

Fares from 5 March 2023

TfL Advice to the Mayor

11 January 2023

Executive Summary

The funding agreement with Government dated 30 August 2022 assumes that the Mayor will increase fares for 2023/24 in line with increases in national rail fares set by Government and provides that, if he does not do this, this will affect TfL's funding. Government has decided to increase national rail fares by 5.9% for 2023/24.

An overall average increase of 5.9% on TfL fares under the Mayor's control would be consistent with the assumptions in the 30 August 2022 funding settlement and help protect TfL's funding to ensure TfL can reach financial sustainability in line with the long-term objective of the funding agreements, while ensuring the increase in fares is as affordable as possible for Londoners. This paper sets out TfL's advice to the Mayor on the implementation of a TfL fares increase in March 2023 which delivers an overall increase in fares of 5.9 per cent. Subject to the Mayor's approval it is proposed that the fares increase will be implemented from 5 March 2023

TfL proposes to deliver an overall average fares increase of 5.9 per cent, with all existing TfL fare concessions protected and maintained as part of this fares increase.

The Mayor froze the fares under his control at 2016 levels for the four years 2017 – 2020. In order to meet the conditions of the funding settlements at the time TfL fares increased by RPI+1 per cent in March 2021 and March 2022. The proposed increase on 5 March 2023 will be only the third fares increase implemented by the current Mayor and is consistent with the assumptions set out in the funding settlement made with Government in August 2022.

The funding settlement in August 2022 set out a passenger revenue scenario for 2022/23 and 2023/24. The passenger revenue scenario assumed an annual increase of fares by 4 per cent in March of each year. The settlement set out that Government would update the scenario if the national rail annual fares increase differs from this. The passenger revenue scenario included a provision that if, the Mayor chooses to increase fares by a different amount this would be factored into any top up funding TfL receives.

On 22 December 2022, Department for Transport announced that national rail fares would increase by 5.9 per cent.

The passenger revenue scenario included a condition that if the Mayor decided to increase fares by an amount less than the national rail fare increase no additional funding would be provided by Government and this increase would be factored into any top up funding TfL receives.

TfL's advice recognises the fare agreements with the Train Operating Companies (TOCs) and national government. These agreements determine the prices of Travelcards, the associated pay as you go (PAYG) caps and certain fares on TfL's rail services. As a result, Travelcard prices

and the cost of the multi-modal PAYG caps are set by agreement with the TOCs. The TOCs have been instructed by the Department for Transport (DfT) to increase their regulated fares by 5.9 per cent. These increases reflect national government rail fares policy over which the Mayor has no control.

Introduction and background

- 1.1 This paper sets out TfL's advice to the Mayor on fares for 2023 to increase TfL's fares overall by 5.9 per cent, consistent with the assumptions in the 30 August 2022 funding settlement.
- 1.2 Public transport usage remains substantially reduced as a result of the COVID-19 pandemic, which has significantly impacted the revenue collected by TfL. Overall, in 2022 demand was around 25 per cent below 2019 levels on the Tube; and 18 per cent below 2019 levels on buses.
- 1.3 The continued impact of the pandemic on travel patterns for commuting and leisure, coupled with inflation at historic highs means that demand can reasonably be anticipated to continue to be suppressed throughout 2023 and into 2024. Revenue in 2023 is uncertain.
- 1.4 Travelcard prices and the cost of the multi-modal pay as you go caps are set by agreement with the TOCs. The TOCs have been permitted by the DfT to increase their regulated fares by 5.9 per cent.

Overview of proposed fare changes in March 2023

- 1.5 TfL fare proposals for 2023 are set out below. The proposals for bus and Tube fares reflect a 5.9 per cent increase in fares in line with the assumptions and provisions of the August 2022 financial settlement agreed with Government.
- 1.6 As revenue in 2023 will be uncertain, an overall revenue yield has been calculated based on the core GLA budget passenger income scenario developed by TfL Finance, and a 5.9 per cent increase applied across all TfL fares and prices.
- 1.7 These increases are projected to produce an annualised revenue yield of £256m overall in 2023, comprising £164m for LU; £72m for buses; and £21m for the DLR, trams, London Overground and the Elizabeth line. As the 2023 fares increase has been delayed by two months at the request of DfT to align to fare changes on NR services, the total yield expected in the 10 months of 2023 to which it applies falls to around £213m.

