

TRANSPORT FOR LONDON

AGENDA

BOARD MEETING

**TO BE HELD ON TUESDAY 19 NOVEMBER 2002
IN THE CHAMBER, CITY HALL, THE QUEEN'S WALK, LONDON SE1 2AA ,
COMMENCING AT 10.30 A.M.**

A meeting of the Board will be held to deal with the following business. The public are welcome to attend this meeting, which has disabled access.

1. Procedural business
 - 1.1 Apologies for absence
 - 1.2 Minutes of the previous meeting held on 19 September 2002
 - 1.3 Matters arising, not covered elsewhere
2. Commissioner's Report
3. Finance business
 - 3.1 2nd Quarter Finance Report
 - 3.2 2003/04 Proposed Business Plan
 - 3.3 Thames Gateway Bridge
4. Safety business
Safety, Health & Environment Committee Report
5. Any Other Business

Transport for London

Minutes of a meeting of the Board
held on Thursday 19 September 2002, commencing at noon.
in The Chamber, City Hall, The Queen's Walk, London SE1 2AA

Present: Ken Livingstone (Chair) (Items 64 to 70)

Board Members: Bob Crow
Stephen Glaister
Noël Harwerth
Kirsten Hearn
Oli Jackson
Susan Kramer
Paul Moore
Murziline Parchment (Item 64 to 70)
David Quarmby (items 59 to 64)
Dave Wetzel (Vice Chair) (Chair from items 59 to 64)

**Special Advisor
in attendance:** Lynn Sloman

**Others
in attendance:** Robert Kiley
Maggie Bellis
Ian Brown
Valerie Chapman
Stephen Critchley
Gareth Davies
Isabel Dedring
Peter Hendy
Pip Hesketh
Derek Turner
Jay Walder
Jeroen Weimar
Betty Morgan

59/02 PRELIMINARIES AND APOLOGIES FOR ABSENCE

It was noted that the Chair had been delayed and it was **agreed** that Dave Wetzel would chair the meeting pending Ken Livingstone's arrival. Apologies for absence had been received from David Begg, Mike Hodgkinson, Tony West and Bryan Heiser

60/02 DECLARATION OF INTERESTS

The Chair reminded Board Members of the requirement to declare any interests in the matters under discussion. No interests were declared.

61/02 MINUTES OF PREVIOUS MEETINGS

The minutes of the meeting held on 30 July 2002 were **agreed** as a true record.

62/02 MATTERS ARISING

There were no matters arising, not covered elsewhere.

63/02 COMMISSIONER'S REPORT

The Commissioner introduced Gareth Davies and Maggie Bellis, who had recently been appointed as General Counsel and Director of Corporate Services respectively.

The Commissioner introduced his written report for September 2002 and during discussion, the following points were **noted**:

In order to reduce the disruption caused by road works initiated by utility companies, a Streetworks Task Force had been established. A high level meeting between the Mayor, the Boroughs and the utility companies had been planned in order to achieve co-operative working between the utilities' areas of activity. Additional measures TfL was pursuing included: the pursuit of a further expansion of lane rental with Government; a reinforcement of police presence at site meetings and the development of a database to assist the identification of the location of roadworks. It was **agreed** that a report on progress made with the database would be made to the Board in February 2003;

- A request was made for consultation with the trade unions of all parties involved in the East London Line project, which had been redesigned and expanded;
- The delay in producing rail cars for DLR had been due to strikes at the factory in Crespin but the majority of railcars had been fully commissioned and were due to be in service by the end of November. It was suggested that the publicity literature for the railcars could include the Mayor's decision at an early stage to bring the railcars up to DDA standards;
- Work on the A2 was progressing well and the target date for completion was the end of November;
- It was **agreed** that the Managing Director, Street Management, would prepare a report for the Board on the possibility of introducing a timer countdown system for traffic lights in London, similar to the system used in Istanbul;
- TfL was congratulated on the completion of the Trafalgar Square project and the fact that the significant improvements and environmental benefits were apparent;
- London taxi drivers were being targeted to spread the message regarding the changes in traffic light timings;
- Parking restrictions were not currently being sufficiently enforced and the suggestion was made that the Police be requested to enforce parking restrictions. The majority of affected roads were Borough roads and it was noted that a new contract with the police to improve the situation had been proposed. It was noted that Commander Alan Shave was due to retire in November.

The report was **noted**.

Ken Livingstone joined the meeting and took over as Chair.

64/02 SAFETY, HEALTH AND ENVIRONMENT COMMITTEE REPORT

David Quarmby introduced a report of the meeting of the Committee held on 4 September 2002.

The main points David Quarmby drew to the Board's attention were:

- The causes of sickness absence within LUL were noted;
- A report on motorcycle safety would be made to the Board by the end of the year. It was noted that there had been a reduction in the allocation of resources to traffic police. The Committee had expressed concern over driving standards and driver compliance and noted that non-compliance with traffic regulations such as banned U turns comprised a significant cause of accidents;
- It was noted that the retiming of traffic light signals had been made in order to meet the Department for Transport standards;
- LUL had pioneered methods of measuring safety climate within an organisation and the Committee was taking the lead in piloting measuring this within TfL. The PCO had agreed to act as a pilot for a safety climate survey.

During discussion, it was **noted** that a permanent cross TfL and LUL multidisciplinary team had been established which handles specific events such as the Notting Hill Carnival or the Golden Jubilee Weekend. A significant advantage of utilising a multidisciplinary team was the operational experience and contacts that each member brought to the team. Each event required considerable planning and lessons learned from each event were routinely incorporated into planning for future events.

David Quarmby left the meeting.

65/02 FINANCE AND PERFORMANCE REPORT

The Managing Director, Finance & Planning gave a presentation supporting and updating his written Finance and Performance Report to cover the first quarter ending 30 June 2002.

During discussion, the following points were **noted**:

- TfL was undertaking work to analyse the extent of passenger shift from the Underground to buses and to determine whether this was due to price and/or capacity issues;
- The level of Borough spend was the same in the current fiscal year as the previous year, but TfL was now paying for work once carried out rather than paying for work in advance;
- The recently appointed Director of Corporate Services would address recruitment issues as a high priority for TfL;
- It was **agreed** that the new monthly Bulletin produced by the Economics Unit funded by the GLA/TfL/LDA would be circulated to Board Members on a regular basis.

The report was **noted**.

66/02 TfL's GROUP STATEMENT OF ACCOUNTS

Jay Walder introduced the final version of TfL's Group Statement of Accounts for the year ended 31 March 2002, which had been considered by the Finance Committee on 11 September. Board Members were reminded that the draft Group Statement of Accounts had been presented to the Board on 30 July.

It was noted that no questions or objections had been raised with the auditors following the three week public inspection period for the accounts, which ended on 29 July. It was further noted that Board Members had received a draft version of TfL's Annual Report with a request to comment on the contents prior to publication.

During discussion, it was **noted** that the TfL budget had to be an accurate instrument for running the business and accurate forecasting was essential. TfL officers were implementing measures to reduce future underspending and the Commissioner gave an assurance that TfL was not expected to be in an underspend position next year.

The Chair commented on the success of the Hungerford pedestrian bridges, which had only been completed as a result of TfL's initiative.

Following discussion, the Board:

- (i) **approved** the Statement of Accounts; and
- (ii) **agreed** that the Chief Finance Officer will make any minor adjustments arising from the ongoing audit work prior to the auditors signing their opinion.

67/02 UNDERGROUND FARE PROPOSALS FOR 2003

Jay Walder introduced a paper outlining proposals for revisions to fares on the Underground and DLR in January 2003. The proposals had been discussed at the Rail Transport Advisory Panel on 6 September and the Finance Committee on 11 September.

The proposals included an increase in Underground fares in line with inflation by an average of 1.5%, with an increase of all Underground single fares to Zone One by 10p but not including the Zone One single fare. All other single fares and the price of the carnet would be frozen.

During discussion, it was **noted** that some Board Members were concerned that the proposed Underground fare increases for outer Londoners would result in a significant impact in the short term, which would coincide with the introduction of congestion charging and a potential recession. The Chair commented that since he had assumed power as Mayor to direct fares, on a year by year basis, Underground fares had increased only by inflation. In addition, there was no increase in trips which did not involve Zone One, and the impact of Pre Pay (due to come into effect in September 2003) would allow significant bulk discounts to be made in all zones.

In response to a question on progress on integration across all modes, it was noted that agreement had been reached with all the Train Operating Companies (TOCs) in London that any station with gates or turnstiles will accommodate the Prestige card. TfL was working with the TOCs on expansion of the utilisation of the card generally, but it was

anticipated that this issue would be included with the broader current consultation on fares policy and initiatives for the national railway. A request was made to re-examine the current system of Zones.

Following discussion, the Board **noted**:

- (i) The proposals outlined in the Board paper (Agenda Item 7) and attached tables;
- (ii) That it was intended to seek views on the proposals from the London Transport Users' Committee, the Strategic Rail Authority, the London Business Board, the relevant trade unions and the London Boroughs through the ALG; and
- (iii) That the Mayor will formally consult with London Regional Transport on his draft directions, which, once finalised, will be reported to the TfL Board.

68/02 DISPOSAL POLICY FOR SURPLUS TFL PROPERTIES

Jay Walder introduced a paper seeking approval for a disposal policy in respect of the TfL Group's properties that were no longer needed for the discharge of its functions. It was noted that the paper had been produced in response to the discussion at the previous Board meeting. The Finance Committee had discussed the matter on 11 September and requested that a special meeting be set up to discuss the designation of surplus properties.

The Board **noted** the report and **agreed** the recommendations and intentions set out in paragraph 9 of Agenda Item 8, as follows:

- (i) The Board **agreed** the disposal policy recommended to it at its meeting on 30 July 2002. In addition to that agreed policy, it is agreed that, if the TfL Property Consultant considers it appropriate, TfL should consider alternative ways of structuring sales when offering properties to registered social landlords. However, in all cases, this would be subject to TfL being satisfied that it was not selling property at an undervalue and would be conditional on the buyer progressing the sale within a reasonable timescale set by TfL.
- (ii) The Board **agreed** that the Managing Director, Street Management has delegated authority to resolve on TfL's behalf to lift or vary the route safeguarding in place for the inherited road schemes.

69/02 EQUALITIES AND DIVERSITY TEAM – PROGRESS REPORT

Jereon Weimar introduced the report which updated the Board on current work undertaken within TfL and highlighted the challenge faced in respect of targets. TfL and the other GLA functional bodies had agreed to abide by the GLA Equalities Review recommendations.

It was noted that Pip Hesketh, Head of Social Inclusion, will be examining the work done in this area to date with Maggie Bellis, Director of Corporate Services and also how to progress the work over the next few years. A fuller report will be made to the Board in November 2002 or February 2003.

The report was welcomed and, during discussion, the following points were noted:

- Kirsten Hearn expressed concern that some key issues had not been addressed by TfL to date. She requested that the report indicated how TfL proposed to support a more diverse age range within TfL and increased participation by lesbians, gay men and transgender people, with demonstrable outcomes;
- The request was made for more analysis on a year by year basis, with information on how the data is broken down. The data provided should include an indication of progress made against targets and cross checks should be aligned and consistent.

It was noted that it was likely that there would be a significant shift towards pursuing civil rights agendas throughout TfL and a strong baseline should be developed in order to attract staff. The workforce should experience equality in the workplace on a daily basis. TfL will focus on clarity and transparency of information in order to make information accessible to all.

The report and the issues raised during discussion were **noted**.

70/02 **ANY OTHER BUSINESS**

There was no other business

There being no further business, the meeting closed at 13.33

Chair

Date

COMMISSIONER'S REPORT FOR NOVEMBER 2002

1. PURPOSE

This is the Commissioner's written report for November 2002. This report:

- Provides an overview of issues and developments since the September Board meeting;
- Informs the Board of major projects and initiatives being undertaken by TfL; and
- Updates the Board on actions that the management team is taking.

2. INTRODUCTION

Over the last two months, we have focused on the development of our next six year Business Plan. TfL's businesses prepared detailed budget and plan submissions, including business cases, in late September. These submissions incorporated issues raised at the Board Away Day in September.

We have discussed the proposed business plan and budget with the three Advisory Panels and Finance Committee during this Board cycle. We have also had our first of several meetings with the GLA Assembly Budget and Transport Committees which focused in particular on the funding gap for the out years. Most members appeared to support lobbying Government for extra funds while acknowledging the need for TfL to have the means to fund itself.

A paper seeking approval of the Business Plan is included on the Board agenda, and immediately following approval the budget will be formally submitted to the GLA.

3. TfL OPERATIONS

A separate finance and performance report is attached. However, there are some particular issues to draw to your attention.

3.1 *Bus performance*

As reported previously, cumulative journeys are up 8% year on year. The growth in period bus pass usage continues with cash journeys reducing. However, significant delays continue to disrupt the bus service at major construction sites such as Kings Cross, Barking (A13), Blackheath and due to diversions around Kensington Church Street and Old Palace Yard roadworks. Nevertheless, QSI results were better than a year ago – in particular, night bus punctuality improved significantly this month, over and above that expected due to seasonal factors.

Industrial action on the Underground on 25 September caused additional traffic congestion and boarding delays to buses due to higher passenger volumes. Once again bus staff and TfL employees worked extremely hard to keep these services running.

3.2 *Streets performance*

The number of people killed and seriously injured (KSIs) on London's roads is down 9% on the same period last year.

TfL's three major construction schemes (Trafalgar Square, Vauxhall Cross and Shoreditch) are on target, with Trafalgar Square ahead of schedule. This means that the new road layouts (and hence new traffic patterns) for all 3 schemes will be in place by Christmas 2002. TfL is aware of public concerns around these projects and is actively working on improving its management of and communication about these and other roadworks.

Despite a number of unforeseen difficulties, TfL's work to rectify the collapse of the A2 at Blackheath Hill should be completed by Christmas 2002. In addition to fixing the original site of collapse, TfL has had to stabilise loose subsoil as a result of old excavations over a 180m length of road to ensure that further collapses do not occur. The work has also been somewhat prolonged by the need to address Lewisham Council's legitimate concerns regarding the stability of nearby buildings.

3.3 *DLR performance and status of extensions*

The annual ridership trend is 7% above last year, and continues to increase. The London City Airport Extension contract is progressing towards closing and the Transport and Works Act Inquiry for the onward extension to Woolwich Arsenal has now been fixed for 28th January 2003. Public consultation has also commenced on extending train length on the DLR to 3 cars.

4. TfL PRIORITIES

I would like to update you on the status of TfL's major projects and initiatives.

4.1 *Congestion Charging*

Following consultation with the London Boroughs, the Mayor announced on 11 October that public transport will be ready for the start of the congestion charging scheme on February 17, 2003.

A major public information campaign on congestion charging started on 14 October comprising leaflets sent to every household within the M25, posters on key roadside sites and advertising on TV, radio and national press. The "pre go-live" services for congestion charging started shortly after this date and included the launch of the full-service call centre and the start of allowing those eligible to register for a discount. Call centre operations are going well so far and information is being collected to allow continuous improvement in call centre services.

Extensive traffic management works to support congestion charging are underway; those on the TLRN are scheduled to be complete before congestion charging starts. We are working closely with the Boroughs to deliver traffic management schemes on their roads with the objective of completing the majority of the works before the congestion scheme starts.

Also ongoing at the moment are discussions with key stakeholder groups to define what the “base line” traffic conditions are in London today. This will form the basis against which the effects of the congestion charging scheme will be measured.

4.2 *Transport policing and enforcement*

Since the formal launch of the Transport OCU, enforcement has commenced on the route 185, 82, 109, 159, 36, 16, 32, 38, 73, 9 & 10 bus corridors. The dedicated corridor teams and area-based taskforces have so far had a significant impact. The figures to the end of September show that:

- 341 arrests have been made by the corridor teams for a variety of offences
- 9,855 tickets have been issued for vehicle parking violations
- 450 illegally parked vehicles have been removed from red routes
- 26 taxi operations have been undertaken and 148 arrests have been made

Further work is being undertaken to identify the impact of the TOCU operations on bus reliability and traffic movement.

In the Street Management area, sample sites show a 50% reduction in bus lane parking and driving violations where we are enforcing the bus lanes. This is done via issuance of penalty notices based on evidence collected by bus and on-street cameras. There are 696 buses with cameras installed and working, of a planned 1046.

You are already familiar with our proposal to extend this project into 2003-4. It is part of the Business Plan Proposal which you will be considering today.

4.3 *Borough relationships*

TfL continues to work on improving the effectiveness of its work with the boroughs. I had a breakfast meeting with the Borough Chief Executives on October 3, at which planned improvements in the TfL-borough relationship were discussed as well as common interests such as local authority funding. This was followed by a larger meeting for Borough transport management teams, where key changes to the structure of TfL’s working interactions with the boroughs were laid out in more detail, including TfL’s new 3-year funding commitment to the Boroughs. Both meetings were well-received. My meetings with Borough Chief Executives will continue every six months.

