Lack of TfL funding could cost London £12 billion over next decade

14 December 2021

- **New City Hall analysis shows how mounting losses to London transport users and the wider economy could exceed £12 billion over the next ten years if TfL is forced to move to a 'managed decline' scenario, which envisages severe cuts to services and capital investment without sufficient government subsidy.**

- **TfL's ambitious efforts to reduce carbon emissions from London's transport sector would also be severely affected, with higher emissions over the next decade. Achieving equivalent emission reductions in order to remain on track to meet UK climate targets would cost £0.3bn.**

    - **Over the period to 2031, the economic disbenefits of moving to a managed decline scenario are estimated to exceed the additional funding required by TfL by £5.2bn.**

    - **This is a conservative estimate. It does not capture additional disbenefits in areas such as housing delivery and London's competitiveness, which could be very large. With fewer sites being unlocked for housing development, there would be 155,000 fewer homes delivered by 2031, equating to a loss in potential land value uplift of between £6bn and £9bn.**

- **Cancelling or delaying major infrastructure schemes also has significant long-term impacts. The net benefits lost from the Piccadilly line signalling upgrade project equates to £5.1bn - £11.7 bn over 40 years, whilst for the Bakerloo line extension and upgrade these equate to £3.6bn - £6.4bn.**

New City Hall analysis has painted a dire picture of the economic and social effects on the capital should Transport for London (TfL) be forced to move to a 'managed decline' scenario if the Government does not provide the emergency and long-term funding required to maintain the capital's transport services.

The most immediate effects would be from cuts to service levels. The Mayor has already outlined how bus services would need to be reduced by 18 per cent – meaning cutting more than 100 routes - with a nine per cent cut in Tube services. This would be coupled with a fall in reliability due to the inability to modernise train fleets, some of which date back to the 1970s, likely resulting in the half of Londoners who own a car using their vehicles more, causing gridlock, disruption and filthy air.

Further losses would also come from severely constraining future capital investment in the road and transport network. The research estimates that, over the next ten years:

- the cost of moving to a 'managed decline' scenario, with severe reductions in service levels and capital investment, would be close to £7.3 bn in transport user benefits – including the time and productivity cost to commuters of service delays and infrequency and road congestion.
- Loss of wider economic benefits (e.g. from reduced productivity) could mean £4.5bn growth lost over the same period.
- Adding together the above and including the cost of increased carbon emissions, the total economic impacts could be over £12bn over the next decade. In present value terms, this exceeds the additional funding required by TfL by £5.2bn and means that every £1 the Treasury invests in TfL will return £1.75 in benefits.
    - This is a conservative estimate. It does not capture additional disbenefits in areas such as housing delivery and London's competitiveness, which could be very large. Unless funding is restored the disbenefits from reduced capital expenditure are expected to rapidly increase over a longer time horizon.

To ensure that TfL can continue to play its vital role in the recovery, further operational support will be needed from the Government through to the end of the financial year 2021/22, and around £1.2bn will be needed for the financial year 2022/23. This investment will not only prevent damaging cuts to transport services, but also housing and other schemes, that will bring economic benefits to the capital far more than this original figure.

If TfL do not receive this, it will lead to lost growth on top of that already lost through Brexit and the pandemic. This is threatening the strength of London's economy and its ability to fund public services and investment in the rest of the country - and is putting levelling up at risk.

Beyond that, TfL needs sustainable capital investment, which every major transport network around the world requires to improve transport. London's transport network dates from the 19th century and is therefore in need of constant investment even just to keep it running safely and reliably.

It is also clear that the economic and social impacts resulting from a managed decline scenario would impact some social groups more than others, with a disproportionate burden placed on disadvantaged groups. These groups rely on London's buses more than other modes of transport, and so the anticipated 18 per cent reduction in bus services would hit them hardest. 59 per cent of Londoners travelled by bus at least once a week pre-pandemic, and these figures were higher for people on low incomes. Buses are crucial in providing connectivity on thousands of links including where there isn't a rail alternative, as well as providing interchange with the wider network.

The analysis sets out how the considerable progress made in London transport since TfL was established in 2000 would be gradually undone. London would likely experience a car-led recovery with all the negative consequences that would entail for carbon emissions, air quality, risks to road users, congestion and other negative effects on the city's economy and quality of life. TfL's ambitious efforts to reduce carbon emissions from London's transport sector would also be severely affected, with higher emissions over the next decade to 2031, equating to £0.3bn.