Bus and Tram fares

- 1.8 On buses and trams, fares are increased as shown in Table 1.1. The adult PAYG single fare is increased by 10p to £1.75. This is the third increase to the bus and tram fare since 2014.
- 1.9 The One Day bus and tram cap is increased to £5.25, equal to the price of three single bus or tram fares. The 7-day bus and tram season ticket is increased to £24.70.
- 1.10 The discounted adult and child fares for bus and tram will be 85p.

Table 1.1: Bus and Tram adult fares in March 2023

	Current	March 2023	Increase
PAYG – single	£1.65	£1.75	6.1%
PAYG – daily cap	£4.95	£5.25	6.1%
7 Day Bus & Tram Pass	£23.30	£24.70	6.0%
1 Day Bus & Tram Pass	£5.50	£5.90	7.2%

- 1.11 The multi-journey Hopper fare, which allows unlimited bus and tram transfers within one hour of the start of a bus or tram PAYG journey, is maintained.

Travelcard season tickets in Zones 1-6

- 1.12 Travelcard season ticket prices increase as shown in Table 1.2. The overall increase across all Travelcards is 5.9 per cent reflecting national Government rail fares policy.

Table 1.2: Travelcard seasons – 7 Day ticket prices

Number of zones	Current	March 2023	Change
Including Zone 1			
2	£38.40	£40.70	6.0%
3	£45.20	£47.90	6.0%
4	£55.20	£58.50	6.0%
5	£65.70	£69.60	5.9%
6	£70.30	£74.40	5.8%
Excluding Zone 1			
2	£28.80	£30.50	5.9%
3	£31.90	£33.80	6.0%
4	£38.20	£40.50	6.0%
5	£48.10	£50.90	5.8%

Tube, DLR and Overground fares in Zones 1-6

- 1.13 On the Tube and other TfL operated rail services where Tube fares apply, PAYG fares are increased by 5.9 per cent overall. See Table 1.3.
- 1.14 Peak and off-peak PAYG fares become more graduated according to the number of Zones travelled through.

- 1.15 The flat child off-peak PAYG fare which applies on both TfL rail services and National Rail (NR) increases by 5p to 85p. The child peak LU PAYG fare increases by 5p to 95p – half the minimum adult peak fare. The off-peak child cap increases by 5p to £1.65.
- 1.16 Peak PAYG fares for journeys in Zone 1 will increase by 30p to £2.80 with off-peak PAYG fares only increasing by 20p to £2.70. This will see different peak and off-peak PAYG fares applied in Zone 1 from 5 March 2023.

Table 1.3: Adult PAYG fares on TfL rail services in March 2023

Number of zones	Current		March 2023		Increase	
	Peak	Off Peak	Peak	Off-peak	Peak	Off-peak
Zones incl. Zone 1						
1	£2.50	£2.50	£2.80	£2.70	12.0%	8.0%
2	£3.20	£2.60	£3.40	£2.80	6.3%	7.7%
3	£3.60	£2.90	£3.70	£3.00	2.8%	3.4%
4	£4.30	£3.10	£4.40	£3.20	2.3%	3.2%
5	£5.00	£3.40	£5.10	£3.50	2.0%	2.9%
6	£5.50	£3.50	£5.60	£3.60	1.8%	2.9%
Zones excl. Zone 1						
1	£1.80	£1.60	£1.90	£1.80	5.6%	12.5%
2	£2.00	£1.70	£2.10	£1.90	5.0%	11.8%
3	£2.70	£1.80	£2.80	£1.90	3.7%	5.6%
4	£2.90	£1.90	£3.00	£2.00	3.4%	5.3%
5	£3.30	£1.90	£3.40	£2.10	3.0%	10.5%