In addition, the first “Borough Forum” meeting was held on 15 October, to which members and officers of all 33 boroughs were invited. The key themes were to set out the improvements to the bus service, both implemented and planned, to focus on the Bus Priority Action Plan (currently out to consultation with the boroughs) and, importantly, to give an opportunity to the boroughs to raise issues with London Buses.

4.4 *National Rail*

The SRA has announced a new franchising regime aimed to provide far more control of train service specification and the quality of the operation. Discussions have taken place between TfL and

the SRA on increasing co-operation in terms of developing commuter rail services and integrating them with TfL's other services. A Memorandum of Understanding is being prepared with a view to agreement by the end of the year.

Some limited service improvements have been implemented on orbital services serving London (additional peak hour capacity on the North London Line, a regular Sunday service on the West London Line and better cross London services from Wembley Central).

4.5 Major projects

The scheme to extend the East London Line (based on metro services from south London via London Underground's current East London Line and onto the North London Line to Highbury and Islington) is awaiting final approval of the Business Case from the Secretary of State. Separately, the High Court ruled on 9 November that there had been a breach of one planning condition but it was left to the two local councils involved, Tower Hamlets and Hackney, to decide whether or not to prevent the necessary demolition of part of the Bishopsgate Goodsyards. The local authorities concerned are active supporters of the East London Line proposals and TfL is working with them to take the project forward. Project management and control arrangements are in place for the project to proceed once the above 'approvals' are obtained.

The Crossrail team is evaluating the short list of route options – the business case for the overall project and for each route component will be examined as part of this process. TfL's Finance team is looking at creative options for funding Crossrail that would be based on capturing some of the expected increase in land value in the surrounding property. Decisions as to specific aspects of the Crossrail proposal will be made and announced later this year.

The Thames Gateway Bridge project is progressing rapidly, and the Thames Gateway Bridge proposal is on today's agenda for action. A project team has been put together and will progress the project through the preliminary engineering and power stages, which we hope will conclude within two to three years.

4.6 Freight

TfL is working to support the Government's objective to increase rail freight in the UK by 80% over 10 years. The Deputy Prime Minister has rejected the planning proposal for a rail freight terminal at Colnbrook near Heathrow. This was one of only two potential freight interchange sites being developed to serve London. Cricklewood is progressing. TfL organised a seminar jointly with the Railfreight Group on 15th October to promote rail freight in London. This was supported by two TfL Board Members as speakers/contributors.

4.7 Planned firefighter strikes

TfL has developed contingency plans with partner organisations - LUL, SRA, ATOC, MPS, LRT to prepare for any 'knock-on' effects onto transport services, should FBU staff strike.

Plans include briefing of transport operators and staff on the legal and 'practical' issues that will arise, provision of management and control resources through any strike period and a multi-agency communication plan to stakeholders, customers and staff.

5. STRATEGIC ISSUES

5.1 *Integration of LUL*

As of the writing of this paper, Tube Lines is urging the Government to close ahead of Metronet despite the financial instability of Amey and without regard of the dangers of a "mixed" PPP on which we have not been consulted. There has been no move to discuss the £1.5 billion funding gap with us. Despite the uncertainty around the PPP we continue to progress our work on the PPP programme control project.

At the same time, we are proceeding with implementation of the new TfL organisational structure. The first phase of recruitment to senior corporate support functions across TfL and all the modal businesses - including LUL - will start in mid-November, with appointments announced during the first week of February. The second phase of recruitment will start in late January with appointments announced in April.

5.2 *Social inclusion*

On 27th September, TfL attended the launch the GLA family Equality Commitment to upholding the recommendations of the Best Value Review on Equality. I spoke at the launch alongside the Chief Executives of the other GLA functional bodies.

The HR based Equality and Diversity Team was merged with the Social Inclusion Team at the beginning of October to ensure that TfL both an internal and external focus on Equality and Inclusion. Both Teams now report to the Head of Social Inclusion.

During the recent activity in the business planning cycle, all project proposals have been appraised for their equality and inclusion content - a commentary is provided in the business plan proposals. TfL are due to present their proposals to external stakeholders on 12 November and to the GLA on 4 December.

A new format for the reporting of equality employment statistics is currently being designed and will be presented at the first Board meeting of 2003.

Robert R. Kiley
Commissioner for Transport
November 2002

TRANSPORT FOR LONDON

TfL BOARD

SUBJECT : 2nd QUARTER FINANCE REPORT

MEETING DATE : 19 NOVEMBER 2002

1. PURPOSE

- 1.1 To inform the TfL Board of progress on operational and financial performance against budget and target for the second quarter of 2002/03 ended 30 September 2002.

2. KEY HIGHLIGHTS

- 2.1 The principal issues arising from the second quarter and our current forecast for the year are as follows :-

- Bus patronage continues to grow in line with target, but at a lower rate than recorded in the first quarter (6% year-on-year growth in passenger journeys compared with 9% in the previous quarter). Higher contract costs from improved service levels and tender prices, and an increasing switch from cash fares to discounted tickets has resulted in a £4m higher bus network subsidy for the second quarter than included in the 2002/03 budget (and an estimated full-year overspend of £23m).
- Despite significant delays caused by continuing essential roadworks, excess waiting time on high frequency bus routes and overall customer satisfaction remained broadly on target for the second quarter.
- Service increases originally planned on DLR for implementation in April 2002, and deferred due to slower than expected occupancy of the Canary Wharf buildings, were introduced on 24 August. This reduced the train kilometres operated during the second quarter of the year to 82% of target.
- During the quarter, work commenced on the DLR railcar refurbishment. The first vehicle has been delivered to the contractor Alstom, and during the remainder of the year a prototype railcar will be developed. The number of injuries and fatalities on the DLR system increased to 10 in the second quarter (from 1 in the first quarter), 6 above target.
- All Underground service performance indicators during the quarter were affected by strike action on 17 and 18 July 2002. As a result, passenger journeys fell 1% compared with the same period last year and 1% below target. However, after adjusting for the affect of strikes, the percentage of schedule operated increased to 94.6%, 1 percentage point above target and excess waiting time fell to 3.1 minutes, 0.3 minute better than target.
- On 31 July in the High Court, TfL defeated the legal challenge mounted by Westminster City Council against the Mayor's decision to confirm the Congestion Charging Scheme Order. As a result the 'go-live' date of the scheme has been confirmed as 17 February 2003.

- Further slippage in a number of Street Management programmes resulted in a cumulative underspend to September of £32m compared with budget. However, it should be noted that the latest forecast includes a substantial recovery to leave spend for the year at £16m below budget.

3. ECONOMIC BACKGROUND

- 3.1 For the second quarter, both headline and underlying inflation were greater than the previous quarter. Headline inflation rose to 1.7% in September year on year compared with 1.0% in June, partially caused by a fall in mortgage interest payments in September 2001, when the reduction in the Bank of England interest rate in August 2001 was passed on to borrowers. Underlying inflation (inflation excluding mortgage interest payments) increased to 2.1% in September from 2.0% in June caused mainly by the upward movement in clothing and footwear prices.
- 3.2 Tourist visitor nights in London on a rolling average basis were down in the second quarter compared with last year, however impressive increases recorded in July of 18.1% and 9.6% in August compared with the equivalent months in the previous year have slowed this decrease. The prospect of war with Iraq has been unsettling markets and is expected to produce a further drop in tourist numbers, which have only just recovered from 11 September falls.

	Headline Inflation <i>Monthly</i>	Retail Sales Volume <i>% Year on Year</i>	London Visitor Nights <i>% Year on Year ‡</i>	Central London FT Employment <i>Quarterly*</i>
September	1.7	4.8	(1.7)	(1.7)
August	1.4	5.0	(4.3)	
July	1.5	4.9	(4.8)	
June	1.0	4.8	(5.8)	(0.6)

* month / quarter in arrears

‡ 12 month rolling average

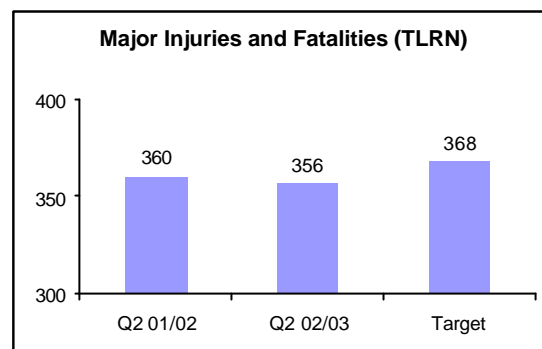
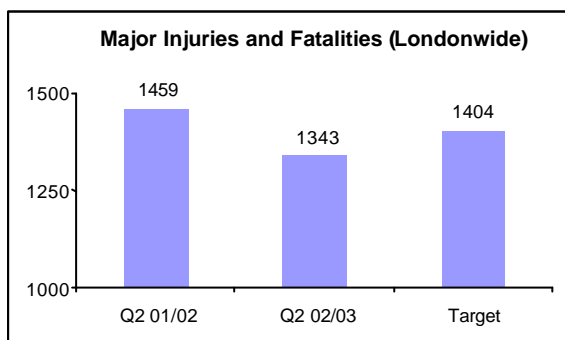
- 3.3 Over the second quarter, growth in retail sales remained broadly at 5% compared with a year ago, but was generally lower than the 6% to 7% reported in quarter 1. Finally, central London full-time employment fell by 1.7% year on year in the three months to June, which was a further decrease on the 0.6% fall in the previous three-month period. This was somewhat offset by an increase in part time employment.

4. OPERATIONAL PERFORMANCE

- 4.1 A full scorecard reporting all the key indicators that were approved by the TfL Board on 19 March 2002 can be found attached to this report as **Annex 1**. A number of these indicators along with high-level cross-modal indicators continue to require further development and do not form part of this report.

STREET MANAGEMENT

- 4.2 The number of major injuries and fatalities on the TLRN (down 1% on Quarter 2 2001/02 at 356) and Londonwide (down 8% on Quarter 2 2001/02 at 1,343) are showing a downward trend that is moving towards the target of a 40% reduction over 10 years. However, the one area of concern is the increasing number of powered two wheeler incidents, which increased by 22.7% year on year. Measures are being investigated to reduce this trend such as the current experiment to allow motorcyclists in bus lanes at three locations (please refer to agenda item 8 the Safety, Health & Environment Committee report).

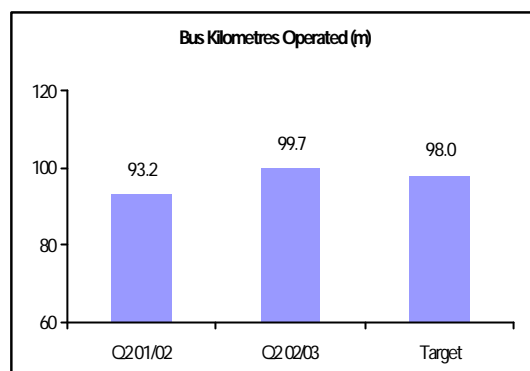
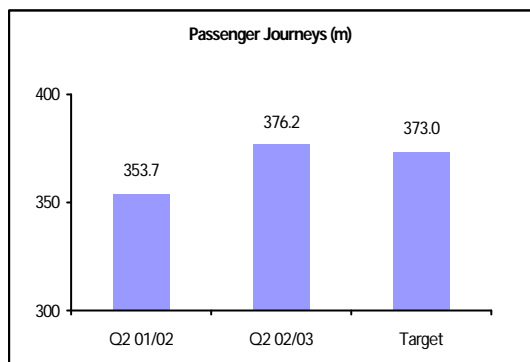


- 4.3 The percentage of street lights working on TLRN increased from 95.0 in June 2002 to 96.4 in September, however this is still below the target of 97.5. New stewardship contracts started in April 2002 and it has taken some time to establish new systems for implementation and reporting. Traffic signals working effectively rose to 96.8%, 0.2 of a percentage point less than target due in part to the new contract for traffic signal maintenance that started in April 2002. It is anticipated that improvements in performance will continue as the new contractors become established.
- 4.4 The congestion index for the TLRN fell from 99.6 to 82.0 over the quarter. A seasonal drop in the index is usual experienced during the summer and the index level is the same as in Quarter 2 2001/02. This is against a background of the introduction of national standards at pedestrian crossing sites, and changes to signal timings to restrict traffic entering Trafalgar Square.
- 4.5 Other than the A2 there were no controls/closure on traffic sensitive TLRN roads during the second quarter, against a target of 15 days. The A2 at Blackheath Hill remains closed following a collapse on 7 April 2002, and this has caused a total of 176 days closure year to date in 2002/03.
- 4.6 The index for cycling on the TLRN at 125 is 1 lower than the equivalent quarter last year. Although there is an underlying increasing trend the results are greatly affected by seasonal factors. The cycle indices for the months of July and August this year are not as high as the equivalent months of last year and this appears to be due to higher rainfall during the period this year.

LONDON BUSES

- 4.7 Growth in bus passenger journeys has slowed during the second quarter, with 376.2m journeys over the period July to September compared with 353.7m for the same period in 2001/02, an increase of 6% (compared with 9% growth in the first quarter). In order to address the significant growth in bus demand, the level of bus kilometres operated in the second quarter of

the year was increased by 7% compared to the same period last year and was also ahead of target by 2%.



4.8 Against a background of significant roadworks experienced at Shoreditch, Vauxhall, Trafalgar Square, Kings Cross, New Cross, Barking (A13) and Blackheath Hill, the percentage of schedule operated by the bus companies fell to 96.1% in the second quarter of this year, 0.6 of a percentage point below target. In addition, the percentage of night time buses departing on time during the second quarter was also 3.3 percentage points below target at 70.7%. Ratings for overall satisfaction of bus services were also slightly below target at 76%, a decrease of 1 percentage points from the previous quarter.

4.9 However excess waiting time on high frequency routes remained on target at 1.8 minutes, down from 1.9 minutes for the same quarter in the previous year.

DOCKLANDS LIGHT RAILWAY

4.10 The number of injuries and fatalities on the DLR system increased to 10 in the second quarter (from 1 in the first quarter), and this was 6 above target, however this is being monitored and should be reduced. This is the first year that the new Safety, Health and Environment Committee (SHEC) definition, based on the RIDDOR definition of major injuries and fatalities, is being used. This definition is slightly narrower than previously used by DLR.

4.11 A planned increase in the am peak service schedule and the introduction of a minimum 10 minute frequency 'turn up and go' service (which was deferred from April 2002) was introduced on 24 August 2002. This resulted in train kilometres operated in the second quarter (23 June to 14 September) being 18% below target at 741k, however, this still represented an increase of 10% on the equivalent period last year. It is worth noting that on the days affected by industrial action on the London Underground DLR moved near-record numbers of passengers.

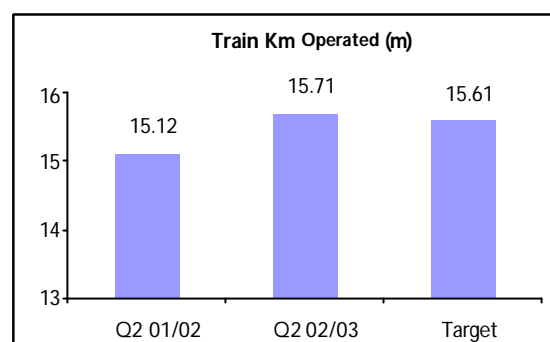
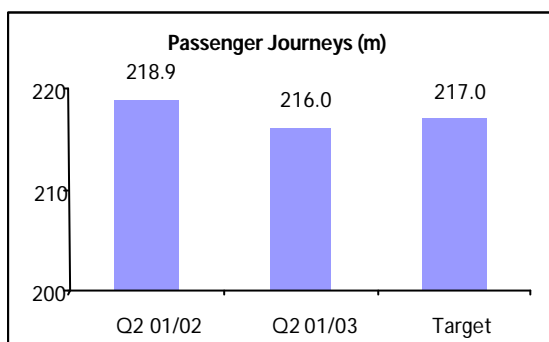
4.12 DLR passenger journeys over the same period at 10.1m, were slightly above target and 11% greater than the equivalent period in 2001/02. However, On Time performance (adherence to schedule) for the second quarter was marginally below target at 95.9%, and below the 96.8% recorded in the same period last year, but this still remained within the contracted performance level.

LONDON UNDERGROUND

4.13 London Underground performance for the second quarter was greatly affected by the industrial action taken by RMT members on 17 and 18 July 2002. Fatalities and major injuries for the second quarter of 2002/03 (3 periods ending 14 September 2002) were 13% down on the

equivalent period in the previous year, mainly due to fewer customer accidents. Customer satisfaction rating for crowding at 71% was 2 percentage points ahead of target.

