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Doubts cast over fares cut promise

By James Pickford and Mark Odell



The coalition's long-term spending settlement with London's lead transport body would be thrown into doubt if Ken Livingstone, Labour's candidate for mayor, were to make good on his pledge to slash fares, the transport secretary has told the Financial Times.

Justine Greening raised questions over the viability of Mr Livingstone's flagship "fare deal" proposals, adding that the former mayor would be unable to impose the cuts without the agreement of train operating companies.

"Anyone who says that they can cut over £1bn from Transport for London without hitting services and investment is seeking to pull the wool over people's eyes," she said. "Ken Livingstone knows that the mayor wouldn't have the power to do this without the train operating companies' agreement, and that a cut in TfL's fares revenues would risk breaching the terms of the government's funding settlement with TfL."

If elected, Mr Livingstone has promised to cut 7 per cent from Tube fares from October 2012, freeze fares in 2013 and reduce bus fares by 11 per cent – a package of cuts he said would be worth £1,000 over four years to the average Londoner.

Mr Livingstone, who was mayor from 2000 to 2008, would fund the cuts from an "operating surplus" he has calculated at £727m in last year's TfL budget – a figure denied by Boris Johnson, the current mayor, who says the money is already earmarked for investment.

TfL said it was unable to comment on mayoral campaign matters in the immediate run-up to the May 3 poll. The settlement between the government and TfL, which runs from 2010 to 2014/15, states that it "takes into account... existing and anticipated spending commitments and potential revenue during this period", and "may itself be subject to review at any point", the settlement document says.

Ms Greening's comments also highlighted the role of the train operating companies in agreeing any overall fare cuts in the capital. London's Tube, bus, DLR and Overground services are operated by TfL, which reports to the mayor. But the weekly, monthly and annual Travelcards used by most suburban commuters also cover journeys on many rail services, which are run by train operating companies.

TfL negotiates a revenue sharing scheme with operators and any move to cut fares by the mayor's office would require renegotiation.

As train companies are contractually bound through their franchise agreements with the transport department to pay the government a portion of their revenues, they are likely to resist any move that would see them have to accept a cut in fares.

One industry executive said any such negotiations would be complicated, but added: "There might be a way around it if the mayor could pay train companies the difference."

Mr Livingstone said: "The government's funding settlement with TfL is based upon its business plan. I will fund my 7 per cent fares cut solely out of TfL's massive operating surplus – funds which are additional to those projected in TfL's business plan.

"We have costed for paying the train operating companies for reduced Travelcard income in exactly the same way as when I cut fares several times as mayor previously."

The Association of Train Operating Companies, which negotiates with TfL on behalf of the operators, said: "As always we will consider proposals put forward by TfL and the mayor."

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