Tube cash fares in Zones 1-6

- 1.17 Cash fares, also known as paper single and return tickets, for Zones 1 – 6 will increase by 40p to £6.70. Child cash fares for those aged 11 to 15 remain at half the adult rate. Accompanied under-11s will continue to travel free.
- 1.18 Fewer than 1 per cent of Tube journeys are now made with Tube cash fares.
- 1.19 NR cash through fares in Zones 1-6 increase in line with the 5.9% NR fares increase

One day PAYG price caps in Zones 1-6

- 1.20 Tables 1.4.1 and 1.4.2 below set out the proposed all day PAYG caps and Day Travelcard ticket prices.
- 1.21 The daily PAYG caps are set by agreement with the TOCs to be 20 per cent of 7 Day Travelcard prices. The caps increase by between 40p and 80p, commensurate with the increases in Travelcard season ticket prices.

Table 1.4.1: All Day PAYG caps in 2022 and 2023

Zones	All day caps		
	Current	March 2023	Change
1-2	£7.40	£7.70	4.1%
1-3	£8.70	£9.00	3.4%
1-4	£10.60	£11.00	3.8%
1-5	£12.70	£13.10	3.1%
1-6	£13.50	£14.10	4.4%

One Day Travelcard tickets

- 1.22 The prices of both the Zones 1-6 off-peak Travelcard ticket and the Zones 1-4 all day Travelcard increase by 80p to £15.20. The Zones 1-6 all day Travelcard ticket price increases by £1.20p to £21.50. These increases are set by agreement with the TOCs and reflect national government rail fares policy

Table 1.4.2: Day Travelcard tickets in 2022 and 2023

	Day Travelcards		
	Current	March 2023	Change
All day 1-4	£14.40	£15.20	5.6%
All day 1-6	£20.30	£21.50	5.9%
Off-peak 1-6	£14.40	£15.20	5.6%

Concessions and discounts on TfL rail services

- 1.23 For the under 16s, all day Travelcard prices and daily PAYG caps are set at half the adult rate and increase in line with adult prices. These increases are set by agreement with the TOCs and reflect national government rail fares policy.
- 1.24 The under 16s off-peak cap available through the Zip card is increased by 5p to £1.65. Accompanied under 11s continue to travel free on all TfL services; and on TOC services provided a valid Zip card is held.
- 1.25 Existing concessions and discounts for eligible groups are unchanged.

Tube fares for travel beyond Zone 6

- 1.26 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 will increase in line with the general NR increase of 5.9 per cent.
- 1.27 Travelcard prices and the associated PAYG caps with coverage in Zones 7 to 9 increase by an average of 5.9 per cent, as set by agreement with the TOCs and reflect national government rail fares policy.

Fares on services transferred to TfL in May 2015

- 1.28 On the Greater Anglia to Liverpool Street services transferred to TfL in May 2015, NR cash single fares and point-to-point season prices were retained as part of the transfer arrangements. These NR fares will increase in line with the general NR increase of 5.9 per cent.

Fares on services transferred to TfL in May 2018

- 1.29 On the Great Western and Heathrow Connect services transferred to TfL in May 2018, NR cash single fares and point-to-point season prices were retained as part of the transfer arrangements. These NR fares will increase in line with the general NR increase of 5.9 per cent.
- 1.30 The TfL-set additional fare supplements to the Heathrow fares will increase by 40p.

Fares on the Elizabeth line service to Reading

- 1.31 Since 15 December 2019 a TfL service has run between Reading and Paddington. Under agreements reached over 10 years ago between the DfT and TfL, common fares will apply on TOC and TfL services.
- 1.32 On these services, NR cash single fares and point-to-point season prices were retained as part of the transfer arrangements. These NR fares will increase in line with the general NR increase of 5.9 per cent.

IFS Cloud Cable Car

- 1.33 The one way Adult fare will remain at £6. The child fare will remain at 50 per cent of the adult fare. Round trips will be charged at double the one way fare. Table 1.5 below sets out the fares.

