# The Case for a Fare Freeze

**Valerie Shawcross AM**




GREATERLONDONAUTHORITY| LONDONASSEMBLY



## Foreword

Each day, millions of people travel by public transport in London. The bus and tube networks are the essential arteries of the capital as they transport people going about their daily lives. For many people, the cost of transport is a significant and unavoidable expense, and it is for this very reason that it is totally unacceptable that Mayor Boris Johnson has hit passengers with seven years of fare rises since he came to power in 2008. Bus fares alone are up 47%[1] since he became Mayor, despite buses being the mode of transport that carries more passengers each day than all other types of transport put together.

This report looks at whether Londoners, particularly those on lower incomes, can afford to use public transport to access the economic and social opportunities that London—one of the most global, but increasingly-expensive, capital cities in the world—has to offer.

***"I will be urging the Mayor to freeze fares for the coming year."***

For too long, Boris Johnson has focused his energies on publicity stunts while Londoners struggle to meet the costs associated with getting to work. His expensive new Routemaster buses were widely promoted, but in reality they comprise less than 10% of the total bus fleet and have been rife with problems. The abandoned estuary airport scheme alone cost taxpayers over £5m before it was ruled out[2] and Transport for London (TfL) is increasingly being used by the Mayor to fund schemes more akin to tourist attractions than transport projects—namely, the Thames Cable Car and, more recently, the Garden Bridge.

I recognise the impact rising fares have had on everyone, but bus users have suffered disproportionately, which is made all the worse by the fact that Londoners on lower incomes rely more heavily on buses to travel around the city. Not only have bus users seen by far the biggest fare rises relative to users of any other mode of transportation, but they have had little return on their investment in terms of capacity and facilities—despite a growing population, increasing demand for more buses, and widespread overcrowding.

Furthermore, an indirect and more pernicious result of ever-increasing fares is that some of London's lower-income households are being priced out of accessing jobs, as well as health and other community services, which are becoming increasingly inaccessible due to the costs associated with travelling to reach them by public transport. As London changes, the bus service needs to be flexible enough to grow and meet Londoners' needs. Instead, it has been neglected by the Mayor.

For all of us, seven years of fare increases, together with stagnant wage growth, means travel is eating up a greater proportion of peoples' pay cheques. Using results from our *Living in London* survey, this report shows that Londoners are becoming increasingly concerned with the cost of travel. It's time for the Mayor to take a new direction for people who use London's public transport network. We need a move away from annual fare rises and the Mayor's vanity projects, and this is why my colleagues and I will be urging the Mayor to freeze fares for the coming year, instead of pushing ahead with his planned 2.5% increase.



## Introduction

Fares are never far from the minds of London's commuters. With the average London household now spending over £60 a week on transport, Londoners haven't had any respite over the last seven years.[3] In that time, tube passengers have seen fares rise by 37%; bus passengers by 47%.

For years, TfL fare increases have outstripped wage growth, which has had the biggest impact on those already struggling to cope with the rising cost of living, as rising fares eat up a far higher proportion of their budgets.

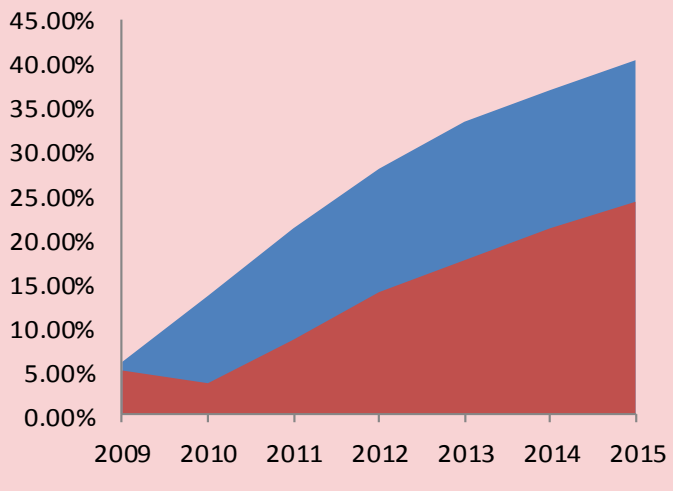
Furthermore, the bus service, which has seen the biggest proportional increase in fares compared with other modes of transport in London, is used more frequently by London's lower-income households. As such, it is these people who are being hardest hit by the Mayor's seven-year fare hikes. Under this Mayor, the bus network has largely been ignored when it comes to investment, with the new Routemaster buses—which reach less than ten per cent of the total bus network—his flagship policy. As such, bus users are paying more for less. And, because the bus network is vital for the low earners and night workers and shift workers, the very people who keep London running, annual fare rises have disproportionately affected those people who can least afford it.