- 4.14 Passenger journeys for the quarter were 1m (1%) behind target at 216m, representing a decrease of 1% from the same quarter in 2001/02, mainly caused by the affect of strike action. Train kilometres operated for this quarter were equally affected by the strikes. Adjusting for the effects of the industrial action would give a result 101k over budget for the quarter at 15.71m.



* Train kilometres operated has been adjusted for the effect of the industrial action (increasing kilometres operated from 15.48m to 15.71m)

- 4.15 Peak hour trains cancelled in the second quarter increased to from 3.0% in quarter 1 to 3.2% (4.5% before strike adjustment), but this remained above target. Excess waiting time over the same period fell from 3.4 minutes in the second quarter last year to 3.1 minutes in the second quarter of this year (strike adjusted) reflecting the continued improvement in this indicator.

OTHER BUSINESS UNITS

- 4.16 **Public Carriage Office** - Private hire driver licensing is now due to commence in December, three months later than planned. The forecast for the end of the year for 4,440 driver licences is 43% below budget. This results from issues arising from the second round of public consultation. There is risk of further slippage of the commencement date for driver licensing based on work necessary to finalise the regulations, licensing conditions, transitional arrangements and administrative process.
- 4.17 **Croydon Tramlink** – Service performance was again ahead of target over the second quarter of the year, despite the planned closure of the line between Wimbledon and Mitcham over the last two weeks of August. Passenger journeys increased by 9% from the second quarter of 2001/02. The percentage schedule operated during the second quarter at 99% was 1 percentage point above the contractual target but 0.3 of a percentage point below the same period last year.
- 4.18 **London River Services** - For the second quarter passenger journeys were 19% above target at 979k and 10% higher than the same period last year. The latest forecast for the second half of the year sees this trend reverse with passenger journeys at 15% below budget and 8% behind last year, and has been based on revised schedules received from operators. Overall satisfaction for the service in the second quarter was 91%, an increase of 4 percentage points on the previous quarter.
- 4.19 **Victoria Coach Station** –The number of coach departures over the second quarter of 50.7k was 2% below target, 1% down from the equivalent quarter in the previous year. In addition, overall customer satisfaction at 71% was 4 percentage points higher than the second quarter of

2001/02, but this was 4 percentage points down from the first quarter due to the severe overcrowding that occurred during the summer.

5. PROJECT PERFORMANCE

- 5.1 This section summarises the monitoring of major projects spanning more than one year being progressed by TfL. The monitoring identifies the key achievements on each project during the second quarter, the concerns identified by project managers along with actions taken to address those concerns, the progress against the projects milestones, and levels of expenditure against budget and authority. At present there are approximately 50 project areas throughout the TfL Group being reported and monitored in this way. The majority of these projects are being progressed in line with planned milestones or costs, however in some areas, project managers have expressed concerns over progress as outlined below. A fuller description of the progress of projects where variations from plan exist can be found attached to this report as **Annex 2**.

STREET MANAGEMENT

- 5.2 On 31 July in the High Court, TfL defeated the legal challenge mounted by Westminster City Council against the Mayor's decision to confirm the Congestion Charging Scheme Order without holding a Public Inquiry or undertaking an Environmental Impact Assessment. However, additional costs of the Judicial Review, along with increased public information monitoring, and project management costs has resulted in the systems set-up element of the project's latest forecast being £11m higher than budget. The traffic management measures complimentary to the scheme have been revised to allow adequate time to prepare and implement measures after the start of charging with £31m now planned for 2003/04 and £12m in 2004/05.
- 5.3 Following consultation with London Boroughs, the Mayor announced on 11 October his decision that public transport will be ready for the start of the central London Congestion Charging Scheme. A major public information campaign started on 14 October comprising leaflets being sent to every household within the M25, posters on key roadside sites and advertising on TV, radio and national press. The "pre go-live" services started shortly after this date and included the launch of the full-service call centre operation and the start of allowing those eligible for a discount to register with TfL.
- 5.4 On Sunday 1 September the north terrace of Trafalgar Square was permanently closed to vehicles, traffic was diverted to use the new roundabout configuration at the south side of the square and buses began using the bus lane into The Strand. Planning approval was granted by Westminster City Council for the toilets, lifts, café and management facilities under the north terrace of the square. Construction of the new central staircase commenced on 2 September and continues according to schedule with carriageway works due for completion 20 December 2002 and total completion in May 2003.
- 5.5 Within the bus lane enforcement project slower recruitment of planned operational staff has led to a delayed start in the monitoring contraventions. This is resulting in a significant loss of anticipated PCN income during 2002/03. However forecast completion for the camera installation programme remains as planned for March 2003.
- 5.6 There was further slippage during the second quarter for the Traffic Control systems replacement, due principally to the delays in the roll out of the LED signals. The development and testing of alternative signals is continuing. However the project is now expected to be completed 8 months later than planned in September 2003.

- 5.7 A reorganisation of the various Road Safety initiatives into a single Road Safety unit early in the year has resulted in a delay in starting the schemes. In particular, the development of the campaign to reduce motorcycle casualties was delayed from the spring in order to spend more time on the planning phase to ensure there was a more focussed target. The campaign to reduce cycle fatalities was also later than originally programmed due to delays in forming links with the freight and haulage agencies. These campaigns were launched on 9 November and 18 September 2002 respectively.

DOCKLANDS LIGHT RAILWAY

- 5.8 With the expectation of financial close in December 2002 a preferred bidder, for the DLR London City Airport extension was announced on 27 August 2002. A 30 year bank loan has been selected as funding option with a constrained availability fee profile also selected with no contribution by way of milestone payments. The extension is now planned for completion in October 2005.
- 5.9 Commissioning of the new DLR rail cars is well underway with 18 of the 24 vehicles commissioned by the end of the second quarter and the final car now expected in service by November 2002, approximately 6 months behind plan. Contracts have been signed and the first vehicle has been delivered to the contractor for the rail car refurbishment, which has been similarly affected by the delay in delivery of new cars.

LONDON BUSES

- 5.10 The number of schemes planned for 2002/03 as part of Bus Priority - LBI 2, and their associated cost, are now significantly less than planned due to a clearer picture developing as to the priority of schemes. The rollout of Fleetwide AVL and Countdown signs continues to suffer from serious delays caused by growth in the bus fleet, infrastructure problems and supplier delays. This has led to a reduction in the installation target for Countdown this year from 2400 to 2100. The project to upgrade engines of Routemaster buses to reduce emissions and deliver environmental benefits has been reduced to 28 conversions from 180 due to reduced funding for this project.

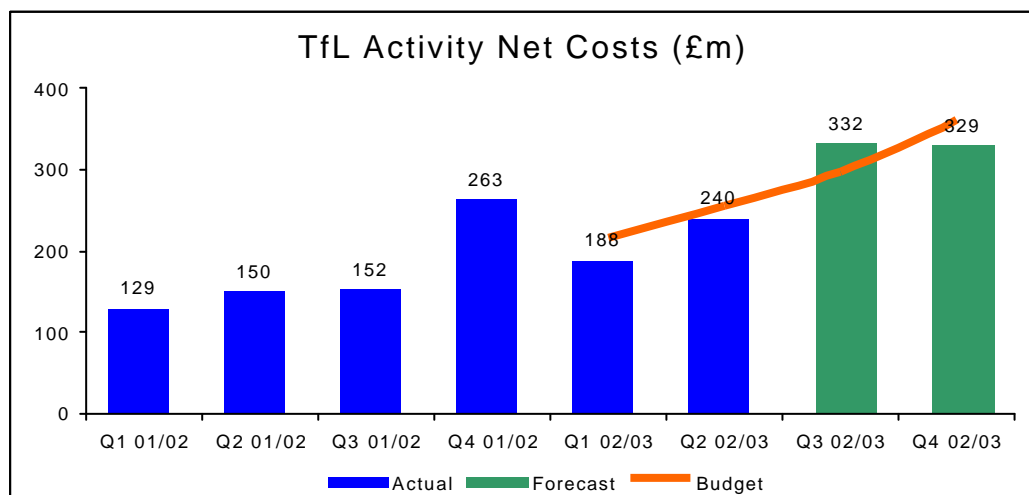
6. FINANCIAL PERFORMANCE

SECOND QUARTER PERFORMANCE

- 6.1 Second quarter spend totalled £240.3m, which was £15.6m (6%) below budget. In comparison, the first quarter spend, at £188.0m, was £29.0m (13%) below budget. Spend on Street Management programmes (£9.2m) and Bus Priority (£5.9m) accounted for the majority of the underspend in the second quarter.
- 6.2 The Street Management variance of £9.2m for the second quarter comprised over and underspends in a number of activities. Key underspends for the second quarter include :-
- Major route improvements (£5.8m for the second quarter) of which lower payments for the A13 DBFO contract accounted for the majority of the £1.7m underspend in the quarter. This has arisen due to lower than planned availability of the road (58% actual availability against a planned 65%). In addition to this, the revised profile of work for Blackwall Tunnel and some slippage of spend into 2003/04 has reduced expenditure to date by £3.6m.

- Congestion Charging (£2.1m) combining higher set up costs in the areas of judicial review, public information and consultancy, £2.8m and slippage in traffic management schemes of £4.9m,
- Further slippage in local improvements and Red Route work (£2.2m), due to re-profiling of spend into later months,
- Trafalgar Square pedestrianisation (£2.5m) – delays caused by difficult site access and the protracted time taken by Westminster City Council to award planning permission.
- Walking and cycling projects and other Street Management Strategy Initiatives (£4.2m) caused by delay in scoping the programme and commissioning works and from lower staff costs and reduced spend on performance monitoring,
- Management Support and Administration (£2.4m) resulting from delays to the recruitment programme,
- Traffic Technology Services (non-Borough) (£2.4m) including traffic signal maintenance and replacement, partially due (£1.3m) to delays caused by contractors schedules being full. The balance is due to delays on tendering for LED signals and contractual problems with Rolls Royce for Variable Sign Messaging now not expected to be resolved until December 2002,
- Enforcement (£0.5m) the delay in recruitment combined with the effect of prompt payment at a discount has resulted in lost income of £1.8m. This has been offset by slippage in camera installations and maintenance of £1.8m, and lower staff costs within the Enforcement Task Force and Borough liaison of £0.5m.

6.3 The two main areas of overspend in Street Management’s programme for the second quarter were in the TLRN maintenance (£3.3m) and on Borough road maintenance and road safety (£9.6m), the latter following receipt of updated information from the Boroughs on their level of spend during the first half of the year.



6.4 London Buses overall performance in the second quarter was a budget overspend of just £0.7m, compared with an overspend of £11.8m in quarter one. However within this overall position for the second quarter, network costs at £53.1m were £4.4m higher than planned continuing the first quarter trend of increased tender costs and network expansion. Other areas of overspend include the installation of on-bus CCTV (£0.5m) and budgeted savings not achieved (£1.5m).

- 6.5 Lower Prestige PFI costs of £2.6m for the quarter have been recorded due to an incorrect accounting treatment for Prestige in the budget and the slippage of the 'new service live date' milestone from August to November. In addition, slippage in a number of garage infrastructure projects and slower implementation of the TOCU unit also contributed a favourable variance of £2.5m.
- 6.6 An underspend for the quarter of £5.9m in Bus Priority arises from delays during the early part of the year in competing the scope of some schemes, and a reduction in the number of schemes to be progressed during the year. This has resulted in a saving in spend forecast for the year as a whole.
- 6.7 Continuing discussion over TfL's contribution to enhancements in National Rail services has resulted in slippage of this spend into next year, leading to a £1m underspend in Rail Services for the second quarter. Within Finance & Planning, lower spending has occurred due to the benefit of higher bank interest (£1.3m) combined with slippage in a number of interchange and integration initiatives (£2.4m) and Borough town centre work (£1.4m). These favourable variances are offset by higher LUL integration costs (£1.9m) and property claims (£3.9m).
- 6.8 As can be seen from the table in **Annex 3**, the effect of the second quarter performance is to bring TfL's value of work completed for the first half of the year to £428.3m, some £44.5m (9%) lower than assumed in the budget agreed at the commencement of the year.

SEPTEMBER'S FORECAST

- 6.9 September's forecast of TfL's total costs for the full year is now £1,089.1m compared with a budget of £1,077.3m. Any over-programming remaining at the year-end will, if necessary, be funded by short-term external borrowings. The expected overspend of £11.8m forecast comprises :-
- items that are forecast to be overspent, have increased in scope and cost beyond that assumed in the budget or items added since the budget was approved.
 - items that are now planned to slip into next year,
 - items that have been ceased, or are expected to be completed below budget and as a result in cost savings / efficiencies during 2002/03 ,
- 6.10 Higher spends within the forecast total £56m. This includes £11m for set-up costs and £3m for reduced licence sales on Congestion Charging, £7m of increased TLRN road maintenance and £4m from reduced Enforcement activity. Unfavourable variances also arise from higher bus network costs of £23m, additional marketing and other bus costs of £4m, whilst LUL integration costs are expected to exceed budget by £3m.
- 6.11 Non-budgeted items being progressed during this year totalling £25m have been included in the forecast. £21m of this includes items such as the purchase of land for Hammersmith bus station and other infrastructure items agreed by COG in May. The forecast also includes £4m of items in Corporate Services including the legal costs of the PPP challenge (£3m) and the refurbishment of TIC's (£1m).
- 6.12 The forecast includes a reduction from budget of some £95m for slippage of programmes into next year. Key areas include the decision not to make milestone payments on the London City Airport extension contract and railcar refurbishment within Docklands Light Railway (£30m),

along with a number of garage and station projects within London Buses (£10m). Finance & Planning have deferred interchange and intermediate mode projects totalling £19m along with Borough town centre work (£3m) and the BIP programme within Corporate Services has slipped by £2m. Street Management have identified £32m of slippage across a number of programmes including :-

- traffic management schemes for Congestion Charging (£9m),
- work on Red Routes and Trafalgar Square pedestrianisation (£5m),
- £2m for walking and cycling initiatives,
- £4m on the Blackwall Tunnel refurbishment and other major route improvements,
- on the basis of last year's experience, Borough spending on road maintenance and safety has been reduced by £6m.
- non-Borough road safety slippage of £4m.

It should be noted that despite this slippage, Street Management's overall forecast represents an increase in the rate of spend over the second half of the year reducing its cumulative budget underspend of £31m, to £16m for the year as a whole.

- 6.13 Finally, the forecast takes account of some £27m of savings / efficiencies and projects with reduced scope across the Group. Material savings within this include higher bank interest earnings (£4m) and lower property costs (£2m) within F&P, lower Corporate Services spend on Taxicard payments and other projects / activities totalling £2m, and savings across Street Management of some £9m. The latter includes £3m for walking and cycling initiatives caused by delays to commencement to schemes, and lower staff and associated accommodation cost in management support functions due to delayed recruitment. Reduced scope on Bus Priority initiatives (£11m), and in both private hire driver and vehicle licensing projects (£1m) are also included.

RISKS AND OPPORTUNITIES

- 6.14 Business Units have identified the following material risks and opportunities that may affect the achievement of the September forecast :-

	(Risk) / Opportunity	Comment
Street Management	(£27m)	Loss of income from congestion charging if the scheme is delayed beyond 17 February 2003.
	(£23m)	increased TLRN maintenance costs to deliver the backlog of works.
	£13m	slippage to Borough road maintenance, safety and other schemes.
	£10m	slippage in CCS traffic management schemes.
	£3m	Delays to the signing and operation by the Boroughs of the enforcement SLAs.
	£9m	net opportunity on other schemes
Central Directorates	(£3m)	LUL integration costs overspend not recovered
	13m	release of remaining Group contingencies
DLR	£1m	slippage of railcar refurbishment and Drew Road School payments into next year.
PCO	(up to £1m)	further delays to Private Hire driver licencing.

- 6.15 As shown in the table above, the risks of higher expenditure (or lower income) identified by the businesses are broadly in balance with the potential for slippage or underspending in programmes being progressed this year. As a result, it is not anticipated that the latest forecast would be materially affected should these risks materialise during the remainder of the year.

CASH SPEND

- 6.16 For the six months to the end of September, cash payments totalled £444m and this was £90m (17%) less than budget. This variance combines the slippage in expenditure as noted earlier in section 6 of this report allied to an improved working capital position mainly in Streets Management. The September forecast includes cash payments of £1,024m, £31m less than budget. This is largely caused by an assumed £30m pre-payment of Congestion Charging licence fees (although this figure is constantly under review), and other higher creditor balances forecast to be held by business units at year-end due to the later phasing of expenditure than assumed when the budget was set.