Table 1.5: IFS Cloud Cable Car fares in 2022 and 2023

	Current	March 2023	Change
Adult			
One-way	£6.00	£6.00	0%
Round trip	£12.00	£12.00	0%
Child			

Single	£3.00	£3.00	0%
Round trip	£6.00	£6.00	0%

2. 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. This proposal is to implement an overall average fares increase of 5.9 per cent to meet the assumptions of the funding agreement set by Government, which aim to ensure TfL can reach financial sustainability (in line with the long-term objective of the funding agreement) while ensuring the increase in fares is as affordable as possible. The fares changes will ensure ongoing vital investment in public transport once TfL reaches financial sustainability.
- 2.2 These changes in fares are therefore key to supporting and enabling the delivery of the Mayor’s Transport Strategy, and the continued delivery TfL’s transport investment programme - while also supporting the transport objectives of the London Plan and the Mayor’s Transport Strategy.
- 2.3 The 5.9 per cent increase in London Travelcard prices and the associated PAYG caps have been agreed by TfL and the TOCs and reflect national government fares regulation.

3. Equality comments

- 3.1 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and TfL are subject to a public sector equality duty and must have ‘due regard’ to the need to (i) eliminate unlawful discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Relevant protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 3.2 The duty above applies to the Mayor’s duty to direct TfL as to the general level and structure of fares under the Greater London Authority Act 1999 (“GLA Act 1999”). The Mayor is not required to conduct a consultation in relation to the fares proposals.
- 3.3 TfL has identified seven groups of Londoners (highlighted below) who typically face barriers to public transport use. Among the key issues for these groups is the cost of fares.
- 3.4 Londoners with protected characteristics are likely to be adversely affected by increases in fares, such as those on low incomes or who rely on public transport. Increases to fares may have an adverse impact on all Londoners, with the impact exacerbated on some groups. These Londoners are also likely to be those most reliant on public transport and would be most affected if the quality and reliability of public transport was to deteriorate. The potential impacts are considered further below.

- 3.5 **BAME Londoners** are more likely to live in low income households, are likely to cite affordability as a barrier to transport and more likely to use buses than the Tube¹. The increase in TfL bus and Tube fares in the March 2023 fares package may therefore have a negative impact on BAME Londoners compared with a scenario in which fares are not increased.
- 3.6 **Women** are more likely 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. Women are also more likely to use buses than the Tube¹. The increase in TfL bus and Tube fares in the March 2023 fares package may therefore have a negative impact on women compared with a scenario in which fares are not increased.
- 3.7 **Older Londoners** are more likely to be retired, and many live on low incomes. The 60+ concession and the Freedom Pass for older and disabled people mean that the March 2023 fares will have only limited impacts on older people as the concessionary scheme will remain unchanged by this fares revision. See also 3.12 below.
- 3.8 **Disabled Londoners** are more likely to live in low income households. One in three families in London with a disabled child live in poverty.² One of the reasons for this is the higher costs of supporting a disabled child. In some cases, it can be three times more expensive to bring up a child with an impairment.³ Carers are also likely to experience financial hardships as a knock-on effect of the need to take lower-paid and part-time work.

While the Freedom Pass for disabled people will mean that the March 2023 fares will not impact some disabled people it is important to recognise that parents of disabled children and some disabled Londoners whose income is impacted by the barriers to employment, are not eligible for a Freedom Pass. The discretionary nature of the eligibility criteria can mean that applications from some people for example adults with learning difficulties are not successful. This group are therefore especially vulnerable to the increase in fares.

- 3.9 **Younger Londoners** are less likely to be physically disabled but more likely to be from a BAME community and therefore more likely to be experiencing the financial barriers discussed above. The Zip card concession limits the impact of the March 2023 fare changes on younger Londoners.
- 3.10 **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 may be tied to the cost of housing, childcare and transport as well as access to education, qualifications, and health. More children living in poverty are part of low-income working families than are in workless families⁴. Londoners on low incomes are more likely to use buses than the Tube¹. The March 2023 fare changes may therefore have a negative impact on this group, compared with a scenario in which fares are not increased.