Last year, in my report *Fair Fares,* I made recommendations to help mitigate the rising cost of travel:

- fares should only rise with inflation;
- prices should be more equal between travel card types;
- a one-hour bus ticket should be trialled; and
- loyalty passenger points for long-term Pay-As-You-Go (PAYG) users should be considered.

Despite some progress, our most recent survey of Londoners reveals that, after seven years of fare rises, there is still a long way to go for the Mayor to improve customers' satisfaction.




**Since 2008 fares have risen over 40% - that's 16% over and above inflation.**

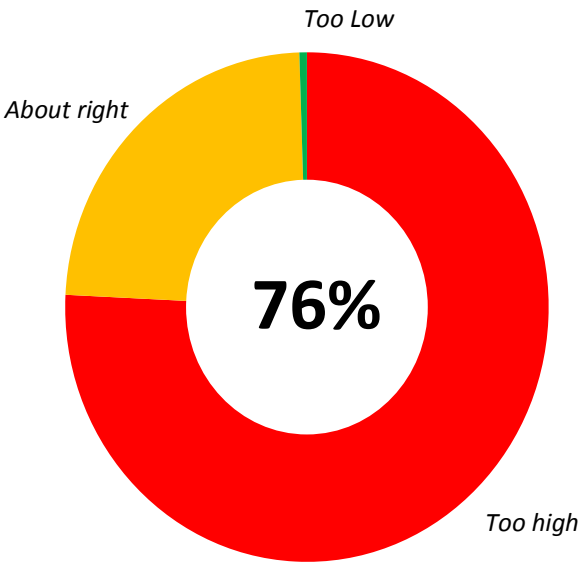
## Survey results

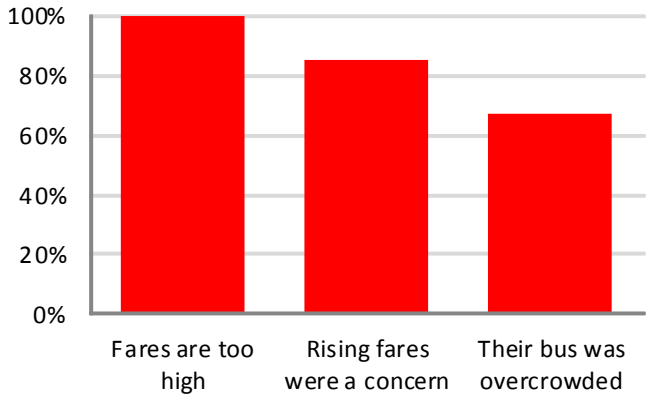
To help us find out how Londoners feel about the state of public transport, we asked people about their everyday experiences when it comes to buses and transport fares.

The survey found that 76% of respondents think that public transport fares are too high, with 68% being concerned with rising transport costs in the face of stagnant wages.

Of those who take the bus regularly, a telling 100% think transport fares are too high, and a large majority are also concerned with future fare increases and overcrowding on their bus journeys.

The results of the survey show widespread concern about fares, and it is clear that regular bus users are particularly concerned about the price of travel, ranking fares their second highest concern after housing. The results of the survey, together with individual stories that we heard from Londoners, show that the recommendations I made last year are as relevant today as ever, and it is clear what the Mayor needs to do to help Londoners cope with the rising costs associated with travelling around the capital.




