

Six Point Plan

To meet the savings needed with a reduced DfT Grant to TfL

1. Accelerate the introduction of Driverless Trains

2. Stop over-subsidising TfL Pensions

3. Introduce Tube Sponsorship, renaming of stations and lines

4. Removal of Staff Nominee Passes

5. Review ticketing policy to incentivise home working.

6. End strike action on the London Underground.

Introduction

Today the Department for Transport (DfT) is expected to cut their annual grant to Transport for London (TfL). Although it is clearly necessary to reduce Government expenditure, we believe cutting London transport would be a mistake. Regardless of the level of funding reduction, the Mayor and TfL will have to use the money they receive as effectively as possible whilst seeking to maximise their revenue from other areas. There may be a temptation to slash back at vital infrastructure or to raise fares. The Mayor should do all he can to avoid both those options.

Recently the Tony Travers chaired London Finance Commission made a strong case for “greater financial freedoms for the capital, giving London government the autonomy to invest in its own vital infrastructure as its population and economy grow, and bring London in line with competitor global cities.”¹ We agree that there are great advantages to London becoming more self-sufficient.

This document represents a blueprint for how TfL should cope with a smaller Government grant, by raising more of its own funds and reducing its dependence on the whims of Central Government. In the light of the cut to TfL’s annual grant there will be a temptation to raise fares or cut crucial upgrade work. Before considering this, the Mayor and TfL should:

1. Accelerate the introduction of Driverless Trains
2. Stop over-subsidising TfL Pensions
3. Introduce Tube Sponsorship
4. Remove staff nominee travel passes
5. Review ticketing policy to incentivise home working.
6. Push the Government to introduce legislation that would end strike action on the London Underground.

¹ <http://www.lse.ac.uk/newsAndMedia/news/archives/2013/05/LondonFinanceCommission.aspx>

1. Accelerate the introduction of Driverless Trains

Combined with the new signalling systems being rolled out through the London Underground, driverless trains will enable significantly more trains per hour to travel through the Tube. This capacity boost will be vital in keeping London moving. In addition the total cost of paying tube drivers' wages had rocketed to £141 million per year by 2010 with some drivers being paid over £62,000 per year. The Mayor has already promised that TfL will not buy another tube train that requires a driver. He should go further and commit to bringing in driverless trains as soon as humanly possible. This would allow TfL to freeze recruitment of drivers, reduce costs and improve the service to Londoners.

2. Stop over-subsidising TfL Pensions

In May figures were uncovered showing that 83,000 members of TfL's pension scheme enjoyed retirement benefits significantly more generous than for other public sector workers in the capital.² The amount TfL contributed from 2004-2011 to workers' pensions totalled £1.6 billion, and has risen by 54 per cent over the last seven years, from £156 million in 2004 to £242 million in 2011. TfL has contributed 31 per cent of salary each year since 2009 compared with five per cent contributions made by employees.

In recent years the public sector pension scheme has been reformed to phase out final salary programmes, including for police. But under current plans, the TfL scheme will not be pared back. The TfL rate compares with the 18.4 per cent contribution that local government employers typically pay. This means that in 2011 TfL paid £144 million more than they would have paid had they made contributions at the 18.4% rate.³

3. Introduce Tube Sponsorship

Last month, the report, 'Untapped Resource: Bearing Down on Fares through Sponsorship' called for TfL to expand its use of commercial sponsorship across London's tube network.⁴ Fresh polling conducted for the report found that more than 4 in 5 people in the Capital (82%) support greater sponsorship across public transport, such as renaming existing tube stations (e.g. Virgin Euston), entire tube lines or bus routes, if the money is used to fund developments that are firmly in the public interest.

TfL have embraced sponsorship to help fund new infrastructure, such as the Emirates Airline and the Barclays Cycle Hire scheme, but remain resistant to sponsorship of existing infrastructure. Their argument is that the Tube map is an iconic brand and cluttering it with other brands is not appropriate. Yet not

² These figures were uncovered by Gareth Bacon AM.

