



Caroline Pidgeon MBE AM
Chair of the Transport Committee

The Rt Hon Grant Shapps MP
Secretary of State for Transport
Department for Transport

cc Andy Byford, Seb Dance, Simon Kilonback

(Sent by email)

16 February 2022

Dear Grant,

Transport for London (TfL) funding agreement

You may be aware that the London Assembly's Transport Committee recently held an investigation into TfL's finances, including a Committee meeting on 9 February 2022. The meeting was attended by Seb Dance, Deputy Mayor for Transport; Andy Byford, Commissioner for TfL; and Simon Kilonback, Chief Finance Officer for TfL, and the meeting allowed the Committee to gain a fuller understanding of the benefits that a long-term funding arrangement between TfL and government would bring. Ahead of the 18 February 2022 deadline for the end of the latest extension to the current funding agreement, the Committee is writing to ask you to urgently consider the points below as part of the negotiations and to consider a long term agreement.

The Committee understands that negotiations between the DfT and TfL are ongoing. We learnt from Andy Byford that TfL felt the funding agreement proposed by government on 4 February was "unacceptable" to TfL in terms of the conditions attached. The Committee was also surprised to hear that this agreement would have only taken funding up until June this year.

Andy Byford put on record how grateful TfL is for the £5 billion of support it has already received and that government is prepared to offer capital investment for TfL that will allow it to better plan for the future. This is against the recognised challenges of the unprecedented ongoing impact of the pandemic across a range of sectors.

The Committee has heard evidence on several occasions about how unique TfL is in its dependence on fare revenue for its funding streams, compared to international comparators. The Mayor has made a commitment to raising at least £500 million of additional funding per annum, including through fares increases and the council tax precept, to support the running of the transport network, which would represent a positive contribution to TfL's financial sustainability and will help to provide much-needed funding for London's transport system. The Committee acknowledges that the Mayor has a responsibility to ensure these funds are in place. The Committee also acknowledges the exceptional financial circumstances caused by the pandemic. TfL has stated that it still needs a further contribution from government before it can be financially self-sufficient from 2023-24 and is asking for similar certainty of investment that other public transport infrastructure agencies in the UK have, in order to be an economic and efficient operator.

The Committee also heard evidence about the impact of TfL's work outside of London, which seems to closely align with the government's levelling up agenda. TfL has stated that 55 pence in every £1 that London Underground spends goes outside London. This means that the recovery of London, which is dependent on sustainably financed transport, also has an impact on the recovery of the UK as a whole. Alongside this, there are 43,000 jobs across the UK that are dependent on contracts that TfL holds, including the building of new trains for the Piccadilly Line in Goole, Yorkshire. There appears to be significant added benefit for the UK from any investment the government makes in TfL and the improvement of London's transport network.

The evidence heard by the Committee provided several examples of where London's transport network would benefit from the security of a long-term funding agreement that would allow TfL to plan and allocate their resources. TfL described the current short-term funding arrangements as leaving them "paralysed". Areas of concern for the Committee include:

- due to the continued short-term funding agreements, TfL cannot plan ahead to efficiently and effectively procure necessary services and investment, such as the Bakerloo line and Central line trains or investment Healthy Streets and active travel infrastructure. There is an inherent inefficiency to this way of working.
- TfL cannot invest in new rolling stock and cannot invest in new projects to promote active transport in boroughs. TfL is also not able to deliver any more step-free access schemes, other than those that are currently in construction, without further funding.
- TfL has not started any new capital enhancement projects since summer 2021 and is reducing the amount of expenditure it can invest on an in-year basis, to maintain the operability and reliability of its assets.
- some TfL staff are being redeployed away from paused projects that they were hired to work on, and in some cases are being released. This has created a feeling of uncertainty within the organisation and has led to a number of staff leaving.

- TfL is currently unable to make the commitments into the future that it needs to. This includes commitments of five to seven years on the bus contracts side, and 30 to 50 years on the infrastructure side.
- the time spent by senior TfL officials on negotiating the funding agreements is significant. Andy Byford estimated that as much as 60 per cent of his time is spent on budgetary matters. This is not a good use of scarce management resource. Officials in your own department must be similarly consumed with the time taken for these regular negotiations.
- the Committee also heard evidence that if there is no long-term funding agreement, TfL may not be able to move away from its current 'managed decline' scenario – even with the additional £500 million the Mayor has pledged to provide. This could lead to 9 per cent cuts in service to the Tube and potentially up to 19 per cent cuts to the bus network, which could equate to the cancellation of around 100 bus routes.
- TfL has warned that cutting services can lead to a downward spiral that is very difficult to recover from, as customers lose confidence in the frequency and reliability of services and begin to abandon the public transport system. This vicious circle would generate less and less revenue in the future, with further cuts and service reductions inevitably having to follow.
- TfL was expected to benefit from the opening of the new Siemens train factory in Goole, to build new trains for the Central and Bakerloo Lines following the building of the Piccadilly Line fleet. Those orders are now at risk, due to funding uncertainty, which as we've mentioned, has wider economic uncertainty beyond London.

We trust you will consider these points as part of the next round of funding negotiations and we look forward to your response. Please copy your correspondence to Luis Alvarado, Senior Policy Adviser for Transport at luis.alvarado@london.gov.uk by the end of 28 February 2022.

Yours sincerely,



Caroline Pidgeon MBE AM
Chair of the Transport Committee