*Percentage of regular bus users who think:*



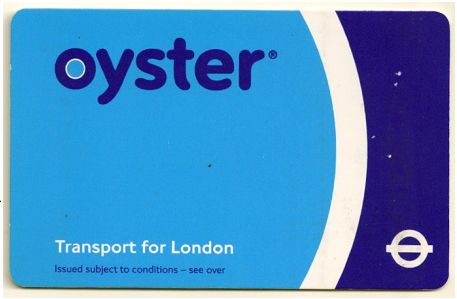
# What you said...

[Fares] can be prohibitively expensive for those on low wages
- *male resident from Barnet*

[The cost of] commuting on the London underground can at times be crippling on top of other living costs
- *male resident from Ealing*

I work flexibly, I cannot guarantee the use of a weekly or longer travel card, so I have to use PAYG on Oyster with auto top up, I top up 2 or 3 times a week.
- *male resident from Newham*

More should be done to even out the cost of a trip from A to B when it involves more than one bus.
- *female resident from Islington*




The increases are making living and working in London nearly impossible. People's salaries hardly cover this anymore!
- *woman from Brent*

Public transport in London is amazing, but the Tube is effectively inaccessible to anyone on a low income
- *survey respondent*

I have to assist my son all the time to buy his weekly bus pass as his wages are too small to purchase a bus pass and buy food
- *female resident from Newham*

I pay more for a travel card from Harrow to central London on a weekday at peak time than I did for a train to Bruges from Brussels on a weekend.
- *young person from Harrow*

**"For too long Boris has focused his energies on publicity stunts while Londoners struggle to get to work."**

# RECOMMENDATIONS

## Recommendation 1: A Fare Freeze

Drawing from the results of the survey we can see that fare increases are a big worry for many people that don't receive free transport. Despite this, the Mayor's latest budget once again increases fares by 2.5%, his seventh fare increase in a row.

There has been slightly more success in lobbying TfL and the Mayor on ticketing, with all-day PAYG caps falling from £15.80 to £11.70 which will help the 26.5% of London workers that are employed part-time or work irregular hours.[4] By equalising the daily and weekly PAYG caps, part-time workers will no longer be paying more for the same service.

However, in a classic rob-Peter-to-pay-Paul approach the off-peak caps have been scrapped. This means that 25,000 Londoners could be worse off, with non-peak commuters in outer London being affected most.

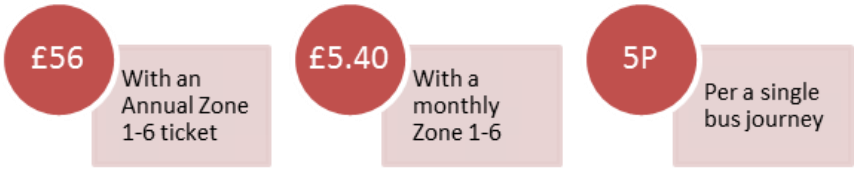
This year's rise is in line with inflation, but that appears to be a temporary pre-election measure, with TfL still planning inflation-busting fares in coming years. Boris Johnson's plans mean that each year—in the face of stagnating wages and the rising living costs—fares will continue to eat up more of Londoners' incomes.

Despite pledging to keep fares low, the Mayor has overseen a 40% rise in fares since he came to power, which means ticket prices have increased 16% above inflation over his seven years in charge.[5]

**"I propose … that the Mayor scraps the 2.5% increase and freezes fares at their 2014 level."**

In 2016, Londoners will elect a new Mayor who will have the opportunity to map out a four-year strategy for TfL fares. Until then, while the economic climate means money is tight, I do not believe the answer is to take more money from Londoners' pockets - especially when TfL is expected to be sitting on millions of pounds of unallocated funds from the income they generate from fares by the end of the year. After years of relentless, above-inflation fare rises, passengers desperately need some financial relief.

