

# Mayor announces independent review of TfL's long term future funding and financing options

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Sadiq Khan, the Mayor of London and Chair of the Transport for London (TfL) Board, has announced that an independent panel of experts has begun a review of TfL's long term future funding and financing options.

The review will be carried out by a panel with significant experience of public policy, Government reviews and reform of public bodies. It will develop options for TfL's long-term future funding and financing models that would enable TfL to deliver the right services for London, invest in new and existing infrastructure and continue to contribute to London's development and sustainability.

Their work will be carried out in parallel with the previously announced Government review of TfL's finances, and is expected to conclude in September. No limits have been set on the breadth of the review, and the panel is completely independent from both TfL and the Greater London Authority (GLA). The panel will not be paid a fee.

The panel membership is:

- TC Chew, Global Rail Business leader at Arup, Chartered Engineer and a Fellow of the Royal Academy of Engineering;
- Stephen Glaister CBE, Emeritus Professor of Transport and Infrastructure at Imperial College London, a member of the Board of TfL 2000 to 2008 and member of the 2019 Oakervee Review of HS2;
- Bridget Rosewell CBE, Chair of Atom Bank and of the M6 Toll company and a Commissioner for the National Infrastructure Commission;
- Sir Jonathan Taylor, Vice President of the European Investment Bank from 2013 until 2019.

Prior to the coronavirus pandemic, TfL said it had achieved significant progress in reducing its operating deficit, despite significant challenges, while still delivering a wide range of improvements to the Tube, bus and rail network during the last financial year.

As recently as the start of March 2020, TfL was still forecasting it would reduce its like-for-like operating deficit by 86 per cent by the end of the 2019/20 compared to the end of 2015/16 and had already increased its cash balance by 31 per cent to £2.2bn.

However, TfL says that since the Government Operating Grant was removed, leaving it as one of the only public transport networks in Western Europe with no regular Government subsidy, around 70 per cent of TfL's income to operate the network has come from fares, meaning the impact of the coronavirus pandemic severely affected TfL's finances.

As part of the national Government strategy to combat the virus, TfL helped to rapidly and significantly reduce public transport use. This helped save lives. But, at its peak, TfL's passenger income was reduced by more than 90 per cent compared to last year, and this has necessitated Government support to ensure transport services in the capital continue to operate effectively.

As part of the funding agreement reached with Government, the Mayor and TfL agreed to a broad ranging review of TfL's future financial position and future financial structure being undertaken. This Government-led review, assisted by KPMG, will validate the financial numbers that underpin the current grant, identify short and medium-term efficiencies that could be introduced, and look to inform the terms of further short-term grant funding for the second half of 2020/21 and the subsequent financial year.

While the Government-led review is also likely to consider funding over a longer time frame, TfL requires long-term sustained funding to ensure it can deliver the major infrastructure projects needed to not just keep the city moving, but to support London's economic growth, particularly as it recovers from the coronavirus pandemic.

Sadiq Khan, Mayor of London, said: "London's public transport network is central to life in our city and will be essential to our recovery. Despite TfL's strong financial position going into this pandemic, Coronavirus has had a devastating effect on TfL's finances, which rely on fare income. Despite the huge strides made in reducing TfL's operating deficit over the past few years it is clearer than ever that the current funding structure is not fit for purpose.

"It is vital that we find a new solution to support not only London but the wider economy, so I am really pleased that an independent panel of experts will review TfL's long term funding and financing options."

Andy Byford, London's Transport Commissioner, said: "Throughout the 20 year life of Transport for London, all Mayors have made a powerful case for investment in public transport to support the economic, social and environmental health of the city and country. This matters now more than ever as growing numbers of people return to public transport as part of a rapid and sustainable recovery from coronavirus.

"Prudent financial management had placed TfL on the cusp of breaking even for the first time in its history and with strong financial reserves. However, the pandemic has revealed that the current funding model, with its heavy reliance on fare revenue, simply doesn't work when faced with such a shock. This important review will examine the options for new and more robust arrangements to provide firmer foundations into the future. Securing TfL's short and long-term financial future as part of our post-covid recovery is one of my top priorities and I look forward to assisting the panel in their work."

Bridget Rosewell CBE said: "I am very pleased to join the Independent Panel reviewing TfL's long term finance and funding needs. TfL has made a major contribution to London's success over recent decades and regardless of the Covid-19 impacts must continue to be able to invest in London's transport system, whether tube, rail, bus, cycling or walking. I look forward to helping to propose ways of making a sustainable and balanced system possible."

Sir Jonathan Taylor said: "I look forward very much to working with colleagues on this review, which will include comparisons with other world cities. A sound framework to ensure continuing necessary investment in its transport system is vital to London's longer term future."

*Photo credit: Transport for London*