7. STAFF NUMBERS

- 7.1 TfL staff numbers (defined as the full time equivalent number of permanent and temporary agency staff) increased by 44 in September but this was 53 below budget. Recruitment of vacancies in Street Management (62) in particular for Congestion Charging operations, Enforcement and Traffic Control is continuing, but at a slower pace than expected due in part to the difficult market for technical staff. The delay to Private Hire licencing led to a 33 variance in the Public Carriage Office staff numbers at month-end. East Thames Buses headcount has increased by 70 in the month to cover the operations of routes 42, 53 and 185, following the failure of London Easylink in August.
- 7.2 As shown in **Annex 4**, September's forecast assumes further net recruitment of 343 before March 2003, increasing staff numbers for the Group to 4,003, which is 193 over budget. Business Units expecting a higher level of staff by March than assumed in the budget include Street Management (88) where recruitment is taking place this year to ensure adequate staff levels to deliver the year's programme of activities. East Thames Buses forecast includes the extra staff recruited to date, but it should be noted this may increase in coming months. Finally, F&P forecast includes the recruitment of staff for the Thames River Crossings projects. Increases in headcount continue to require the Commissioners approval before being carried out.

OPERATIONAL SCORECARD

Performance Indicators	STREET MANAGEMENT				LONDON BUSES				DOCKLANDS LIGHT RAILWAY				LONDON UNDERGROUND			
	Q1	Q2	Q2 Target	Trend	Q1	Q2	Q2 Target	Trend	Q1	Q2	Q2 Target	Trend	Q1	Q2	Q2 Target	Trend
	Actual	Actual	Variance		Actual	Actual	Variance		Actual	Actual	Variance		Actual	Actual	Variance	
SAFETY																
No. of Major Injuries / Fatalities on TfL services	#	373	356	∩ n/a		344	309	n/a	⊗	1	10	(6)		23	26	8
No. of Major Injuries / Fatalities (Londonwide)	#	1,349	1343	∩ n/a												
CSS : Safety and Security	Score					79.8	79.6	(0.4)		❖				78.0	79.0	0.0
SERVICE VOLUMES																
Passenger Journeys	m					374.6	376.2	3.2		9.9	10.1	0.1		215.4	216.0	(1.0)
Bus/Train Kilometres Operated	m					96.3	99.7	1.7		0.7	0.7	(0.2)		15,419	~15,711	101
CSS : Crowding	Score					77.6	77.1	0.1		❖				71.0	71.0	2.0
Congestion Index TLRN	#	99.6	82.0	0.0												
Cycling on TLRN (index April 2000=100)	#	116.0	125.0	7.0												
RELIABILITY AND SERVICE QUALITY																
Journey Time Reliability TLRN*	%	30.0	30.0	n/a												
On Time Performance - Adherence to schedule	%									96.7	95.9	(0.1)				
Schedule Operated/Valid Train Departure(DLR)	%					96.8	◆????	(0.6)		98.5	98.0	0.0		95.0	~94.6	1.0
Excess Waiting/Journey Time	mins					1.8	◆1.8	0.1						3.0	~3.1	0.3
Low Frequency Routes Departing on Time	%					71.2	◆72.2	0.2								
Night Buses Departing on Time	%					75.9	◆70.7	(3.3)								
Street Lights Working	%	95.0	96.4	(1.6)												
Traffic Signals Operating Effectively (Lon Wide)	%	96.6	96.8	(0.2)												
Traffic Signals with Pedestrian Phase*	%	75.0	75.0	(2.0)												
Days of Controls/Closure on Sensitive Roads@	Days	6.0	0.0	9.0												
CSS : Overall Satisfaction	Score					77.0	75.8	(0.2)		❖				75.0	75.0	0.0
CSS : Reliability – Journey/Wait Time	Score					77.8	81.2	3.2		❖				79.0	79.0	1.0
CSS : Information	Score					72.1	72.1	0.1		❖				75.0	76.0	0.0
Peak Hour trains Cancelled	%													3.0	~3.2	0.7
ACCESS																
Pedestrian Crossings for Disabled*	%	56.7	56.7	(5.3)												
Bus Stops that are 'low floor'*	%	4.0	4.0	(2.0)												
'Low Floor' Buses	%					72.0	75.0	4.0								
Stations with 'step-free' access*	%													11.4	11.4	0.0
Stations with wheelchair access*	%													3.5	3.5	0.0

PROJECT PERFORMANCE

Project	Variance from Plan / Budget	Comment
STREET MANAGEMENT		
CCS Traffic Management	£9m Slippage of programmes from 2002/03 to 2003/04	The Traffic Management programme has been revised to reflect the forecast delivery of schemes required to support the implementation of the Congestion Charging Scheme. Net reduction in spend from reductions in Real Time Traffic Management (RTTM) and Signing costs (£4m) non-Area Team cost reduction (£11.1m), funding by TfL Corporate (Vauxhall X) (£2.8m) and review of the programme of planned traffic management works after adjusting for overprogramming net increase (£9.9m), increase in Westminster borough schemes (£1.5m), increase in Automatic Traffic counters (£0.3m) increase in Modal shift (£0.5m), and slippage of Borough schemes into 2003/04 (£3.5m).
CCS Procurement & Systems Set-Up	(£11m)	The variance is made up of the costs of judicial review and associated legal work (£2.3m), incorporation of Transys Development (£1.3m), increase in the provision in monitoring costs (£1.0m) increased consultancy costs arising from delayed staff appointments, resourcing during the proving period, market research and disbursements (£3.3m), Mobile camera units and installation (£0.5m), and other costs (£2.4m). All milestones remain on target.
Traffic Enforcement	2-16 months	Delays in the planned appointment of operational staff has led to a delayed start in the processing of contraventions into PCNs. This is resulting in a significant loss of anticipated PCN income. Installation /Commissioning of Bus mounted cameras has been delayed by world FIP type approval process with the Home Office. The contractor has recruited additional staff to try and get back on programme. Limited access to buses at garages for calibration /commissioning of camera systems. BT has been slower than expected to complete connection works on new CCTV camera sites. Income from PCNs to date has shown a downward trend mainly due to use of bus mounted cameras. This has led to a revision in the forecast income. A total of 121,461 contraventions had been identified up to 27 th September 2002. The team aims to convert 90% of contravention's identified into a PCN - 79% has been achieved to date.
World Squares (Trafalgar Square)	4 months	Forecast completion date has slipped due to legal issues between Westminster and TfL causing delays to contractors gaining site access as well as temporary workman's facilities not now being relocated, as they are required for the time being, following a fire in the site offices.
Traffic Control Systems Replacement	6-8 months	Delays are expected to the Fault Management Package of 5 months as a result of a new requirement introduced by the users, further delays are expected due to the imminent departure of key testing staff. The London Traffic Control Centre system has an expected delay of 6 months resulting from the disruption caused by the relocation of the main users to new offices. A 6 month delay is expected to install and support on-street trials of UTC system due to software problems. A project to complete installation and commissioning of 15 signs; completion of server based system software is delayed for 8 months due to contract issues. The investigation into the replacement for the present OMUs is running 8 months behind schedule. The investigation and complete feasibility of alternative communications. Installation and commissioning of these alternatives is expected to be 6 months late. This is a 6 month delay to place contract and complete development of prototype GSM system for traffic signal monitoring and if feasible control.
Road Safety	5-6 months	A reorganisation of various Road Safety functions/groups into a single Road Safety unit early in the year has resulted in a delay in starting the schemes. The development of the campaign to reduce motorcycle casualties and cyclist fatalities has been delayed by 5 months due to insufficient information from agencies.

PROJECT PERFORMANCE

Project	Variance from Plan / Budget	Comment
RAIL SERVICES		
London City Airport	10-22 months	Preferred bidder announced on 27 August 2002 – CARE: City Airport Rail Enterprises comprising AMEC and Royal Bank of Scotland. A 30 year bank loan was selected as the funding option with a constrained availability fee profile also selected (flat in real terms for the duration of the Concession) with no contribution in advance of availability fees (i.e. payments of grant on achievement of construction milestones). The financial close and concession award is now expected on 16 December 2002. This has meant that the £24.6m milestone payment of the £27.0m budget will not be spent this year.
New Rail Cars	6 months	The final vehicle of the first tranche of 12 additional vehicles, was commissioned in August, 6 months later than scheduled. Delivery of the second tranche of 12 optional vehicles is subject to the knock-on impact of the delays to the first tranche. 6 of the vehicles were commissioned during the quarter. The final milestone for the commissioning of the twelfth vehicle is now set at November 2002 against a planned date of May 2002.
Rail Car Refurbishment	5-6 months	Contracts have been signed and the first vehicle has been delivered to the contractor, Alstom. The remainder of the year will see a prototype developed and due to be completed March 2003. This is around 5 months later than originally anticipated.
SURFACE TRANSPORT		
Bus Priority LBI2	£15m	The number of schemes planned for 2002/03, and their associated cost, are now significantly less than that calculated from the Whole Route Implementation Plans earlier this year. This is due to having a clearer view on scheme identification, which focuses on schemes supporting Congestion Charging, the time remaining before 'go-live' of the scheme and delays in commencement of work due to the need for wide consultation. This has resulted in the 2002/03 spend being reduced from the budget of £25.3m to £9.9m.
Delivery of Fleetwide AVL	10-17 months	The ongoing growth in the size of the bus fleet continues to impact on the vehicle fitment milestone, which has now slipped from its original completion date of September 2001 to the end of September 2002. The project is now expected to be completed by February 2003. Spend forecast for the year at £1.25m is some £950k over budget for 2002/03.
Countdown Stage 3 & 4	6-9 months	The rollout of Countdown signs on stage 3 & 4 continues to suffer from delays. The annual target was reduced from 2400 down to 2100 due to potential sites not having suitable stops or shelters. Uncertainty over the location of signs caused by changes in Bus Priority, other infrastructure related problems (e.g. power faults) have both led to delays which are compounded by a lead-in time of over 10 months from some suppliers for re-installation. Forecast completion date is now March 2003 compared with plan of June 2002, and spend this year is now forecast at £280k against plan of £750k.
Routemaster Re-engineering	8 months	This project aims to upgrade engines, transmissions and auxiliary equipment of Routemaster buses to reduce emissions and deliver environmental benefits. Funding was initially provided for 180 conversions in 2002/03, however due to a change in priorities this has been reduced to 28 conversions by March 2003. Spend is forecast at £0.3m against plan of £2.5m.

NET EXPENDITURE SUMMARY

	Second Quarter		First Half		Full Year	
	Quarter to 30 September	Variance to Budget	6 Months to 30 September	Variance To Budget	September Forecast	Variance To Budget
	£m	£m	£m	£m	£m	£m
Surface Transport						
London Buses	82	(1)	165	(13)	377	(37)
Bus Priority	14	6	25	10	60	11
Dial-a-Ride	4		8		15	(1)
East Thames Buses						
Victoria Coach Station	(1)		(1)		(1)	
London River Services					1	1
Public Carriage Office	1		2		4	(1)
	100	5	199	(3)	456	(27)
Street Management						
CCS & Enforcement	22	3	36	12	93	(9)
SM Services	47	(5)	75	(6)	171	4
Major Route Improvement	2	6	8	7	32	6
Traffic Technology	14	(1)	18	4	58	6
SM strategy & support	10	6	16	14	54	9
	95	9	153	31	408	16
Rail Services						
Rail Services	1	1	1	2	4	2
CrossRail	3	1	6		15	
Docklands Light Railway	11		21	4	43	30
	15	2	28	6	62	32
Corporate Directorates						
Media and Public Affairs	1		2		4	
Museum	1		2		4	
Customer Relations	1		1	1	4	(1)
General Counsel					1	
Corporate Services	9		14	1	37	(1)
Finance & Planning	18		29	9	74	22
	30		48	11	125	20
Total TfL Activity Net Costs	240	16	428	45	1,051	41
Contingencies					13	2
Overprogramming						(55)
Reserves					25	
Total	240	16	428	45	1,089	(12)

HEADCOUNT SUMMARY

31 March 2002		Q2 30 September 2002		Q1 30 June 2002		31 March 2003	
		Actual	Variance to Budget	Actual	Variance to Budget	Latest Forecast	Variance to Budget
	Surface Transport						
774	London Buses	823	3	808	(9)	834	*
237	East Thames Buses	309	(70)	237	2	309	(70)
5	Dial-a-Ride	558	1	522	32	559	
126	Victoria Coach Station	120	2	124	(1)	124	
18	London River Services	17	1	18		18	
152	Public Carriage Office	160	33	157	22	202	5
1,312		1987	(30)	1,866	46	2046	(65)
	Street Management						
35	Congestion Charging	45	25	40		100	6
95	Bus Priority & Enforcement	111	30	95		156	
190	Street Management Services	190	9	190		239	(37)
222	Traffic Technology	222	16	221		281	(44)
252	SM Strategy & Support	247	(18)	238		260	(13)
794		815	62	784	66	1,036	(88)
	Rail Services						
20	Rail Services	21	3	16	7	25	(1)
31	Docklands Light Railway	30	2	29	3	32	
51		51	5	45	10	57	(1)
	Corporate Directorates						
	Customer Relations	54				56	(2)
	General Counsel	30	(5)			24	1
91	Communications / Media and PA	40	2	91	3	43	(1)
92	Museum	86	8	86	8	94	
176	Finance & Planning	242	(1)	201	31	269	(28)
385	Corporate Services	355	12	370	18	378	(9)
2,901	Total Staff Employed	3,660	53	3,443	182	4,003	(193)
2,468	Permanent	3,164	323	3,002	325	3,588	64
457	Agency / Consultancy	496	(270)	441	(143)	415	(257)
2,925		3,660	37	3,443	182	4,003	(193)

* includes vacancy provision of 34

TRANSPORT FOR LONDON

TfL BOARD

SUBJECT: PROPOSED BUSINESS PLAN: 2003/04-2008/09

MEETING DATE: 19 NOVEMBER 2002

1. PURPOSE

1.1 This paper describes the recommended TfL Business Plan for 2003/04-2008/09 and seeks the approval of the Board to the Plan. The recommended Business Plan incorporates discussion from the Advisory Panel meetings of 7 and 8 November. Following the Finance Committee meeting of 14 November, a letter will be sent to all Board members on the 15 which reflects key issues and comments on the Business Plan discussed at that meeting.

1.2 This paper does not include recommendations regarding the London Underground Business Plan, which will need to be considered when details regarding transfer date and funding are resolved. However, **Section 6** of this paper discusses TfL's assessment of the funding gap in the London Underground Plan. This assessment is based upon the proposed London Underground Business Plan, which was discussed at the 8 November Rail Transport Advisory Panel and is included as a background paper for the TfL Board.

1.3 The Plan will form the basis of the budget submission to the Mayor and the GLA to be made on 22 November. The budget will become part of the Mayor's consolidated Budget, which will be the subject of consultation, and then be considered by the GLA Assembly and a final budget approved on February 12. TfL's proposals will then be updated to reflect the GLA budget decisions, and be presented to the March Board cycle for approval of the final 2003/04 budget.

1.4 The paper is therefore structured as follows:

Section 2 sets the context for the 2003/04 Business Plan

Section 3 provides an outlook on funding

Section 4 outlines the Commissioner and Chief Officers' recommended Plan

Section 5 discusses TfL's programme for efficiency savings

Section 6 discusses alternatives for funding the Plan

There are five appendices to the Paper

Appendix 1 is an analysis of the equality and inclusion content of Business Plan submissions and lists proposed priorities for 2003/04.

Appendix 2 outlines the financing assumptions in the recommended Plan

Appendix 3 details the recommended Business Plan costs and revenues

Appendix 4 shows performance indicator targets

Appendix 5 is a list of proposed expenditure items for use of net proceeds from Congestion Charging

2. CONTEXT FOR 2003/04 BUSINESS PLAN

2.1 TfL published its first six-year Business Plan in April 2002 following approval by the TfL Board in October 2001 and modification in light of the GLA Budget outcomes in February 2002. The focus of the business planning round this year has therefore been to update this adopted Plan, taking into account emerging issues and funding changes.

2.2 The 2002 Business Plan established strategic priorities for TfL, which remain the same in this recommended Plan. The **top priority** for TfL is to maintain London's existing transport network and bring the existing transport infrastructure to a **state of good repair**. Following that, TfL adopted six Operational Strategies to prioritise the implementation of improvements set out in the Mayor's Transport Strategy. These Operational Strategies are:

1. Improve system safety and customer security;
2. Improve financial efficiency;
3. Reduce traffic congestion, and increase public transport usage and network capacity;
4. Improve network reliability and service delivery quality;
5. Improve network integration and support of local authority initiatives; and
6. Improve access to the transport system.