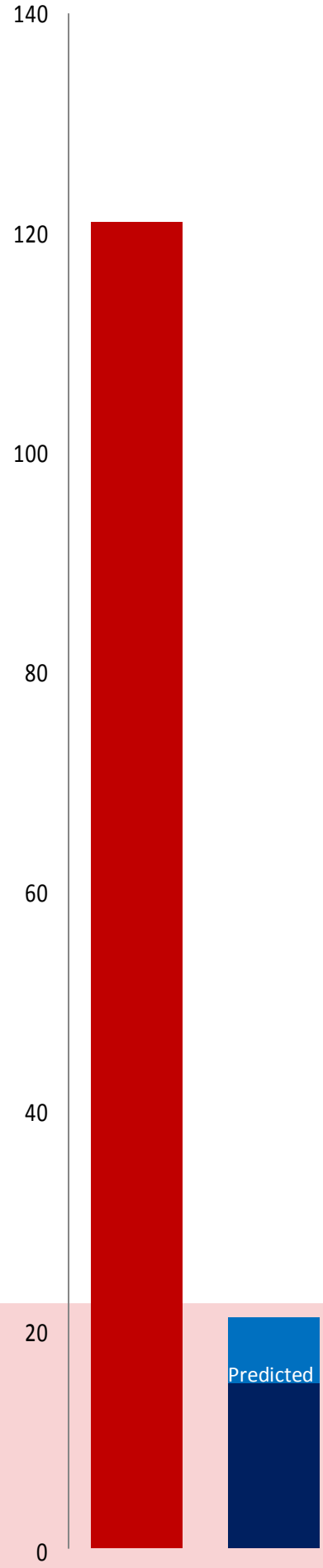
I propose, therefore, that the Mayor scraps the 2.5% increase and freezes fares at their 2014 level. For many Londoners, this will mean a real-terms' cut in the amount they spend on travelling, which translates to the following amounts:




Admittedly, stopping the fare increase in 2015/16 will cost TfL £98 million in lost revenue, but, in order to pay for this, I propose that TfL utilises £98m of the £309m in unallocated funding, which is expected to result from better-than-expected income from fares this year.[6]

From TfL's annual budget reports, we can see that the organisation consistently overestimates its operating expenditure and underestimates its income from fares.

For example, in the Mayor's first five budgets, expenditure has been £1,069m less than expected & income from fares has been £235m more than expected. If this trend continues we can expect 2015 underspends in operating expenditure of £246m and additional fares income of £63m leaving up to **£309m** in additional funding. From this, I believe TfL can pay for a year-long fare freeze that will help Londoners, particularly those on lower incomes, make ends meet




Increase in kilometres operated by the Mayor and TfL (millions). 2000-2008 vs. 2008 onwards

## Recommendation 2: Save the subsidy

A large part of the additional fare increases on the bus network are as a result of the Mayor's decision to reduce the subsidy for bus travel. The bus subsidy is made up of the costs (including staff, fuel, maintenance and parts) minus the fares paid by passengers and payments made by boroughs on behalf of Freedom Pass users. On this measure, London buses require a third less subsidy per passenger than other metropolitan areas. [7]

*Example:* Previously a cleaner who works evenings and lives in Zone Six would have been capped at £8.50 a day, which has increased to £11.70—a £3.20 increase.

People in irregular work and those who work anti-social hours will be hit the hardest.

The current Mayor has also chosen to cut the subsidy for the bus network by 40%. If this trend continues, it will result in fewer bus services and higher fares, both of which will hit London's lower-income households hardest – making it increasingly difficult for them to travel across London to access the full economic and social benefits that London provides. In summary, it would leave London both economically and socially worse off. We need to stop TfL from cutting that subsidy. I believe it is a necessary cost to protect London's economic success, and ensure that all Londoners can access jobs and health and other community services that London has to offer.

