TfL's proposed enhancements to future devolved services are outlined at **Appendix 1** and were included with the paper to the TfL Board. I also presented a comprehensive business case to the Secretary of State for Transport in October detailing the huge benefits Londoners will experience from devolving further suburban rail routes to TfL.

Anything short of this simply won't make the improvements desperately needed. It is a fact, TfL lines have more frequent trains, fewer delays and cancellations, more staff at stations and fares are frozen. We will keep pushing the Government to deliver the rail devolution they have promised and that is needed.

Recommendation 7: In response to this report, TfL should set out clear plans for achieving the savings and efficiencies set out in its press release of 8 June 2016.

TfL's cost reduction programme is described in its Business Plan. The savings I referred to in my press release about my fares freeze in June are just a few examples of the many areas where TfL is cutting waste and removing inefficiencies from the organisation.

The critical measure of whether TfL is successful in delivering savings and efficiencies plans is whether it holds its costs down year on year while maintaining service standards and delivering the capital programme London needs to remain successful.

Recommendation 8: In all future Operational and Financial Performance reports, TfL should set out what savings and efficiencies it has made in each business area, what further reductions are planned, and the impact of these changes on the organisation.

TfL has completely overhauled and redesigned its quarterly financial reporting, replacing the former report with a new Quarterly Performance Report (QPR). The aim of the QPR is to provide relevant financial information in a clear, consistent and transparent way in alignment with my commitment for TfL to be a more open and transparent organisation. I was pleased to hear about the Committee's positive feedback regarding the QPR and how this will assist proper scrutiny of TfL's finances.

A key benefit of this new approach to financial reporting is that it is now far easier to track TfL's financial performance between quarters and financial years, both at an organisational level and by business area. Trend analysis shows performance against the comparable quarter over the past five years as well as over a rolling 15-month period. This is intended to provide both longer and shorter term views of the business.

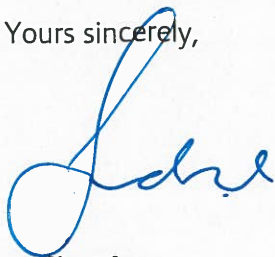
MAYOR OF LONDON

In relation to TfL's savings and efficiencies programme, the organisation's success in delivering the cost reductions while maintaining performance standards and delivery of the core capital programme will be reported regularly at both an organisational level and business area level in the QPR.

TfL looks forward to continuing to engage with you on its financial reporting and how this information can be even more transparent.

I thank the Committee again for its thoughtful and considered report.

Yours sincerely,



Sadiq Khan
Mayor of London

Enc.

Cc: Lucy Pickering, Budget and Performance Committee Scrutiny Manager

Appendix 1: TfL's proposed enhancements to future devolved services

- 1.1 Were we to be given responsibility for more suburban services, the initial package of improvements we would look to introduce would replicate those made on previously devolved services, and would include:
- a) enhanced station staffing, to provide better assistance and a more secure travel environment to all customers, as well as, in particular, guaranteeing a turn-up-and-go service to customers who need assistance to board the train, rather than them having to book ahead;
 - b) integration into our fares and ticketing structures, ending the situation where customers pay a different fare depending on which operator's service they travel on;
 - c) measures to cut delays and improve reliability;
 - d) full integration into our multi-modal real-time information processes and products, providing accurate, live, joined-up travel advice for customers;
 - e) additional services to increase train frequencies at times of day when there is spare track capacity (for example in the evenings and on Sundays);
 - f) measures to improve ticket retailing and reduce fare evasion, including provisions of more and improved ticket machines and the installation of ticket gates at more stations; and
 - g) station deep cleans and enhancement of station facilities and rolling stock refurbishment delivering improved internal and external appearance.
- 1.2 In the longer-term we would seek to further improve the functionality of suburban services, particularly in South London, to make the customer experience more like that on London Underground (LU).
- 1.3 The suburban rail network in south London provides excellent geographical coverage in many areas but frequencies are low compared to both LU and some other suburban routes, journey times are relatively long, services are complex and many trains are heavily crowded at peak times. The concept of "metroisation" that we have developed would introduce more consistent stopping patterns, clearer routes, and new interchanges. It would also implement improvements to track, junctions and signalling to increase capacity. New rolling stock would have better acceleration and braking to reduce journey times, which combined with wider doors and more active dispatch staff would enable reduced station dwell times and increased train frequencies.
- 1.4 To achieve a transformation of this type we would need to work closely with Network Rail and other industry partners. It would also require capacity that is reserved for non-passenger (e.g. freight) services during the peak period, and which is often not fully utilised, to be transferred to other times of day.
- 1.5 Improvements of this kind would enable large areas of brownfield land to be opened up for housing development that would not otherwise be viable, enabling the building of many thousands of homes.

1.6 We are well placed to deliver enhancements such as metroisation because we can:

- a) prioritise resources, leading to better alignment of overall multi-modal transport decision-making;
- b) align planning provision with land-use planning, particularly opportunities for house building;
- c) see a direct return to the local economies from better railways, and invest in local railways, even though they are not the most commercially remunerative; and
- d) lever in funding from different sources.