2.3 TfL is now midway through the first year of the 2002/03 Business Plan, and has made significant progress towards delivering key initiatives in the Plan. These include:

- The Central London **Congestion Charging** zone is on target to go live on 17 February 2003;
- TfL is delivering necessary public transport improvements including **additional bus services** and **bus priorities** across all of London and to support the implementation of Congestion Charging;
- DLR has been granted TWA approval and secured a funding package for the **London City Airport extension**, and expects to award the contract in December;
- TfL and the London Boroughs have completed a **condition assessment** for all of **London's principal roads**, and are developing a co-ordinated programme to clear the maintenance backlog;
- The north side of **Trafalgar Square** was closed to traffic in September 2002, and the pedestrianisation of this World Squares project will be complete in May 2003;
- Progress has been made on improving **taxis**, and **private hire operators** have been licensed as the first stage of improving minicab quality and safety; and

- Major projects such as the **Thames Gateway Bridge** and **Crossrail** are progressing with development works to prepare for application for planning powers by the end of 2003.

2.4 The recommended 2003/04 Business Plan reflects inputs from TfL's businesses, the London Boroughs and sub-regional partnerships, and other key stakeholders, and also takes account of the requirements of the draft London Plan. Proposals to update and amend the Business Plan were supported by business cases and assessed against a common framework that considered value for money, contribution towards strategic priorities, social inclusion, and affordability. The key features of the recommended Business Plan are outlined below and described in more detail in **Sections 4 and 5**. Many of these initiatives will require further work and finalisation of business cases prior to implementation, as discussed both below and in **Section 4**.

- **Bus Network Improvements (section 4.1)**: improvements to the quality and capacity of London's bus network have been a major success story for TfL. Building on this success is a high priority for TfL, and the required subsidy costs to do so is a dominant feature of TfL's Business Plan. Bus network subsidy increases substantially during the Plan period, rising much faster than anticipated in the 2002 Business Plan. This increase is primarily a result of three factors: the provision of additional services to meet rising demand, labour-driven growth in bus contract costs and relatively stable total income (and declining income per passenger) resulting from fares policy. The recommended Plan shows that bus network subsidy will rise from approximately £100 million per annum in 2000/01 to roundly £1 billion per annum by the end of the Plan period. **Section 4.1** discusses actions TfL will take to address concerns regarding the sustainability of bus network subsidy costs.
- **Deliver the London Plan (sections 4.5, 4.6 and 4.9)**: TfL's Business Plan provides investment in transport capacity needed to support the growth in employment and population envisioned in the draft London Plan. The London Plan requires an increase in rail and bus capacity by 40-50% by 2016, with an emphasis on increasing capacity in opportunity areas such as the Thames Gateway. TfL's Business Plan provides this capacity, in part, through investments in major projects including Crossrail, Thames River Crossings, extensions to the DLR, and four Light Transit schemes.
- **Stewardship of Transport Infrastructure (section 4.4)**: the need to understand the condition of London's transport infrastructure and bring the existing network in a state of good repair remains TfL's top priority. TfL and the Boroughs have completed an assessment of all London's principal roads, which identified a larger road maintenance backlog than had previously been estimated. The recommended Business Plan provides for a significant increase in structural maintenance for both TfL and Borough principal roads and structures in order to clear this backlog by 2010. Street Management is developing plans to work closely with the Boroughs to better co-ordinate roadworks and minimise disruption.
- **Transport Policing and Traffic Policing (section 4.2)**: In 2002/03, TfL formed a partnership with the Metropolitan Police Service to implement a

Transport Policing Initiative providing a police presence on 20 of the most highly-utilised bus corridors at a cost of £25 million per annum. The recommended Business Plan provides for a £30 million expansion of the Transport Policing Initiative which includes an increase in the policing presence on existing corridors, adding 2 further corridors, and improving the uniformed enforcement capability for the remainder of the bus network.

- **Developing Sustainable Modes (Sections 4.4 and 4.6):** TfL is committed to promoting sustainable transport such as walking and cycling. A key feature of the 2002 Business Plan was the creation of a Walking and Cycling Task Force in partnership with user groups and the Boroughs. The recommended Plan provides a steadily rising increase in funding consistent with the preliminary recommendations of the Task Force. This includes specific walking and cycling initiatives, including LCN+, as well as a greater focus on area-based schemes to promote sustainable transport in town centres and residential areas. These programmes are particularly dependent on effective partnership working with the Boroughs.
- **Promoting Social Inclusion (Section 4 and Appendix 1):** TfL is committed to promoting equality for all and making social inclusion an integral part of our everyday business. In 2002, TfL published a Social Inclusion Action Plan and the Commissioner has appointed a Head of Social Inclusion to work with TfL's business units to mainstream social inclusion issues. This year's business planning has introduced a new element to the process of project submission and assessment, and that is an analysis of the equality and inclusion outputs and outcomes. We recognise that additional work is required to better understand the needs of different socially excluded groups and the outcomes of our programmes for these groups. **Appendix 1** identifies the further work that is necessary in the coming months to ensure that TfL gets the greatest social value for its work in 2003/04 and that the projects identified within the Social Inclusion Action Plan are carried forward effectively.
- **Achieving Efficiencies (section 5):** TfL has a responsibility to our customers and funding partners to operate as efficiently as possible. TfL's senior management are committed to identifying and achieving efficiency savings that will reduce the amount of funding required to deliver the necessary transport improvements set out in the Business Plan. In 2002/03, we have begun to deliver efficiency savings by consolidating property management, reducing reliance on agency staff, and rationalising accommodation costs. We are currently undertaking two major initiatives, in partnership with London Underground, to identify and achieve significant efficiencies. These are: a Business Improvement Programme, which will replace legacy transaction systems and business processes with an enterprise resource planning system, and a reorganisation of TfL's and the Underground's support functions to create a more efficient and effective organisation upon integration. TfL estimates that these initiatives will result in cumulative net savings of approximately £325 million over the Plan period.

- 2.5 **Table 1** summarises the proposed expenditure and funding requirements for the recommended Business Plan, including the London Underground funding shortfall. TfL's expenditure plans and the LUL funding shortfall are detailed in **Section 4** and **Appendix 3** of this paper. TfL's gross spend will increase from £1.9 billion in 2002/03 to nearly £2.3 billion in 2003/04 (nearly 25%), and then to £2.8 billion in 2008/09.

Table 1: TfL Business Plan- Summary of Expenditure and Funding

£m, 2003/04 prices	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Gross Expenditure	1869	2280	2402	2624	2664	2686	2766
Income and Receipts	780	852	891	912	933	963	988
TfL Net Spend	1089	1428	1511	1712	1731	1723	1778
Indicative funding	1089	1352	1416	1216	1185	1181	1146
TfL Funding gap	0	76	95	496	546	542	632
LUL Shortfall	-	173	149	234	269	279	292
CLRL (50%)	-	-	24	75	15	-	-
Total Funding gap	0	250	269	804	830	821	924

The recommended TfL Plan requires funding which is broadly in line with anticipated resources during the first two years. However, from 2005/06 onwards delivery of the Business Plan requires substantial increases in funding: an additional £500-600m per annum excluding LUL or £800-900m per annum including the projected London Underground funding shortfall. Members of all three Advisory Panels expressed concern regarding the size of the funding gap starting in 2005/06, and requested that TfL identify alternatives for bridging this gap including fares, new funding sources, and developing the case for additional grant. **Section 6** of this paper discusses alternatives for funding the Plan.

3 FUNDING OUTLOOK

- 3.1 **Transport Grant** - Following the Chancellor's July announcement on Spending Review 2002 (SR2002), TfL was advised by the Government Office for London of the Transport Grant for 2003/04. Of the announced figure of £1219m, £17m is ring-fenced for Cross London Rail Links (CLRL). Although the Chancellor announced central government departmental totals, no figure for 2004/05 and 2005/06 has yet been given, and it is not clear when we will receive it. For planning purposes, we have included funding levels for 2004/05 onwards which Government Office for London has advised are included in Government's Ten-Year Transport Plan. These figures show a significant reduction in Transport Grant from 2005/06 onwards.
- 3.2 **GLA Precept** - the existing precept is £35.8m per year, and this is assumed to be maintained throughout the Plan period, subject to further decisions on precept by the Assembly.
- 3.3 **Congestion Charging net income** - with the confirmed 'go-live' date of 17 February, the latest estimates of operating surpluses are included. The scheme order requires TfL to identify a programme of permitted expenditure to be

funded by Congestion Charging from within TfL's Business Plan. Initial proposals for this are listed in **Appendix 5**.

3.4 **London City Airport set aside** - TfL is required to provide credit cover for the net present value of the DLR City Airport extension project in 2003/04. This is partly covered by a credit approval and additional grant from Government (which will be clawed back in later years). The remaining £24m (the amount funded by Capital Modernisation Fund grant received in previous years) will need to be found from revenue in 2003/04, but can be released in 2004/05 as long as TfL remains free of long-term borrowing.

3.5 **Table 2** below shows the funding assumed for planning purposes.

Table 2: Indicative funding for TfL, £m 2003/04 prices

	2003/04	2004/05	2005/06
Indicative Transport Grant	1219	1230	1053
GLA Precept	36	36	36
Congestion Charging operating surplus	121	126	127
City Airport set aside	(24)	24	
Total indicative funding	1352	1416	1216

3.6 **Financing Assumptions** - the Business Plan assumes that many of the major projects are financed, rather than pay-as-you go capital expenditure. These are the two Thames River Crossing schemes, the West London and Cross River Trams, and DLR extensions to London City Airport, Woolwich and Barking. Details of financing assumptions are set out in **Appendix 2**.

3.7 **Risks and Contingencies** - the recommended Business Plan includes provision for risks and contingencies in line with the 2002/03 Business Plan. This includes a transfer of £25m to reserves in 2003/04 to build up cash reserves, and a contingency provision of £25m per year. The contingency provision represents approximately 1% of TfL's gross expenditure. The main risks are:

Financial

- Income from fares or other sources, such as from the congestion-charging scheme or from land sales, may be lower than in the Plan
- Unforeseen circumstances and opportunities, such as the availability of land to expand Hammersmith Bus Station in 2002
- Industrial action may also reduce revenue
- The rising costs of bus services to levels that are unsustainable under current funding and fares scenarios
- Transport Grant has only been confirmed for 2003/04, and in future years may vary from that indicated. There is a need for a significant increase in revenues and grant funding to support the Business Plan from 2005/06 onwards.

Delivery

- Legal or planning processes may delay implementation of projects
- The capability of outside bodies to deliver areas of the Plan, where joint working or delivery of plans is required, may affect achievement of those plans. Particular examples are the delivery capability of the London Boroughs and the decision-making of the SRA
- Availability of sufficient project management skills.

- 3.8 **Overprogramming:** TfL's 2001/02 and 2002/03 budgets included short-term borrowing against future grant to effectively overprogramme. TfL's transport grant is no longer forecast to rise, so the case for building borrowing into the budget is not as clear-cut. As an alternative, it is proposed that an amount for overprogramming, based on an estimated value of underspend and slippage in 2003/04, is subtracted from the planned expenditure. This approach would keep the budgeted spend for the Group at the level of grant, precept, and congestion charging surplus. TfL's ability to borrow could be tapped if slippage is reduced and actual spend is higher than anticipated.

Finance & Planning has assessed the recommended plan for risk of underspend, based on recent delivery experience, reliance on partners, and assumptions regarding planning approvals. The estimated amount of required over-programming is £50m per year.

4. THE RECOMMENDED BUSINESS PLAN

The recommended Business Plan proposes spending which is broadly in line with funding in the earlier years, but identifies a need for substantial additional funding to support the required level of transport investment in later years. The key elements of this recommended Business Plan are set out below.

4.1 London Buses – Bus Network

- Improving the bus network is London Buses' highest priority. The 2002/03 forecast and the proposed 2003/04 bus network subsidy are substantially higher than the 2002/03 Business Plan as a result of: full-year impacts from additional services to support Congestion Charging; increases in tender prices higher than previous estimates; and improvements to the bus network.
- The recommended bus network improvements would provide for: continued introduction of new accessible buses; quality improvements delivered through the tendering programme; and an increase in service levels to provide capacity to meet additional demand. Additionally, a limited provision for new demands (such as demand from new schools or hospitals) would be provided. From 2004/05 onwards, this plan would constrain TfL's resource to fund substantial new services to the extent done over the last two years. That would require optimisation of the existing network, including considering whether challenging reductions in lesser-

used services should be made to allow funding of further new and discretionary services.

- The Plan assumes continuation of TfL’s current bus fares policy – with a cash fares freeze through 2004, and fares increasing in line with inflation from 2005 onwards. This results in relatively stable income overall and a decline in income per trip, and contributes towards a sharply rising operating deficit. **Section 6.1** discusses work TfL is undertaking regarding a longer-term fares strategy.
- The recommended plan would increase operated km’s by 7.3% in 2003/04 (most of which is the full-year impact of 2002/03 service enhancements/new services), a further 3.8% in 2004/05, and in total 20% over the whole plan period. These improvements would contribute towards network reliability, service quality, transport capacity across London, and social inclusion.
- The difference in bus network costs between those that result from 2002/03 services introduced (‘committed base’) and the recommended plan is as follows:

£m, 2003/04 constant prices	2002/03 forecast	2003/04	2004/05	2008/09
2002 Business Plan	218	357	403	n/a
Committed base	240	399	482	723
Recommended Plan	240	421	546	834

- TfL management and Advisory Panel members recognise that this level of increase in bus network costs is not sustainable within the current funding and fares environment. Work is starting in the following areas:
 1. TfL will continue to explore ways to save operating costs through improved journey times and reliability, to offset the effects of continual growth in traffic congestion. Options include more effective bus priorities and enforcement and ticketing/boarding strategies which are discussed below;
 2. London Buses will undertake a comprehensive review of the entire bus network and the process of specifying and contracting for bus services; and
 3. TfL will develop a long-term strategy for funding the bus network, including a longer-term fares strategy and the development of a value-for-money case supporting subsidy levels for the bus network.
- Each of these are major issues requiring significant work, and TfL will report back to the January Board cycle regarding progress and timescales for completion.

4.2 London Buses – Network Support

- **Expansion of the Transport Policing Unit-** TfL launched a Transport Policing Initiative in partnership with the Metropolitan Police Service in

June 2002. This initiative will provide a policing presence on 20 bus corridors by March 2003. The recommended Business Plan will provide an additional 223 police officers to provide:

1. Two additional bus corridors
2. An increased police presence and 24/7 capability for existing corridors
3. An area-based enforcement capability for the remainder of the bus network
4. More enforcement of the taxi and private hire trade.

The proposal also includes an additional 100 officers for the British Transport Police on the Underground, assuming transfer of LUL to TfL in April 2003. This proposal will continue to be refined over the coming months based on the experience with and monitoring of the current initiative. Enforcement and policing activities across TfL would be monitored and co-ordinated within a new Directorate.

- **Bus Priority** - the recommended Plan includes continued implementation of Selective Vehicle Detection (SVD) and implementation of physical bus priority (bus lanes, etc) at a level in 2003/04 broadly similar to the existing Business Plan. However, the level of spend is reduced in 2004/05 onwards compared to the existing business plan. Additional resources for enforcement through the expanded Transport Policing Unit (see above) will also benefit bus passengers. Surveys to advise of the impact of existing bus priority measures are not due until next year.

Members of the Surface Transport and Street Management Advisory Panels expressed a need for TfL to develop a step-change in the effectiveness of bus priority coupled with appropriate enforcement. TfL will develop pilot projects to implement on two bus corridors in 2003/04, which will combine higher levels of bus priorities with uniformed enforcement to inform future bus priority programmes.

- **Ticketing and Boarding Strategy** - a ticketing and boarding strategy to achieve faster boarding, passenger convenience, and efficiency savings consisting of three elements: introduction of cashless operation in Central London, expansion of cashless operation across the whole bus network by 2008 and, in parallel, the progressive introduction of articulated buses with open boarding.

In conjunction with the modernisation of the bus fleet on key Central London routes, cashless operation would be introduced in 2003/04 in a defined zone of central London to speed boarding and reduce dwell times at bus stops. Other initiatives will be trialled at specific locations to board passengers more quickly at the busiest stops. The results of these trials will be closely monitored by TfL and used to inform decisions regarding the speed at which cashless operations is ultimately achieved.

The plan calls for cashless operations to be achieved through the introduction and expanded use of Oyster cards in combination with modification of fare policy to encourage off-bus ticketing. The cashless operation would be fully achieved in 2008, with a complete withdrawal of cash fares. This strategy is a relatively low risk approach because it does not require up-front investment in ticket machines and allows the strategy

to be tested against key measures of success at various stages of implementation. However, the benefits of faster journeys and potential operating cost savings will take longer to achieve. As discussed with the Surface Transport Advisory Panel, TfL is committed to moving faster if a practical and cost-effective way can be found and will report back to the Board as set out in **Section 4.1**.

A further two articulated bus routes will be introduced with open boarding by the end of 2002/03 and it is envisaged that further routes would be introduced during the budget and business plan period, the first four having been successfully monitored. TfL will come back to the Board with the results of this monitoring and analysis relating to boarding times, reliability, revenue protection, and cost-effectiveness as part of the review process described in **Section 4.1** before proceeding with further expansion of articulated buses with open boarding.

