

MAYOR OF LONDON

Rt Hon Grant Shapps MP

Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

Date: 27 May 2021

Dear Grant,

Further to my letter dated 25 May, in which I requested an urgent meeting to discuss the draft Transport for London (TfL) settlement for the period to 11 December 2021, I wanted to set out my concerns in writing.

As I said in my previous letter, I want to work constructively with the Government over the course of my second term as Mayor, in the interest of London and the whole country, as we seek to recover from the pandemic. But I'll always stand up for London and be honest with Londoners when the Government makes decisions that negatively impact our city.

Having considered the advice of the TfL Commissioner and TfL's Chief Financial Officer, the Government's draft settlement for TfL is simply not one I or any Mayor could accept in its original form, but I believe we can – and we must – now work together to reach a settlement that enables TfL to keep vital transport services running.

The pandemic has had a catastrophic impact on TfL's finances, with a dramatic fall in fares income. As you are aware, this is the sole reason TfL continues to require emergency funding from the Government. I was dismayed therefore that the proposed settlement came with a host of new conditions (over and above those already required by the Government) that would unfairly punish Londoners who did the right thing during the pandemic by avoiding public transport. The conditions proposed last week in the settlement would put at risk TfL's ability to deliver reliable transport services for Londoners, but would also go against the national interest – putting our country's economic recovery in jeopardy.

TfL is a much more efficient organisation now than when I first become Mayor. Before the pandemic hit, I oversaw a reduction in TfL's deficit of 71 per cent and a 13 per cent increase in cash balances. As TfL's Commissioner has pointed out, the quantum of funding proposed is not far short of £1 billion less than what we would need to deliver the outcomes in TfL's draft Budget. While we can meet some of this shortfall by using cash reserves that TfL has prudently built up, it will also mean significant deferrals of spending, including slowing down asset renewal (e.g. road maintenance and repairs), active travel schemes and infrastructure enhancements to support new homes.

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These changes, which will be detrimental to London's transport network and the wider city, would not be necessary if the Government was properly supporting TfL in the wake of the pandemic.

Beyond that, the scale of recurring savings the Government is now demanding (£300m starting this financial year, on top of the £730m TfL is already working to deliver), is significantly beyond what is achievable without massively damaging TfL and reducing the quality and affordability of transport services at the worst possible time. This level of savings would be equivalent to needing to cut a fifth of London's bus network within this financial year and it is simply not deliverable.

In the first temporary emergency funding deal, one of the strings attached by the Government was that TfL had to increase the cost and scope of the Congestion Charge. It was agreed this would be on a temporary basis, but now the Government's proposals set out the spectre of this becoming permanent. It is my view that the temporary charges should be reviewed so as to ensure a strong economic recovery in London, and one that is environmentally sustainable and fair to all.

One of my biggest concerns about the proposed settlement is the new demand that TfL must raise an additional £0.5-£1.0 billion of revenue per year from April 2023. There are very few options for raising this level of new revenue, let alone within such a short timeframe. TfL has calculated that it would require at least one of the following policies to raise £500m a year: an extension to the Congestion Charge zone to the North and South circular; year on year fares increases of 17 per cent; the introduction of a Greater London Boundary charge for cars entering London; a £130-165 Council Tax increase on Band D properties. If you wish London to raise such a sum from within current powers, the Government must be honest with Londoners and outline which of the above options you want to force London to implement just as we are seeking to recover from this pandemic. None of them are desirable, nor is it acceptable to impose them on Londoners. That's why I believe the Government and City Hall must work together to identify alternative appropriate sources of funding so that London can take responsibility for funding its transport network in a way that is fair to Londoners and the country.

One solution that already has longstanding cross-party support is for London to be able to retain our share of Vehicle Excise Duty (VED) to pay for transport services in the capital. This would amount to approximately £500m. VED raised in London is currently spent on roads in other parts of the country while expenditure on roads in the capital is paid for by TfL. It's unfair that London has to effectively pay twice for the maintenance of our roads.

You are also seeking to require TfL to present options by September 2021 to reform its pension scheme and to accelerate reforms to workplace practices to secure further cost savings. It would be wrong and ill-judged to rush proposals for huge reforms to the pension schemes and conditions of TfL's key workers, who have done so much to keep our city moving during the pandemic. Our key workers deserve better given everything they have been through and all the sacrifices they have made during the COVID crisis. As we seek to get our capital city back on its feet following the pandemic, we need TfL running a full service every day, rather than being dogged by unnecessary strikes (costing TfL millions of pounds per day and doing huge harm to the recovery of London's economy and the associated tax revenue), which would be entirely of the Government's making in seeking to rush through these changes.

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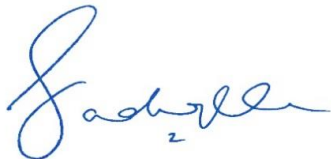
Any requirement to force TfL to implement driverless trains on the London Underground would also be something that I would object to in the strongest possible terms. Whilst the proposed funding settlement only proposes development work on the business case for driverless trains, implementation would in my view represent a gross misuse of taxpayers' money at this critical time for our country. You will be aware that TfL estimates a full conversion to driverless trains across the network would cost £10bn, which the Government would be far better spending on adequately funding vital TfL services and on new transport infrastructure across the country to aid the levelling up agenda. Further work on this will be a distraction from our shared goal of TfL regaining financial sustainability as quickly as possible.

Of course, difficult choices lie ahead to plug the financial gap the pandemic has left in TfL's finances, which we are already seeking to address. In negotiations, TfL has sought to recognise this. But conditions on emergency support for TfL should not (in contrast to the support offered to train operating companies) single out Londoners for punishment or threaten London's recovery, as well as the national recovery.

The future of TfL, and the future of our great capital city, is far too important to be treated as a political football. I know we both want to agree on a settlement to ensure TfL can continue to run essential transport services in the short-term at this vital time, but I will have to be honest about all the implications of what you are proposing to force upon the country's capital.

I look forward to a constructive response.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Rt Hon Sadiq Khan
Mayor of London