³ This figure is calculated as follows: £242 million x 18.4/31 = £143.6 million. The £242 million was TfL's pensions expenditure in 2011. 18.4% is the contribution that the public sector typically pays and 31% is the contribution made by TfL each year since 2009.

⁴ This report was written by Gareth Bacon AM.

only have they renamed stations for commercial reasons in the past, but the Emirates brand name already appears on the tube map, following the cable car deal.

Sponsorship is already used on metro systems across the world in places like Madrid, Dubai and New York. Closer to home, it is already widely used across the private sector. Sponsorship of the FA Cup and Premier League for example, far from spelling their ends, has allowed English football to remain competitive and at the top of the world stage. The report argues that TfL must follow in these footsteps if London's transport network is to remain as one of the best too. The report estimated that a long-term (years, not months) sponsorship deal of a central London station, or underground line, which includes naming rights, would be valued in the tens, if not hundreds, of millions of pounds. A figure in this order of magnitude could be used to bear down on fares and contribute to vital infrastructure improvements.

4. Removal of Staff Nominee Passes

Within our suggested amendments to the Mayor's most recent budget, Gareth Bacon proposed removing the over-generous perk of free travel for staff nominees at TfL, which costs the organisation £35.8 million every year. As it is likely that some of the journeys would not happen if they weren't free, we conservatively budgeted an increase to TfL's budget of £17.8 million per year if nominee passes were scrapped. Whilst this is just one example there may well be additional perks that should be reconsidered in today's economic climate.

5. Review ticketing policy to incentivise home working.

The report 'Home Works: Why London needs to expand home working'⁵ made the case for the Mayor and TfL to support home working. There are many strong economic reasons why making it easier for Londoners to work from home or work part-time would be beneficial. However it is worth considering the benefits purely from the perspective of Transport for London. The report's suggestion was that Londoners should be able to buy a 3-day per week Travel card and that those who buy annual Travel cards should receive a rebate for every weekday on which they do not travel.

Much of London's public transport is already seriously congested and demand is expected to skyrocket as London's population expands to 10 million people by 2030. Although using ticketing policy to incentivise home working would cost TfL money in the short-term, this would be outweighed by the significant benefit of reducing demand. The cost of building the additional transport infrastructure to transport over a million more Londoners would be vast and it seems the chances of TfL or Network Rail keeping pace with that demand are low. Creating incentives for those who could work from home to do so for an extra day or two per week would reduce overcrowding and buy London and Londoners some much needed breathing space.

⁵ This report was written by Roger Evans AM.

6. Push the Government to introduce legislation that would end strike action on the London Underground.

In cutting Transport for London's grant, the DfT is asking TfL to do more with less. In return the DfT should ensure that TfL do not have to undertake the reforms we have outlined with one hand tied behind their back.

In April Richard Tracey released the report 'Struck Out: Reforming London Underground's Strike Laws', which called for strike action on the Tube to be banned and replaced with binding pendulum arbitration. In order to proceed to binding pendulum arbitration a majority of all eligible trade union members would have to vote in favour of doing so. This proposal would require Government support in order to become law. The status quo has encouraged trade union leaders to be ever more extreme, whilst turning simple reforms into battles and making deeper reforms virtually impossible. If TfL is to reduce costs for the benefit of Londoners, it needs to have the ability to embark on reforms without the near-constant threat of frivolous strike action.

Conclusion

These measures do not represent a definitive list of everything that TfL should do in order to cut costs, build infrastructure and hold down fares. Rather they represent a good start. The Mayor and Transport for London should be ruthlessly committed to squeezing out waste, reducing delivery costs and bearing down on fares. It is the case that money invested in London has a better rate of return than investment anywhere else in the UK and projects such as building Crossrail 2, electrifying the Barking to Gospel Oak Line and building the Silvertown Tunnel would have huge benefits to Britain's economy. I will continue to make the case for all these improvements, but our case will be even stronger when TfL can show that the money it spends is spent more efficiently than anywhere else in the UK. These six proposals would go a long way to making that the case.