TfL have already had to make tough decisions on future projects due to the economic impact of the pandemic, including putting the Bakerloo line extension on pause. In a managed decline scenario, the Bakerloo line extension along the Old Kent Road towards Lewisham would become undeliverable for at least a decade, and more than 25,000 new homes and 15,000 jobs that rely on the extension may never materialise. The West London orbital would also not be developed until at least the 2030s, and the Piccadilly line signalling upgrade would also not go ahead. The cancelling or delaying of these major infrastructure schemes has significant impacts, with the net benefits from the Bakerloo line extension and upgrade project equating to between £3.6bn and £6.4bn, and those lost from the Piccadilly line signalling upgrade equating to between £5.1bn and £11.7bn over for 40 years.*

Without new transport infrastructure it will mean less sites being unlocked for housing development. There would be 155,000 fewer homes delivered by 2031, equating to a loss in potential land value uplift of between £6bn and £9bn.

The Mayor of London, Sadiq Khan, said: "This comprehensive analysis shows the truly dire economic and social impact that a managed decline scenario would have on our capital. From failing to progress major projects and undoing our hard work tackling carbon emissions, to halting the delivery of new homes and cutting transport services, there will be knock-on effects in nearly every area of the capital's economy if the Government fails to properly fund TfL – with London's most disadvantaged groups affected the most. It is now only three days until the current TfL funding deal expires, and I continue to urge the Government to step up negotiations so we can save London's transport network, and with it the economic recovery in the capital and wider country."

Andy Byford, London's Transport Commissioner said: "There is a clear relationship between London's economy and the efficient and reliable transport service that supports it. There can be no UK recovery from the pandemic without a London recovery, and London's recovery will rely upon its transport system. It is essential that in the days remaining before the current agreement with Government expires, a solution is found that prevents a downward spiral for transport in the capital and allows to us get on with the job of re-energising London to the benefit of the whole country."

London contributed £36.2 billion a year more to the Treasury than the Government spent in London in 2019/20. That money goes to fund services, including public transport, in the rest of the country. London's transport network is also the engine of the capital, with TfL investment and its supply chain currently supporting 43,000 jobs across the country, with 55p of every pound spent on London Underground by TfL going outside of London. These jobs will be put at risk under a managed decline scenario.

Notes to editors

* The economic impacts of the Bakerloo Line extension were calculated on the basis of prices in 2017 and the impacts of the Piccadilly line extension on the basis of 2012 prices.

The report can be viewed here: https://www.london.gov.uk/business-and-economy-publications/economic-impacts-under-future-funding-scenarios-tfl

- The economic impacts were estimated using Transport for London's suite of strategic transport models and following transport appraisal best practice. These models estimate the time delays to users of the transport network and also the wider economic impacts on business and jobs from the reductions in service levels and cuts to capital investment. The increases in carbon emissions were estimated and then valued using latest Government figures for the monetary value of one tonne of carbon dioxide equivalent.
- Before the pandemic hit, the Mayor had reduced the TfL deficit he inherited by 71 per cent, increased the cash balance by 13 per cent, cut running costs year on year and was on track to reach a net operating surplus - all whilst freezing fares and introducing the Hopper bus fare. However, TfL has to raise 72 per cent of its operating income from fares, whereas it is only 38 per cent in New York or Paris. When the pandemic hit and Londoners did the right thing by staying home to stop the spread of the coronavirus, passenger numbers plummeted by 95 per cent. This had a devastating impact on TfL's finances.
- This analysis estimates that the cost to transport user benefits of moving to the 'managed decline' scenario will be £7.3bn. Transport user benefits will typically reflect the change in consumer surplus from improvements in journey time, congestion and reliability, or from reduction in user charges (e.g. fees) or vehicle operating costs (for private vehicles). If a policy change implies a negative change from the perspective of the consumer (e.g. an increase in journey times), they will experience a disbenefit.
- TfL is one of London's largest landowners and it's 5,700 acre estate is vital to the Mayor's ambition of building the genuinely affordable homes that Londoners so desperately need. As part of the previous funding settlement agreed with the Government, TfL is working to use its land better to provide new homes and is setting up a commercial property company that will allow it to raise the number of homes it delivers from 10,000 homes up to 20,000 homes, without diverting any funding away from the transport network.
- With fewer sites being unlocked for development, 155,000 fewer homes associated with HIF and Growth Fund projects would be delivered by 2031
- TfL has already been making every efficiency saving it can to try to save services, cutting annual running costs by £1bn over the last five years.
- Pre-pandemic TfL was on course to return an operating surplus for the first time, in 2022/23.
- TfL has also reduced the number of staff it employs by 14 per cent since 2015/16, from 31,200 to 26,800.

Other press releases

Former MEP Seb Dance to succeed Heidi

Date: 20 December 2021

Heidi Alexander steps down as Deputy Mayor for Transport on 23rd December.

Statement from the Mayor on TfL funding

Date: 17 December 2021

A statement from the Mayor of London on TfL funding

Mayor warns Government new homes at risk

Date: 06 December 2021

Mayor warns London's housing crisis will intensify if government fails to put TfL on sustainable financial footing

Whole Tube line could close if funding deal fails

Date: 30 November 2021

The Mayor has issued a dire warning that an entire Tube line could close if the Government fails to fund TfL.