- **Bus Garages and Bus Stations** - expansion of garage and bus station capacity over the Plan period, including four additional bus garages and bus station expansion at Walthamstow, Hammersmith, and five other locations.
- **Bus Stops and Shelters** - Provision for increased security at bus stops is included in 2003/04.
- **Real-time information** - subject to demonstration that technical issues relating to bus radios/AVL have been resolved, an expansion of Countdown signs to 4000 locations by 2006 (one year after Transport Strategy target). Overall there is a fairly strong business case for their introduction; however, deliverability and effectiveness have not yet been proven. The recommended Plan also provides for audio Countdown and 'Next Stop' on-bus information, which have strong business cases and social inclusion benefits.
- **On-bus CCTV** - fitted to all buses by 2005 which has a strong business case and contributes to security and social inclusion objectives.
- **Bus Marketing/Public Information** - continues at current levels, but with an emphasis on improving customer information.

4.3 Other Surface Transport

- **Taxi rank improvements** - shelters and other improvements to bring a safer waiting environment.
- **Dial-a-Ride** - new (often smaller) vehicle types will be introduced to enhance service provision and provide flexibility, with a service increase throughout the Plan years. A new booking and scheduling system will be commissioned in 2003/04, which will assist booking co-ordinators in meeting trip requests and better utilise the drivers and vehicles available.

Proposals for a **Multi-stop River service** are not included, as it has a weak business case requiring a high level of subsidy per passenger.

4.4 Street Management

- **Principal Road and Structure Maintenance** - following the asset condition survey, a programme to eliminate the capital maintenance

backlog on the TLRN and Borough Principal Roads by 2010, which involves greater expenditure than in the existing Business Plan. Street Management is now developing plans to work closely with the Boroughs and Buses to better co-ordinate roadworks and minimise disruption. Street Management will report back on these plans during the January Board cycle.

- **Network Improvement schemes** – the A23 Coulsdon and three A406 schemes (Bounds Green, Regents Park Road, and Golders Green) remain in the Plan. New schemes at Catford, Purley Cross, and Wandsworth are included in later years of the Plan. All network improvements have provided outline business cases, and TfL will not commit to implementation until a full business case is provided that demonstrates value for money and includes a review of traffic impacts and mitigation plans.
- **Parliament Square (World Squares) scheme** - to commence in 2005/06 rather than 2004/05, in view of the overall funding situation and the levels of possible disruption during construction. TfL will not commit to implementation of this scheme until a full business case is provided that demonstrates value for money and includes a review of traffic impacts and mitigation plans.
- **Tunnel Safety schemes** - for the Blackwall Tunnel (northbound) and Rotherhithe Tunnel, to improve safety to European standards introduced following two central European tunnel fires.
- **Walking and Cycling programmes** - following last year's Business Plan round a Task Force was set up to review walking and cycling programmes, and a revised programme consistent with their draft recommendations is recommended, with expenditure in 2003/04 above 2002/03 levels and gradually increasing throughout the plan period.
- The **Road Safety programme**, which covers safety work on both the TLRN and all Borough roads, is focused on delivering London-wide road safety schemes, education and enforcement in order to meet the casualty reduction targets outlined in the Mayor's London Road Safety Plan. A key target among these is to achieve a 40% reduction in the number of road-users killed or seriously injured by 2010 (compared to a 1994-98 baseline). It was recently announced that, in the 12-month period to June 2002, overall casualties have already been reduced by 8%.

4.5 **Rail Services (including Docklands Light Railway)**

- **DLR Extensions** - to London City Airport by 2005 and Woolwich Arsenal by 2007, and in later years of the Plan extensions to Stratford International by 2008 and Barking by 2012. The additional extensions are included in the draft London Plan.
- **3-car upgrade on DLR Bank-Lewisham** - with a revised cost profile and overall increased costs (since last year, project specification has been defined). This project provides additional capacity to and within the Docklands.

- **Stratford Station improvements** - the revised proposal increases costs by around £11m compared with the existing Business Plan. Following a feasibility study, the option of a separate new platform is proposed, rather than the limited safety works, which the study showed could not be implemented as initially proposed.
- **National Rail (Smartcards)** - the recommended Plan provides for purchase of PRESTIGE smart-card readers and gate modifications at National Rail stations throughout London in 2003/04 and 2004/05 to ensure that the Oystercard can be used as an integrated fare product throughout London.
- **National Rail (fares)** - Revisions to SRA's policy on National Rail fares present an opportunity to better integrate TfL and National Rail fares. TfL has responded to SRA's consultation on fares by identifying perverse effects of current policy and suggesting ways to re-establish and extend the attractiveness of Travelcard as the integrated ticket for Greater London. The recommended Business Plan does not include any funding for National Rail fare support.
- **National Rail-** TfL will work in partnership with the SRA to try to achieve station improvements, better security, and enhanced frequencies to create a 'turn up and go' London Metro network. The recommended plan includes funding for studies to influence SRA and TOC's and to work co-operatively to make these improvements, but does not include funding for top-ups or fares support. TfL's chief officers and members of the Rail Transport Advisory Panel recommend that before committing funds to worthwhile National Rail improvements, TfL must develop a strategic framework for working with the SRA and maximise SRA and TOC funding for rail service improvements and fares integration. TfL will report back to the Board in 2003 regarding the proposed strategy for working with SRA.

4.6 Central Directorates

- **Borough Spending Programmes** - most of the Borough Spending Programme is accounted for in the bus priority, road/structure maintenance, walking and cycling and road safety programmes as noted in **Sections 4.2 and 4.4** above. For these London-wide programmes, TfL has assessed individual schemes for TfL and Borough roads using a consistent set of criteria.

Other borough spend in the recommended plan includes funding for town centre improvements, travel awareness, and safer routes to schools programmes. The overall level of borough spend in the recommended Business Plan is less than bid for by the Boroughs, but represents an increase over recent levels.

The funding for **maintenance of Borough non-principal roads** has not been retained- this was specifically identified as a new item requiring additional Government funding which was not provided in SR2002.

- **Thames Road Crossings** - there are two road crossings proposed in the Plan, the Thames Gateway Bridge (to open by 2010) and the Silvertown link (by 2015), which both contribute to the regeneration of the Thames Gateway area and support the proposals for the Thames Gateway contained

in the draft London Plan. Costs of development, financing and implementation under a private financing arrangement are included.

- **Regeneration road schemes** - Borough-proposed road schemes in the Thames Gateway (Thames Road and Lower Lea Valley Spine Road) are provisionally added to the Business Plan. Both proposals are recommended subject to further analysis of Thames Gateway transport needs in the context of the draft London Plan. The projects would require a long-term funding commitment from TfL, if they are to proceed.
- **Major Interchange Development** - the interchange programme will be refocused and reduced in cost to concentrate on planning and conceptual design for major multi-modal interchanges prioritised in the Interchange Plan. Transport Planning will develop an integrated plan and business case for each proposed location prior to transferring project management responsibility to the appropriate business unit to implement.
- **Light Transit Schemes** - TfL is progressing development and implementation on four Light Transit Schemes across London, as announced by the Mayor in May 2002. These are:
 - **West London Tram** - this is being taken forward as a tram scheme, opening in 2009, linking Shepherds Bush, Ealing, Southall and Uxbridge, and expected to carry 50 million passengers a year.
 - **Cross River Tram** - also a tram scheme, opening in 2012- linking two regeneration areas in south London (Peckham and Brixton), with central London and Kings Cross/Camden.
 - **East London Transit** - a bus based scheme- Phase 1 to be implemented from Ilford Town Centre via Barking Reach to Dagenham Dock by 2005/06. Project management responsibility to transfer to Surface Transport by year end.
 - **Greenwich Waterfront Transit** - a bus based scheme, between Woolwich, Thamesmead and Abbey Wood with services extending to North Greenwich by early 2008. Project management responsibility to transfer to Surface Transport by year end.
- **Croydon Tramlink extensions** – TfL is currently assessing the feasibility and transport case for these extensions. The recommended Plan provides for further development work on these extensions in the later years of the Plan, subject to a strong case being made.
- **Taxicard** - continued support for enhancement of the London Boroughs' Taxicard scheme- benefits of TfL funding include standardising the amount the Taxicard holder pays towards each trip, and additional trips. The Surface Transport Advisory Panel agreed that further discussion regarding Taxicard was required, and the results of this discussion and implications for the recommended Plan will be reported in advance of the Board meeting.
- **Museum redisplay** - the TfL contribution is to be made in 2005/06, subject to the Museum implementing a robust external funding strategy and receiving a grant from the Heritage Lottery Fund.

- **Wembley Park Station** - a contribution of £7m towards the cost of upgrading the capacity of the station as part of the Wembley Stadium redevelopment
- **Smartcards** - the addition of funding to support the introduction of 'Oystercard' smartcards throughout London.
- **New corporate HR initiatives** - including frameworks for management development, and graduate recruitment and development.

Two proposals made by central directorates are not recommended for inclusion in the Plan- **Travel Information Centres expansion** (unless funded from external sources), and a proposed **Arts Programme**.

4.7 **Under 18 Fares Proposal**

The Mayor has proposed that an under 18 fares scheme be introduced, to give half fare travel to 16 and 17 year olds. Required funding to cover lost income and additional network costs is estimated at £50m per year- however the impact for specific modes (LUL, Buses, National Rail etc) has not been separately identified.

4.8 **London Underground Funding Shortfall**

It is anticipated that London Underground will become part of TfL in 2003/04, however a transfer date and details of this transfer have not been confirmed by Government. London Underground has provided TfL a proposed Business Plan for 2003/04 to 2008/09 as part of the TfL business planning process. This was discussed by the Rail Transport Advisory Panel and is included as a background paper for the TfL Board.

The London Underground Business Plan assesses funding needs against Government's proposed funding settlement for the PPP. The LUL Plan identifies a significant shortfall in funds (£100m-200m p.a.) from 2005/06 onwards, and this is itself dependent on the carry forward of grant from 2002/03 to 2003/04 which has yet to be agreed with Government. London Underground also identifies the need to build up £170m in cash reserves, which is not funded by Government.

TfL's analysis of London Underground's Business Plan has identified an additional funding shortfall (on the order of £150m p.a.). This is shown in **Table 3** and results from:

- currently unfunded items such as pensions administration and uncertainties around the ISC payments until the final contracts have been signed;
- inadequate operating cost projections; and
- inadequate contingencies for risks, for example for LUL's obligations under PPP and PFI contracts.

Table 3: TfL Assessment of London Underground Funding Gap

£m (2003/04 prices)	03/04	04/05	05/06	06/07	07/08	08/09
Funding gap in LUL Plan	-	-	117	162	169	176
LUL unfunded items	43	28	78	68	68	63
Inadequate operating cost projections	13	16	17	21	21	24
Inadequate risk contingencies	17	33	23	19	21	29
Creation of a proper cash reserve	100	72	-	-	-	-
Total Funding Gap	173	149	235	270	279	292

Rail Transport Advisory Panel members were surprised that the level of subsidy required for the Underground is on the order of £1 billion, or 50% of projected costs, and requested London Underground to provide a comparison of projected costs and revenues in the Business Plan against those from the past 3-4 years. Panel members were particularly concerned that the size of the funding shortfall projected by London Underground is roughly equivalent to the size of proposed Major Enhancements, which are not guaranteed in the PPP but deliver much needed improvements to accessibility and congestion relief.

4.9 Cross London Rail Links

The Crossrail 1 and 2 projects are being taken forward as a TfL and SRA joint venture by Cross London Rail Links (CLRL). Government has agreed to provide £154m ring-fenced grant to cover Crossrail development, 50% of which is included in the Rail Services business plan. CLRL has also estimated the cost of advanced works required for Crossrail 1 (for utilities, property purchases, and long-lead time equipment) and will seek Government funding through the TfL-SRA joint venture for this purpose. Based on latest advice from CLRL, the recommended Plan identifies the cost of these advanced works, but does not include funding for any additional up-front capital to support a concession.

4.10 Overall recommended level of expenditure.

Table 4 sets out the total level of expenditure required for the recommended Business Plan for 2003/04 to 2008/09 against the level of funding available.

Table 4: TfL Business Plan- Summary of Expenditure and Funding

£m, 2003/04 prices	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Gross Expenditure	1869	2280	2402	2624	2664	2686	2766
Income and Receipts	780	852	891	912	933	963	988
TfL Net Spend	1089	1428	1511	1712	1731	1723	1778
Indicative funding	1089	1352	1416	1216	1185	1181	1146
TfL Funding gap	0	76	95	496	546	542	632
LUL Shortfall	-	173	149	234	269	279	292
CLRL (50%)	-	-	24	75	15	-	-
Total Funding gap	0	250	269	804	830	821	924

Details of the proposed level of expenditure are provided in **Appendix 3**.

4.11 Borough Spending Plans

Section 4.6 above advised that the overall Borough spending proposals would change as a result of modifications in a number of areas. **Table 5** shows the level of expenditure proposed for the London Boroughs' BSP process. This proposed expenditure is greater than the 15 October announcement of £130m in 2003/04 and the £140m committed for 2004/05 and 2005/06, and the two primary areas of increased expenditure are road maintenance and road safety.

Table 5: Business Plan- indicative level of Borough BSP funding

£m, 2003/04 prices	2002/03 allocation	2003/04 (15 Oct)	2003/04 Plan	2004/05 Plan	2005/06 Plan
Road maintenance	43.1	42.7	63.1	72.4	70.4
Bus Priority	16.2	21.0	21.0	23.0	23.0
Walking	2.1	3.1	3.2	4.7	4.7
Cycling	8.0	8.6	8.9	10.0	14.1
Road Safety	19.0	20.7	23.0	24.0	27.0
Area Schemes	13.8	16.2	17.1	18.1	22.5
Safer Routes to school	6.0	6.0	6.2	6.2	6.2
Regeneration road schemes*	1.1	0.8	0.8	0.8	1.5
Controlled parking zones	1.6	0.9	0.9	0.9	0.9
Travel Awareness	1.5	2.0	2.0	2.0	4.8
Traffic Signals	7.2	7.2	7.2	7.2	7.2
Other (Access, Freight)	0.4	1.5	2.2	2.2	2.3
TOTAL	120.0	130.7	155.6	171.5	184.6

* Excluding Thames Road and Lower Lea Valley Spine Road

4.12 Performance Indicators

Performance Indicator targets were agreed by the Board at the 19 March 2002 meeting, and are contained within the Business Plan published in April 2002. Businesses have submitted revised targets to reflect the revised Business Plan, and these are shown for noting in **Appendix 4**. These will be updated to reflect best estimates of the 2002/03 outturn and 2003/04 budget and will be presented to the Board as part of the Budget approval in March 2003.

5 EFFICIENCIES

5.1 TfL's 2002 Business Plan committed to identifying and achieving efficiencies. In 2002/03, we have begun to deliver efficiency savings by consolidating property management, reducing reliance on agency staff, and rationalising accommodation costs. In the area of property management, TfL has consolidated responsibility for property acquisition and sales within LT Property, achieving a saving of 20 positions from the Street Management lands team budget. After completing an assessment of accommodation costs, TfL re-negotiated a number of leases with savings of approximately £1m per annum, and is reviewing company-wide software licenses and telecoms costs as opportunities for immediate savings.

- 5.2 More fundamentally, TfL is undertaking two major corporate initiatives to achieve long-term efficiencies. Both are being pursued as joint initiatives with London Underground, in order to maximise opportunities for efficiencies.
- 5.3 First, the **integration of the London Underground** provides a unique opportunity for TfL to restructure corporate support functions. TfL has engaged McKinsey & Co. to facilitate the transition and propose a restructuring of the entire organisation, with a focus on identifying efficiency savings in corporate functional areas such as Human Resources, Finance, Marketing, and Procurement. As the integration approaches, TfL will continue to look for efficiencies in all non-operational areas of the business - including Planning, Borough Partnerships, Legal, Facilities, and Information Management.
- 5.4 Secondly, TfL and LUL have agreed to jointly pursue a **Business Improvement Programme (BIP)**, which will replace legacy financial, procurement and human resources information systems with an enterprise resource planning system.
- 5.5 Other opportunities for efficiency include reducing reliance on agency staff and consultants to perform day-to-day activities (replacing wherever possible with permanent or fixed-term employees) and rationalising accommodation. An accommodation strategy has been developed in 2002/03. The agreed efficiency targets coming out of the review activity should be seen as the 'minimum' and TfL should strive to deliver the maximum possible. The efficiency savings included in the Plan are shown in **Table 6** below.

