

Mayor warns London's economy under threat without TfL settlement

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The Mayor of London, Sadiq Khan, has issued a stark warning that the UK's recovery from the coronavirus pandemic will stall, transport services and infrastructure will collapse, and economic growth will be stifled without appropriate Government funding for Transport for London (TfL).

Prior to the coronavirus pandemic, TfL says it had made huge strides to improve its financial resilience. During the last four years it had made almost £1bn of savings across the organisation and prior to the pandemic was on track to reduce its like-for-like operating deficit for the fourth consecutive year (down 86% compared to 2015/16), and built up cash reserves of more than £2bn (up by 31% compared to 2015/16). As recently as March 2020, TfL was forecasting an operating deficit of around £200m by the end of 2019/20 and was on track to turn what was an operating deficit of almost £1.5bn in 2015/16 into an operating surplus of £58m during 2022/23.

Negotiations between TfL and the Government are now underway on the funding that will be needed for second half of this financial year (2020/21) and for 2021/22, with the stakes extremely high for the future of London and the wider UK. TfL's current emergency funding deal runs out on 17 October.

After TfL's finances were decimated by the pandemic, £2bn will be required for the second half of 2020/21 on expiry of the existing Government funding agreement, and it is anticipated that a further £2.9bn will be required during 2021/22 to stabilise the network's financial position. The Prime Minister announced on Tuesday new measures for the next six months, including working from home if possible. The latest modelling shows that ridership on public transport is likely to remain significantly down for the foreseeable future – and with future social distancing levels uncertain, there remains a significant threat of passenger numbers collapsing further.

Further investment is also needed to complete the Elizabeth line, which is jointly sponsored by central Government and TfL. The Treasury will reap the majority of the Elizabeth line's economic benefit from tax income.

The Mayor has warned that without this support, the outlook for London – the driving force of the UK economy – would be bleak. Without appropriate Government funding, transport in the capital would inevitably deteriorate, with increasingly unreliable services deterring investors, developers, and businesses from doing business in London. This would stifle economic growth in some of the poorest boroughs in the country and see London lose out to international competitors. TfL is instrumental to the city's economy, which generates around 23 per cent of the country's GDP.

Unless appropriate funding is provided, TfL will:

- Be unable to run safe, reliable, and frequent transport services that enable social distancing. If services had to be reduced due to lack of Government investment, social distancing on some services would soon become increasingly difficult during the morning peak. TfL transports a quarter of million children to school every day and it is crucial that full services are retained.
- Have to shelve vital upgrades of ageing, nationally important infrastructure. The Piccadilly and Bakerloo lines already use some of the oldest operational trains in the country – built in 1973 and 1972 respectively. Delaying investment on these and other Underground lines is likely to cost more money in long-term.
- Be forced to use trains that would be over 50 years old by the time they were replaced, even on the Central line. Londoners using the Bakerloo line could have to use trains that would be nearly 70 years old by the time they were replaced. Allowing assets – like trains, signalling, and track – to age unchecked would mean expensive and disruptive emergency measures and reduced reliability, frequency and capacity on the network, hampering economic recovery.
- Have to stop investment into making walking and cycling safer and easier for all Londoners, which is vital for ensuring a green recovery and to avoid replacing one health crisis with another. The Mayor's bold London Streetspace plans, which are supported by Government, are making it safer and more convenient for millions more journeys to be made on foot or by bike through new cycle lanes, School Streets and Low Traffic Neighbourhoods. Failing to invest would also cement road danger and make achieving targets for cutting deaths and serious injury impossible.
- Not have the means to invest in improving the transport network through proposed projects like extending the DLR to Thamesmead that will support more homes in London and making more stations step free and accessible for all.
- Be unable to halt deterioration of critical road structures including the A40 Westway, Brent Cross and Croydon Flyovers, Gallows Corner, and Rotherhithe Tunnel. Allowing major road assets to deteriorate further would lead to short-notice closures, speed and usage restrictions – impacting thousands of users every day and hindering the movement of freight which is vital for businesses up and down the country.
- Be unable to continue progress made on protecting Londoners' health and meeting environmental targets by continuing to tackle London's toxic air and decarbonising the bus fleet.

However, following the 2015 Government Spending Review TfL no longer receives a regular Government operating grant. London is one of the only major cities in Europe without such a grant to cover its day-to-day operations. Over 70 per cent of TfL's income for operating the network comes from fares. This compares to 38 per cent in New York and 47 per cent in Madrid's transport system – and means that TfL's financial model was simply not built to withstand the coronavirus pandemic.

At the peak of the pandemic, TfL's passenger income was reduced by more than 90 per cent compared to last year, and it was therefore reliant on Government providing financial support of up to £1.9bn earlier this year, to ensure transport services in the capital could continue to operate effectively until October 2020.

Sadiq Khan, Mayor of London, said: "I need to be honest about what is at stake if the Government fails to

provide TfL, which has played a vital role throughout the pandemic, with the appropriate funding it needs to function. Transport operators across the world have been hit harder than ever as a result of passengers following advice and staying home during the pandemic – TfL is no exception, and further borrowing is not a viable solution.

“The choice is stark: a safe and effective transport network that continues to deliver for Londoners and support jobs in the capital and across the UK, or a Government-led spiral of disinvestment that sees vital infrastructure age and fail – wasting hundreds of millions of pounds, stalling economic recovery, and taking us back to the deteriorated transport network of the 80s and 90s. I remember what it was like 20 years ago before the sustained investment we’ve seen over the last two decades – crumbling Tube lines, unreliable services, old-fashioned ticketing system and lack of coordination. We must not return to the bad old days.

“The Government must come to the right decision for the benefit of the capital and the country as a whole.”

Photo credit: Transport for London