1 Travel in London: Understanding our diverse communities 2019, TfL

2 Poverty in London: 2015/16 Intelligence Update 2017-06, GLA

3 Paying to care: The cost of childhood disability, Joseph Rowntree Foundation, 1998

⁴ www.londonpovertyprofile.org.uk/indicators/groups/children/

- 3.11 **LGBTQ Londoners** have reported hate crime as their major concern in relation to transport. The March 2023 fare changes have no specific implications for the LGBTQ community.
- 3.12 Some of those who comprise the seven groups identified above are likely to benefit from free travel concessions or discounted fares related to age, disability status or receipt of income-related benefits. While restrictions are now in place for morning peak time for the use of the 60+ and Older Person Freedom Passes, these concessions remain more generous than that statutorily required or available in many other parts of the country. Free travel remains in place at all other times in the week and at all times during the weekend and bank holidays.
- 3.13 Other current concessionary fare schemes are being maintained in order to keep public transport accessible to people who face barriers to public transport use. These schemes thereby offset or mitigate any detrimental impacts resulting from fares increases, which could reduce the affordability of transport for people on low incomes.
- 3.14 The concessions available are set out below:
- Children under 11 travel free on all TfL services (subject to a maximum of four accompanying an adult).
 - 11-15 Oyster photocard provides free TfL bus and tram travel and reduced fare rail travel in London.
 - 16+ Oyster photocard provides free TfL bus and tram travel and half fare rail travel in London.
 - 18+ Student Oyster photocard provides reduced rate TfL Bus and Tram Pass season and Travelcard season travel.
 - Job Centre Plus Travel Discount Card provides half price TfL bus, tram 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 over 60 up to state pension age) provides free travel in London except between 0430 and 0859 on weekdays, excluding bank holidays.
 - London Freedom Pass (people above state pension age and people with an eligible disability) provides free travel in London. There are restrictions on the use of the older persons' Freedom Pass concessions between 04:30 and 8:59 on weekdays, excluding bank holidays.
- 3.15 This increase is proposed to be consistent with assumptions in the funding agreement set by Government, and help protect TfL's funding to ensure TfL can reach financial sustainability in line with the long-term objective of the funding agreements, while ensuring the increase in fares is as affordable as possible for Londoners. The potential consequences to the groups identified above of not securing adequate funding for TfL to continue to provide an effective service, and not achieving financial sustainability,

are likely to outweigh any of the potential negative impacts of the fares increase identified above.

- 3.16 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. The proposals will not have an adverse impact on TfL’s ability to run and invest in transport services and are compliant with the Mayor’s public sector equality duty.

4. Links to Strategies

- 4.1 The Mayor’s Transport Strategy highlights the importance of improving transport accessibility for all Londoners and, in doing so, ensuring that the costs of transport remain affordable.

5 Fares Revenue

- 5.1 TfL will manage the income from fares. Table 5 summarises the revenue yields for TfL based on 2019 demand assuming that all fares and prices rise by 5.9 per cent overall. This gives an annualised total revenue yield of £256m.
- 5.2 Due to the ongoing changes in travel patterns for both commuting and leisure following the pandemic we expect journey numbers to be lower in 2023 than in 2019.

Table 5: Annual revenue yields from 5 March 2023 fare changes based on 2019 Revenue and an overall increase of 5.9 per cent - £m pa

Price effects	Bus yield	Tube yield	Rail yield	Total Yield
Cash fares	£0	£0	£0	£0
PAYG (Incl. Capping)	£52m	£119m	£17m	£188m
Off-peak day Travelcards	£0	£5m	£0	£6m
Anytime day Travelcards	£0	£2m	£0	£2m
Bus and Tram season tickets	£8m	–	–	£8m
Travelcard seasons	£11m	£37m	£3m	£52m
Total yield (based on 2019 demand)	£72m	£164m	£21m	£256m
	6.0%	5.9%	6.5%	5.9%

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

- 5.3 All other existing concessions will be maintained and are funded in the TfL budget until the end of the current financial year and in the TfL budget for 2023/24.