**"I will lobby to protect the bus subsidy from further cuts."**

The Mayor needs to view the subsidy for what it is: a way to allow Londoners to get to work, school and access leisure facilities in a cost-effective way**.** That is why we will continue to lobby the Mayor and TfL to protect the bus subsidy from further cuts, and prevent bus passengers from being hit with even more disproportionate fare rises.

| 2015 off peak cap rises | | |
|---|---|---|
| **Zone 1-4** | **Zone 1-5** | **Zone 1-6** |
| Up 19% | Up 28% | Up 38% |

**Between 2000 and 2008 over 120 million kilometres of new bus routes were introduced; since 2008 it has been just 21 million.**

## Recommendation 3: Tickets that match Londoners' needs

As well as overall fare prices, it is important for costs to be distributed fairly, as often those not in full-time, regular work are locked out of discounts, such as those provided by season passes or discount cards. Ideas like a one-hour bus ticket or a loyalty scheme to help irregular workers save money could help redress the imbalance.

Innovations like these would save money for the 80 million pay-as-you-go journeys that take place within an hour of a previous journey, helping the part-time, irregular and casual workers who are suffering most from the Mayor's year-on-year fare rises.

***"I will continue to push for innovative new ticket types such as one-hour tickets."***

For too long, people who work flexible or irregular hours have been disadvantaged by the current Mayor's policy on fares. Last year, I called for a fairer system for part-time workers. While the lower daily cap has moved us a step closer to this, we need to remain vigilant and creative if we are to ensure all Londoners are able to benefit from tickets which match their needs. For that reason my colleagues and I will continue to push for innovative new ticket types such as one-hour tickets and loyalty discounts.

## Recommendation 4: Fighting poverty with mobility

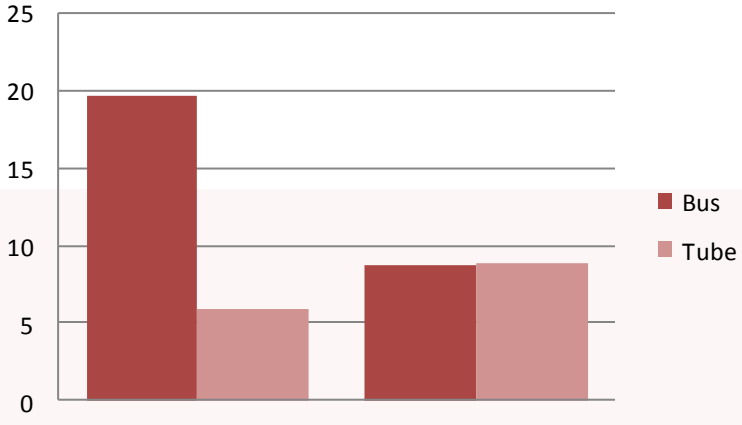
As well as addressing fares, the network itself also needs to be improved. Despite more people travelling on London's buses than any other type of transport, the Mayor has treated the bus service as the poor relation in London's transport system.

After six years of flat-lining investment and limited growth across the network, it is time for the Mayor to take the bus network seriously. With London's rapidly-growing population, overcrowding is likely to get worse and we need more routes and more buses to cope with demand.

Passenger demand is forecast by TfL to increase by approximately eight percent between 2013/14 and 2021/22. The current Business Plan is based on an assumption of no changes to the overall level of bus kilometres in this year and next, followed by growth of approximately four per cent between 2015/16 and 2021/22—i.e. around one per cent per year. This commitment falls short of what is needed.

The Mayor's 11th-hour pledge of new buses is welcome, but for many people who use overcrowded buses it comes too little too late, particularly as thousands of Londoners on lower incomes face significant transport barriers when it comes to accessing employment, with poor access to public transport often occurring in areas of high deprivation.

As I showed in my report, *Tackling Poverty: One Bus Ride Away*, from last year, new bus routes have the power to open up deprived communities and link them to jobs and training opportunities. Flat-lining growth in the bus system risks entrenching inequality further by making it harder for the poorest communities to access jobs and services.