Table 6: Estimated Efficiency Savings

Annual Recurring Savings (£000's)	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Integration Savings	14,714	39,792	64,492	64,492	64,492	64,492
BIP Savings	4,985	19,262	15,790	15,239	12,059	12,215
Overlap between Integration/BIP	(1,252)	(5,487)	(7,760)	(7,760)	(7,760)	(7,760)
One-off Restructuring Costs	(11,220)	(11,538)	(6,889)			
Net Impact on Integrated TfL/LUL	7,227	42,029	65,633	71,971	68,791	68,947
Cumulative Savings	7,227	49,256	114,889	186,860	255,831	324,778

6. ALTERNATIVE FUNDING SOURCES

The recommended Business Plan for TfL (excluding LUL) is broadly balanced in 2003/04 and 2004/05, though when LUL funding shortfall is added there is a requirement of around £200-£250m each year. However, there is a substantial long-term funding gap from 2005/06 onwards. The recommended Business Plan has identified additional costs primarily in three areas: rising costs and expansion of the bus network above previous forecasts, development and implementation of major projects to increase capacity in support of the London Plan, and expansion of the Transport Policing and enforcement

initiatives. These rising costs are exacerbated by a potential decrease in the level of Transport Grant in 2005/06. Four alternative sources of funding are discussed below- fares, tax increment funding, developer contributions/planning gain, and road pricing/workplace parking levies.

6.1 Fares

The Business Plan assumes a cash fare freeze on Buses until 2004, with RPI level increases thereafter, and for the Underground and DLR, zero real (RPI) increases. Greater than RPI fare increases would reduce the funding gap, and additionally by moderating demand increases, reduce costs, particularly for buses. TfL is undertaking a review of longer-term fares strategy and will begin discussions with Board members in December 2002. Possible options and their impact are discussed below.

Buses - The Proposed Plan for London Buses requires increasing funding, as noted in **section 4.1** above and detailed further in **Appendix 3**. The gap will continue to grow unless fares begin increasing at a rate equal to or greater than the rate of cost increase for the bus network. For the level of fares to match the increase in unit costs from 2004/05 to 2008/09 a real fare increase over the four years of 20% would be required, i.e. of RPI plus 5%, leading to a reduction in passenger growth of, say, 7% over the period. Overall, passenger volume in 2008/09 would then be at the 2004/05 level.

If underlying inflation were, say 2% per annum, increasing real fares each year by 5% would mean the following for typical fares:

- Pre Pay prices rising by 5p per annum;
- Daily Bus Pass prices rising by 15p to 20p per annum;
- Weekly Bus Prices rising by 70p per annum.

Underground - London Underground's operating costs are projected to increase by around 19% in real terms over the 6 years from 2002/03 to 2008/09. To match this, real fares would need to increase by around 3% each year. Such a programme of increases would be raising additional revenues of £150m to £200m by 2008/09.

National Rail - Revisions to SRA's policy on National Rail fares present an opportunity to better integrate TfL and National Rail fares. TfL has responded to SRA's consultation on fares by identifying perverse effects of current policy and suggesting ways to re-establish and extend the attractiveness of Travelcard as the integrated ticket for Greater London.

Focusing of fare options - the analysis above uses standard price elasticities to estimate journey volumes. Traffic losses / financial outturns could be improved if increases can be focussed on the least elastic / highest cost markets.

6.2 Tax Increment Funding (TIF)

The principle underlying TIF is that finances are raised against anticipated property value gains from successful land use development adjacent to infrastructure projects. Increases in property prices as a result of capital

investments, or even in anticipation of capital investments, are captured to pay for some proportion of the investment. The two most likely sources of TIF in London are National Non-Domestic Rates and Stamp Duty.

A recent report commissioned by TfL on the Thames Gateway River Crossings indicated that up to £31m/pa could be generated from TIF. When extended to other projects the revenue potential is significantly greater. Another recent study on London's economy indicated that a 5% supplementary rate could raise as much as £130m/pa based on 1999 valuations and possibly 40% more or £180m/pa after a revaluation of rateable values.

6.3 Developer Contributions, Planning Gain and Section 106 Funds

Developer contributions have traditionally been cited as having the potential to meet project costs. In practice there are few instances of contributions larger than 1-2% of the total cost, and as currently formulated does nothing to provide funding for ongoing costs, such as additional bus services. Enabling this type of financing requires extensive negotiations with developers and the Boroughs where development takes place. The complexity of negotiations increases with the diffusion of benefits, as is likely to be the case with most transportation projects in London.

However, there may be scope for enhanced participation from developers in some areas where relatively self-contained developments are made possible by access to new adjoining infrastructure. A report commissioned by the Canary Wharf Group noted that planning gain charges could be imposed on higher density development and redevelopment to higher value uses within the impact area of Crossrail. They estimate that up to 54mn sq.ft. of new development could take place within a one-mile distance to Crossrail. Additionally, up to 63m sq.ft. of property could be redeveloped within the impact area. Charging a Section 106 levy of between £20-40 per sq. ft. could lead to annual revenues of £95-190m over a 20-year period between 2005-2025.

6.4 Road Pricing/Workplace Parking Levy

The RCOL report (Review of Charging Options for London) noted that increasing the congestion charging zone could increase revenue by £130m. A further revenue source could be a workplace parking levy. A workplace parking levy paid jointly by employers and employees would reduce the incentives to provide free parking and therefore reduce the number of parking spaces. While the benefits of this would be mainly in reduced congestion, a levy imposed on an extended central London area would also generate additional revenues.

Other local pricing measures that make better use of capacity, like lane rental for roadworks, could also be considered. Both have a dual function as they generate revenue and achieve more efficient use of transport capacity.

7 RECOMMENDATION

- 7.1 The Board is asked to **approve** the draft 2003/04 Budget and Business Plan for submission to the GLA.
- 7.2 The final 2003/04 budget will be presented for approval by the Board in March, following the outcome of the GLA budget process.

11 November 2002

Appendix 1

Equality and Social Inclusion- actions

This year's business planning has introduced a new element to the process of project submission and assessment, and that is an analysis of the equality and inclusion outputs and outcomes. The following provides feedback about the relative success of this new process and identifies the further work that is necessary in the coming months to ensure that TfL gets the greatest social value for its work in 2003/04.

The business plan contains a significant number of proposals which will directly benefit disabled people. Where the outcome is that of increased access and mobility, these plans will also, by default, benefit other groups such as older people, lone parents, women and so on. It is also true that many of the project proposals submitted will have a disproportionately high benefit for Black and Minority Ethnic Groups. As an organisation, our understanding of the transport barriers that people from Black and Minority Ethnic Groups experience is not yet as developed as it will be in the future, and as a result, the intended outcomes are not identified in such a tangible way. Nevertheless, TfL will ensure that it meets its legislative responsibility under the Race Relations Amendments Act 2000 by ensuring that the barriers identified for these groups are addressed as far as our understanding will allow and the research gaps are filled during the forthcoming year.

This will allow us to feed targeted projects into the business plan during 2004/05, although we will action those which can be implemented in the short term if we develop a better understanding sooner than this. As an organisation, we do not have any depth of understanding of the transport requirements of gay men, lesbians, bi-sexual and transgendered people. However, we can be sure that some projects will contribute to answering those concerns that we are familiar with. Policing the network for example is intended to reduce the numbers of attacks on customers, and because of this, may instil a better sense of personal security for those who fear hate crimes. Again, we have limited understanding of the requirements of certain faith groups, asylum seekers and refugees, and we will need to ensure we focus our research attentions on these groups in 2003/04 towards a much greater understanding in 2004/05.

There is an un-quantified risk in many cases attached to TfL's dependence on its effective relationships with stakeholder partners and in particular the Boroughs. Building on our partnerships is critical to our success.

Priorities for 2003/4

There is a growing trend to move towards technological solutions. Whilst this is very much in line with the Government's agenda and appropriate to a world class system, TfL must not neglect the basics. The risk in doing so is that we disenfranchise our existing customers as well as our potential ones. Consistent with the priorities within the Mayor's Transport Strategy, in equality and inclusion terms, TfL should continue to prioritise:

- Creating a climate of safety and personal security (OS1)
- Providing the basic facilities and services– shelters, seats, road crossings, information (OS6)
- Meeting our legislative responsibilities (OS6)
- Making the right links at the right time for the right price (OS5/6)
- Communicating with our customers (OS6)
- Filling the information and research gaps towards 2004/5 business plans (OS6)
- Strengthening our partnerships internally and externally (OS5/6)

Where do we go from here?

To address the issues above it is proposed that each part of the business use the process below for each separate project.

1. Quantify exactly what the outcome for each target group will be

The target groups for equality and inclusion work are pre-identified and we have committed to focusing our attentions on these groups earlier this year following the GLA Best value review on Equality.

This stage sets out exactly what will change for equality and inclusion target groups. In any one project, it is likely that there will be a number of different outcomes for different target groups. Improved street lighting, for example, will benefit everyone but will disproportionately benefit some people by reducing or removing powerful barriers that deter people from transport use.

It will help to reduce harassment and attack for women, black and minority ethnic groups and gay men, lesbians and trans-gendered people; it will assist disabled people in way-finding; it will increase a sense of security for older people and will help to reduce pedestrian injury and death. If appropriately shaped many of the submissions can contribute their part to the overall agenda.

2. Provide further detail on the summary description of the proposals

Clear outputs identified under each broad programme description will enable a joint analysis of whether the outputs are the correctly shaped to achieve the objectives set out in 1 above. It will also help to establish whether the appropriate standards and mechanisms are in place to achieve the outcomes. Enhanced street lighting, for example, will be at its most effective in reducing harassment and attack if it is installed in critical areas, where perhaps crime rates of this nature are high or where large numbers of target groups are known to use our services. A similar process evaluation can be undertaken with each component output within high level activities.

3. Set performance indicators for equality targets

This is perhaps the most complex part of the process. It is easier to measure the numbers of pedestrian accidents and set targets for this. We can also collect data on assaults. To know whether people actually feel safer and are using the system more confidently and frequently may also require some qualitative work with customers. The Social Inclusion Team will work with each business and with the corporate centre to identify appropriate targets and milestones against which to measure the success of the project.

Financing Assumptions

The recommended 2003/04 Business Plan includes several large-scale infrastructure projects that would require significant increases in grant if built as traditional capital projects. The Business Plan assumes TfL would use an alternative means of financing—a Special Purpose Vehicle structure such as a PFI/PPP, Company Limited by Guarantee, or other structures that combine various design, build, finance, operate and transfer options. Employing these structures does not reduce the net infrastructure financing requirement. Indeed, there is an additional financing cost for funds raised from the private sector. The use of these structures changes the profile of the financing by extending and smoothening out the funding requirement. Additional benefits may be available through the use of SPVs if there is a transfer in the risk burden between the public and private sectors.

These proposed SPVs include West London Tram and Cross River Tram, two Thames River Crossing schemes, and DLR extensions to London City Airport, Woolwich and Barking.

These projects could be financed through a concessionaire/PFI structure, in which the concessionaire would construct the project, and then collect the operating profits (or a TfL subsidy if the project does not cover its financing costs). This model has been used for Croydon Tramlink and the DLR extensions to Lewisham and London City Airport. The projects that best lend themselves to this PFI structure are ones that involve new construction, i.e., the tram schemes, the river crossings, and the DLR Woolwich and Barking extensions. We have reflected these costs in the business plan as PFI ventures. However, at this stage in the project's life, we have not completed a full assessment of opportunities for risk transfer and, therefore, of the implications of current Local Authority Capital Finance regulations.

These financing schemes provide TfL with an opportunity to invest in infrastructure that will not only provide near-term benefits to transport users, but also continue to provide benefit to Londoners in future generations. The SPV financing method, which spreads the costs out over a number of years, enables future users of the infrastructure to pay for their share of the infrastructure. However, proceeding with these projects through an SPV will require a long-term commitment from TfL and its funding partners prior to committing to implementation.

Proposed TfL Budget and Business Plan Summary

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
London Buses	436.9	675.4	783.3	865.4	935.7	1,002.3	1,086.0
Other Surface Transport	19.0	20.6	19.3	22.8	17.9	19.1	19.9
Street Management	408.2	429.0	443.1	463.6	454.4	438.2	414.8
Rail Services (incl. CrossRail development)	18.9	29.6	48.3	33.9	23.4	10.9	10.9
Docklands Light Railway	42.8	56.1	57.5	98.3	108.5	73.0	38.7
Transport Planning	8.7	30.4	46.7	108.7	67.1	53.0	73.1
Multimodal Borough Partnerships	15.6	29.2	30.2	38.2	42.4	46.4	46.4
Other Finance & Planning	51.0	53.5	13.6	8.6	15.1	15.2	23.5
Corporate Services & General Counsel	30.6	35.2	25.8	25.0	23.1	22.6	22.6
Media & Public Affairs	4.3	5.3	5.2	5.7	5.8	5.6	5.6
Customer Relations	12.2	12.0	11.3	11.1	11.0	11.0	11.0
Museum	4.1	3.9	3.9	7.8	3.1	3.2	3.3
London Transport Insurance (Guernsey) Ltd	(1.6)	(1.7)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)
Under 18 fares	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Reserves	25.0	25.0	0.0	0.0	0.0	0.0	0.0
Contingency	13.0	25.0	25.0	25.0	25.0	25.0	25.0
Overprogramming	0.0	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
TfL Net Expenditure	1,088.7	1,428.4	1,511.4	1,712.2	1,730.6	1,723.5	1,778.7
LUL Funding Shortfall	0.0	173.0	149.0	234.0	269.0	279.0	292.0
Crossrail Implementation (50%)	0.0	0.0	25.0	75.0	15.0	0.0	0.0
Total Funding Required	1,088.7	1,601.4	1,685.4	2,021.2	2,014.6	2,002.5	2,070.7
Indicative Transport Grant	(1,023.0)	(1,219.0)	(1,230.0)	(1,053.2)	(1,022.6)	(1,019.6)	(985.2)
GLA Precept	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)
CC operating surplus	(7.0)	(121.0)	(126.0)	(127.4)	(126.2)	(125.6)	(125.0)
City Airport Set-Aside (Net)		24.0	(24.0)				
Total funding	(1,065.8)	(1,351.8)	(1,415.8)	(1,216.4)	(1,184.6)	(1,181.0)	(1,146.0)
Funding Shortfall		249.6	269.6	804.8	830.0	821.5	924.7
Efficiencies		(7.2)	(42.0)	(65.6)	(71.9)	(68.8)	(68.9)
Net Funding Shortfall		242.4	227.6	739.2	758.1	752.7	855.8

Proposed TfL Budget and Business Plan

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
London Buses							
Bus network							
Bus network base costs- gross	1089.0	1089.0	1089.0	1089.0	1089.0	1089.0	1089.0
Bus network base income	(700.0)	(725.0)	(728.0)	(743.0)	(749.0)	(756.0)	(768.0)
Tender price increase		33.0	105.0	160.0	209.0	240.0	339.0
Commission, TfL Bonus and other misc.		0.5	19.7	32.7	40.7	65.4	52.2
Service enhancements- gross costs		37.0	93.0	119.0	143.0	167.0	191.0
Service enhancements- income		(13.0)	(33.0)	(42.5)	(51.2)	(60.2)	(68.8)
Bus network total	240.4	421.5	545.7	615.2	681.5	745.2	834.4
Transport Policing-includes BTP	25.0	55.0	55.0	55.0	55.0	55.0	55.0
Technical Services	9.4	12.2	16.0	24.0	26.6	24.4	19.0
Ticket Technology/Prestige	14.6	21.0	27.9	26.3	24.3	24.3	25.2
Bus stops and shelters	8.8	8.7	7.1	12.7	12.9	12.9	12.9
Bus garages	11.3	6.7	5.3	1.1	1.6	2.8	0.8
Bus stations	12.4	17.3	12.2	16.1	17.6	19.7	20.8
Vehicle purchases for ETB	4.2	2.4	2.8	0.0	0.0	0.0	0.0
Engineering (environmental)	2.2	2.5	1.6	1.3	1.3	1.3	1.4
Operations and Group Safety	13.5	18.6	20.0	22.5	24.2	26.3	26.8
Safety and security (inc CCTV)	4.2	5.0	3.0	1.0	1.1	1.0	0.9
Management and Support	8.8	10.1	10.2	10.0	10.0	9.9	10.0
Marketing and Research	12.7	11.4	11.4	11.4	11.4	11.4	11.4
Croydon Tramlink support costs	2.8	4.4	6.4	6.4	6.3	6.3	6.3
Bus Priority- Boroughs	22.6	21.0	21.0	21.0	21.0	21.0	21.0
Bus Priority- TLRN/SVD/other	37.3	52.0	33.0	37.0	37.0	37.0	37.0
Other	6.7	5.6	4.7	4.4	3.9	3.8	3.1
London Buses total	436.9	675.4	783.3	865.4	935.7	1,002.3	1,086.0
Other Surface Transport							
Public Carriage Office	3.9	3.2	1.0	0.6	(1.8)	(0.2)	(0.1)
Victoria Coach Station	(1.0)	(0.9)	(0.6)	2.3	(0.6)	(0.6)	(0.5)
Dial-a-Ride operations	14.7	17.8	16.6	17.0	17.5	18.0	18.6
Dial-a-Ride vehicle purchase	0.7	0.3	2.7	2.8	2.8	2.8	2.8
East Thames Buses	(0.2)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
London River Services	1.0	1.0	0.5	1.0	1.0	0.1	0.1
Surface Transport total	455.9	696.0	802.6	888.2	953.6	1,021.4	1,105.9