*Percentage of trips by passenger earnings*

To fix these issues we need a joined-up approach that takes into consideration concerns about fares and total reach of the network, and how these impact on individuals' economic success.

The Mayor should take up the recommendations set out in my report, *Tackling Poverty: One Bus Ride Away*, which are repeated in this report and embrace the bus network as a powerful tool for opening up the jobs market to all Londoners, particularly those on lower incomes.

## Recommendations Summary

### A Fare Freeze

TfL should forego the Mayor's planned 2.5% fare increase to provide relief for London's hard-pressed passengers. This should be paid for by using expected TfL underspends and better than expected fare income from 2015 as has historically been the case.

### Save the subsidy

London's bus network is a vital part of its transport mix and one that is disproportionately used by Londoners from lower-income households. Buses help address social inequality by opening up London's economic opportunities to more people, they provide good value for money and they are affordable. By continuing to lobby the mayor and TfL, we will protect the bus subsidy from further cuts and prevent bus passengers from being hit by further fare rises.

***"We will protect the bus subsidy from further cuts."***

### Tickets that match Londoners' needs

Many people don't fit into the standard 9am-5pm working pattern, and transport fares should be redesigned to reflect this and help people who work flexible, irregular and anti-social hours. Implementing one-hour tickets would help, and my colleagues and I will continue to push for innovative new ticket types such as loyalty discounts and timed bus tickets.

### Fighting poverty with mobility

TfL should audit the bus network to ensure that lack of access to the public transport network does not disadvantage anyone—particularly Londoners on lower incomes. We will call upon TfL to utilise the bus network as a tool for opening up the jobs market to lower-income households, by ensuring new bus routes—or changes to existing bus routes—are designed to maximise reach and improve economic and social prospects for everyone who calls London their home.



# REFERENCES


**WORK CITED**

1 Based on the Mayor's Fare decisions 2009-2015.

2 Robin De Peyer (02/10/14), "Boris Johnson defends £5m cost of failed Thames Estuary Airport scheme" London Evening Standard, date retrieved: 23.12.14.

3 Office for National Statistics (2011), Living Costs and Food Survey – Family Spending, Figure 2, date retrieved: 22.09.14.

4 ONS (28/09/12) Business Register and Employment Survey, Pg 2, date retrieved: 22.09.14.

5 Based on the Mayor's Fare decisions 2009-2015, date retrieved: 22.09.14.

6 TfL, Financial Tables 2000/1 to 2020/21, date retrieved: 22.09.14.

7 TfL (2013) Business Plan, Pg. 73, date retrieved: 22.09.14.

**REFERENCES**

TfL Business Plan 2013, Bus KMs Operated 1990/91 to 2012/13.

TfL Business Plan 2013, date retrieved: 13.10.14.

TfL Business Plan 2013, Pg. 73, date retrieved: 18.09.14.

GLA 2012 round population projections: 2008 population is 7,869,882 and 2016 population is 8,754,504 http://www.london.gov.uk/sites/default/files/Update%2005-2013%20GLA%202012%20round%20population%20projections.pdf

London Assembly (28.10.13) Fears of future overcrowding due to 167 million more London bus journeys, date retrieved: 13.01.14.

London Assembly Transport Committee (05.12.12) Question and Answer Session with Transport for London, date retrieved: 18.09.14.

London Assembly Transport Committee, (28.10.13) Bus Services in London, Date retrieved: 13.01.14 Boris Johnson (14.05.14), Response to the London Assembly Transport Committee's Report, date retrieved: 25.09.14.


**IMAGE CREDITS**


Photograph (27/02/12) by Badudoy, distributed under a Creative Commons Attribution-Share Alike 3.0 Unported license

London Buses on Whitehall (22/03/14) by Duncan, distributed under a CC BY 2.0 License

Oyster Card (24/11/08) by Morgaine distributed under Creative Commons Attribution-Share Alike 2.0 Generic license

Photograph (27/02/12) by Tom Page, distributed under Creative Commons Attribution-Share Alike 2.0 Generic license