Proposed TfL Budget and Business Plan

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Street Management							
Congestion charging set-up	44.7	0.0	0.0	0.0	0.0	0.0	0.0
CC traffic mgmt	39.7	30.6	11.7	0.0	0.0	0.0	0.0
Enforcement	8.8	14.1	14.6	17.6	17.6	17.6	14.2
A13 DBFO	6.0	10.0	19.8	22.1	22.2	30.6	29.8
<i>Network improvements</i>							
A23 Coulsdon	3.4	18.0	7.2	0.0	0.0	0.0	0.0
A406 Bounds Green		1.0	5.1	9.3	3.1	0.3	0.2
A406 Regents Park Road		1.4	1.0	0.0	0.0	0.0	0.0
A406 Golders Green		0.6	0.2	0.0	0.0	0.0	0.0
Purley Cross	0.0	0.1	0.4	5.1	0.0	0.0	0.0
Wandsworth	0.0	0.1	0.0	0.4	3.1	6.2	0.5
Catford	0.0	0.1	0.0	0.0	0.2	3.5	3.1
Completed schemes	7.0	1.3	0.0	0.0	0.0	0.0	0.0
Local improvements	7.3	9.1	8.3	8.3	8.3	8.3	8.3
Red Routes	6.3	7.6	0.0	0.0	0.0	0.0	0.0
World Squares	15.8	3.1	0.0	5.2	15.7	0.0	0.0
Road/bridge maintenance- TLRN	96.0	105.2	108.6	113.7	113.7	113.7	106.5
Road/bridge maintenance- Boroughs	39.1	63.1	72.4	70.4	67.3	67.3	65.3
<i>Major safety enhancements (tunnel and bridge schemes):</i>							
A406 Hangar Lane	0.0	2.6	10.5	8.2	2.9	1.1	0.0
A40 Western Avenue	0.2	2.3	12.6	10.5	10.5	7.4	3.3
Blackwall Tunnel southbound	11.3	6.7	0.0	0.0	0.0	0.0	0.0
Blackwall Tunnel northbound	0.0	0.3	2.1	13.4	9.3	0.0	0.0
Rotherhithe Tunnel	0.0	0.9	5.1	6.2	0.0	0.0	0.0

Proposed TfL Budget and Business Plan

Appendix 3

		2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Street Management (continued)								
	Technical Advice	1.1	1.1	1.1	1.1	1.1	1.1	1.1
	DDA initiatives	2.1	5.9	8.3	11.4	11.4	11.4	11.4
	Cycling- Boroughs	7.2	8.9	10.0	14.1	15.9	15.9	15.9
	Cycling-TLRN	5.7	2.6	4.4	7.4	10.0	13.5	13.5
	Walking- TLRN		3.0	4.0	4.0	4.0	4.0	4.0
	Walking- Boroughs	1.9	3.2	4.7	4.7	4.7	4.7	4.7
	Road Safety- Boroughs	24.3	23.0	24.0	27.0	27.0	27.0	27.0
	Road Safety- TLRN	7.0	13.4	14.5	18.0	18.0	18.0	18.0
	Traffic Technology Services	27.0	36.4	39.4	34.5	37.4	35.6	37.0
	Management and Support	32.6	37.0	36.5	36.5	36.5	36.5	36.5
	Other SM Staffing (SMS & Service Dev)	11.6	12.9	12.1	12.1	12.1	12.1	12.1
	Performance Monitoring +Other Strategy Svcs	2.1	2.4	2.4	2.4	2.4	2.4	2.4
	London Lorry Ban (part of LSDP & TBC)	0.0	1.0	2.1	0.0	0.0	0.0	0.0
Street Management total		408.2	429.0	443.1	463.6	454.4	438.2	414.8
Rail Services	Crossrail (Ring Fenced)	14.5	17.0	17.0	18.0	7.5	0.0	0.0
	National Rail - PRESTIGE	0.0	6.8	25.5	5.5	5.5	5.5	5.5
	National Rail - Fares Support	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	London Metro - Service Improvements	0.0	1.0	1.0	1.0	1.0	1.0	1.0
	ELL extension (inc Brixton station)	0.1	0.2	0.2	5.2	5.2	0.2	0.2
	Safety and Contingency Management	0.9	0.9	0.8	0.5	0.5	0.5	0.5
	Other	3.4	3.7	3.8	3.7	3.7	3.7	3.7
Rail Services total		18.9	29.6	48.3	33.9	23.4	10.9	10.9
DLR	Operations	22.3	21.5	17.3	24.6	25.7	22.6	20.6
	3 car upgrade	1.0	10.9	14.6	40.1	36.8	11.2	1.5
	London City Airport (SPV)	2.0	1.9	2.0	6.1	1.3	0.1	0.0
	Woolwich Arsenal (SPV)	1.5	2.3	8.0	9.0	9.1	12.0	5.4
	Stratford International	0.0	0.8	0.7	9.6	26.1	24.2	3.9
	Barking (SPV)	0.0	0.2	0.3	0.3	0.7	1.2	4.6
	Stratford Regional	0.0	0.3	1.9	6.8	6.8	0.0	0.0
	New railcars	6.7	2.3	0.8	0.0	0.0	0.0	0.0
	Railcar refurbishment	5.1	10.8	8.5	0.2	0.7	0.0	0.0
	Other projects	4.2	5.1	3.4	1.6	1.3	1.7	2.7
DLR total		42.8	56.1	57.5	98.3	108.5	73.0	38.7

Proposed TfL Budget and Business Plan

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Central Directorates							
Finance and Planning- projects							
Light Transit Schemes	0.8						
Cross River Tram (SPV)	0.0	0.5	0.5	2.1	2.1	3.1	22.0
East London Transit	0.0	1.9	7.4	24.0	0.5	0.5	0.5
Greenwich Waterfront Transit	0.0	0.9	0.9	1.5	16.7	6.5	0.5
West London Tram (SPV)	0.0	2.1	3.1	13.4	9.5	3.0	3.0
Croydon Tramlink extensions (SPV)	0.0	0.0	0.0	0.0	2.1	3.1	3.1
Project Development	0.2	1.0	1.0	1.0	1.0	1.0	1.0
Thames Gateway Bridge (SPV)	2.5	11.0	12.4	38.0	1.6	1.6	1.6
Silvertown link (SPV)	0.0	1.1	3.4	6.7	5.2	5.2	2.6
Interchanges	5.2	8.0	8.0	8.0	8.0	8.0	8.0
East London line extn integration	0.1	2.1	0.5	0.5	3.1	4.1	1.0
Wembley Park- TfL share	0.0	1.5	3.5	2.0	0.0	0.0	0.0
Thames Road Improvement, Bexley	0.0	0.3	4.0	4.0	6.0	4.4	2.3
Lea Valley Spine Road	0.0	0.0	2.0	7.5	11.3	12.5	27.5
<i>Borough Partnerships</i>							
Area Schemes	{ 15.6	17.1	18.1	22.5	26.5	30.5	30.5
Safer Routes to School	{	6.2	6.2	6.2	6.2	6.2	6.2
Regeneration	{	0.8	0.8	1.5	1.5	1.5	1.5
Controlled Parking zones	{	0.9	0.9	0.9	0.9	0.9	0.9
Travel Awareness	{	2.0	2.0	4.8	5.0	5.0	5.0
Others (Access, Freight)	{	2.2	2.2	2.3	2.3	2.3	2.3
Other Finance and Planning							
Lands Team- property sales	(5.8)	(22.0)	(23.6)	(18.6)	(8.6)	(9.6)	0.0
Lands Team- other	25.7	20.4	13.4	3.4	1.6	0.8	0.2
Customer Information Review	0.6	3.2	0.2	0.2	0.2	0.2	0.2
Planning tools and evaluation	6.8	7.0	6.0	6.0	6.0	6.0	6.0
London Plan and Tpt Strategy	1.4	4.0	1.5	1.5	1.5	3.0	2.0
Borough Planning and Support	1.4	3.9	3.9	3.9	3.9	3.9	3.9
Group Finance	2.2	2.4	1.9	1.9	1.9	1.9	1.9
Internal Audit	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Prestige/smartcards	2.8	18.5	4.2	4.2	4.2	4.2	4.2
LUL integration	9.9	10.0	0.0	0.0	0.0	0.0	0.0
Other Finance and Planning	4.7	4.6	4.6	4.6	2.9	3.3	3.6
Finance and Planning total	75.4	113.1	90.5	155.5	124.6	114.6	143.0

Proposed TfL Budget and Business Plan

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Media and Public Affairs	4.3	5.3	5.2	5.7	5.8	5.6	5.6
Corporate Services							
Taxicard	4.9	5.0	5.0	5.0	5.0	5.0	5.0
IT and systems (inc BIP)	14.8	16.5	7.1	6.2	4.3	3.8	3.8
Accommodation	1.2	3.1	3.1	3.1	3.1	3.1	3.1
Other	8.4	7.9	7.9	8.0	8.0	8.0	8.0
General Counsel	1.3	2.7	2.7	2.7	2.7	2.7	2.7
Customer Relations							
Travel Information + Lost Property	8.0	7.9	7.4	7.4	7.4	7.4	7.4
Other	4.2	4.1	3.9	3.7	3.6	3.6	3.6
Museum	4.1	3.9	3.9	7.8	3.1	3.2	3.3
Central Directorates total	126.5	169.5	136.7	205.1	167.6	157.0	185.5
London Transport (Insurance) Guernsey Limited	(1.6)	(1.7)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)
Under 18 fares	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Reserves	25.0	25.0	0.0	0.0	0.0	0.0	0.0
Contingency	13.0	25.0	25.0	25.0	25.0	25.0	25.0
Overprogramming		(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Total TfL Net Expenditure	1,088.7	1,428.4	1,511.4	1,712.2	1,730.6	1,723.5	1,778.7
London Underground Funding Shortfall							
Funding Gap in LUL Plan	-	-	-	116.0	161.0	169.0	176.0
Unfunded Items and risks to contract close	-	43.0	28.0	78.0	68.0	68.0	63.0
Inadequate Operating Cost Projections	-	13.0	16.0	17.0	21.0	21.0	24.0
Inadequate Risk Contingencies	-	17.0	33.0	23.0	19.0	21.0	29.0
Creation of a Proper Cash Reserve	-	100.0	72.0	-	-	-	-
LUL Funding Shortfall Total	0.0	173.0	149.0	234.0	269.0	279.0	292.0
Crossrail Implementation (TfL 50% share)	0.0	0.0	25.0	75.0	15.0	0.0	0.0
Total Funding Required	1,088.7	1,601.4	1,685.4	2,021.2	2,014.6	2,002.5	2,070.7

Proposed TfL Budget and Business Plan

Appendix 3

	2002/03 Sep f/cast	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Funding Required	1,088.7	1,601.4	1,685.4	2,021.2	2,014.6	2,002.5	2,070.7
Indicative Transport Grant	(1,023.0)	(1,219.0)	(1,230.0)	(1,053.2)	(1,022.6)	(1,019.6)	(985.2)
GLA Precept	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)	(35.8)
CC operating surplus (constant prices)	(7.0)	(121.0)	(126.0)	(127.4)	(126.2)	(125.6)	(125.0)
City Airport Set-Aside (Net)		24.0	(24.0)				
Total funding	(1,065.8)	(1,351.8)	(1,415.8)	(1,216.4)	(1,184.6)	(1,181.0)	(1,146.0)
Funding Shortfall		249.6	269.6	804.8	830.0	821.5	924.7
Efficiencies							
Total Integration Savings		(14.7)	(39.8)	(64.5)	(64.5)	(64.5)	(64.5)
BIP (Business Improvement Programme) savings		(5.0)	(19.2)	(15.8)	(15.2)	(12.1)	(12.2)
Overlap between Integration/BIP		1.3	5.5	7.8	7.8	7.8	7.8
One-off restructuring costs		11.2	11.5	6.9			
Efficiencies total		(7.2)	(42.0)	(65.6)	(71.9)	(68.8)	(68.9)
Net Funding Shortfall		242.4	227.6	739.2	758.1	752.7	855.8

Proposed TfL Business Plan; Performance Indicator Projections

Appendix 4

London Buses

Performance Indicator	Units	Year End Forecast	Targets					
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Usage (passenger journeys) (BV102)	Millions	1532	1618	1685	1748	1781	1818	1864
Service volumes (bus kilometres operated)	Millions	395	423	438	449	456	464	472
% of scheduled service operated	%	96.8	97.4	97.7	98.0	98.3	98.5	98.5
On-time performance (excess wait time: high frequency routes)	Minutes	1.8	1.8	1.8	1.7	1.7	1.6	1.6
% of system accessible (% of low floor buses out of weekday peak vehicle requirement)	%	77.0	87.0	91.0	91.0	91.0	92.0	92.0
Customer satisfaction: overall satisfaction	Score out of 100	76	77	78	79	80	81	81

Docklands Light Railway

Performance Indicator	Units	Year End Forecast	Targets					
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Usage (passenger journeys)	Millions	44.5	51.5	55.8	63.6	74.4	90.8	105.6
Service volumes (train kilometres operated)	Millions	3.5	3.8	3.8	3.9	4.3	5.0	5.9
% of scheduled service operated (valid train departures)	%	98.0	98.0	98.0	98.0	98.0	98.0	98.0
On-time performance (adherence to schedule)	%	96.0	96.0	96.0	96.0	96.0	96.0	96.0
% of system accessible (% of stations fully wheel chair accessible)	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Proposed TfL Business Plan; Performance Indicator Projections

Street Management

Performance Indicator	Units	Year End Forecast	Targets					
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Total number killed and seriously injured (London) (BV99)	#	5626	5555	5424	5255	5055	4828	4577
% of signals operating effectively (Londonwide)	%	97.0	97.0	97.0	97.0	97.0	97.0	97.0
Cycling index on the TLRN*	Index (2000=100)	113.8	133	149	168	190	215	241
% of system accessible (BV165) (pedestrian crossings with facilities for disabled people)	%	62.0	68.0	75.0	80.0	80.0	80.0	80.0
% of system accessible (% low floor bus stops out of total bus stops)	%	6.0	12.0	19.0	24.0	29.0	34.0	39.0

*To be confirmed

Other Surface Transport Modes

Performance Indicator	Units	Year End Forecast	Targets					
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Number of licensed taxi drivers	(000s)	25	25.55	26.32	27.11	27.92	28.76	29.62
Number of licensed private hire drivers	(000s)	4.4	16.77	30.00	37.00	37.00	37.00	37.00
Passenger journeys on river services	Millions	2.1	2.2	2.3	2.3	2.4	2.4	2.5
Number of coach departures from Victoria Coach Station	(000s)	181	188	188	187	187	188	187
Dial-a-Ride overall customer satisfaction	Score out of 100	93	93	93	93	93	93	93
% of service operated on Tramlink	%	97.5	98.0	98.0	98.0	98.0	98.0	98.0

Appendix 5

Congestion Charging Net Income- expenditure proposals

A list of expenditure proposals for 2003/04 in line with the Annex 2 of the Congestion Charging scheme order is shown below. Other proposals in the Business Plan funded through Transport Grant and other sources are helping to provide improved public transport, safer public transport and safer streets.

£m, 2003/04 prices	
Improving public transport	
<u>Bus Improvements</u> : funding for (1) increased London-wide bus services introduced in 2002/03- including new low floor buses, 11 new night bus services, and capacity enhancements on 73 routes introduced between Autumn 2002 and February 2003; and (2) further enhancements to the bus network in 2003/04, including new services, better reliability, more late night buses, and capacity enhancements throughout London	84
<u>On-Bus CCTV</u> : retrofit of CCTV cameras on 1000 more buses to increase security on buses.	4
Safer streets	
<u>Safer Routes to Schools</u> : encourage sustainable means of getting children to and from school and reducing child accidents across London. Includes physical highway measures aimed at reducing car usage, assisting walking, cycling and public transport as well as education initiatives.	6
<u>Road Safety Plan</u> : measures include a programme of research and analysis, engineering works on all of London's roads to tackle accident hot spots, and education programmes and campaigns. Objective is to meet the Mayor's 10-year targets of reducing casualties by 40%, as outlined in the London Road Safety Plan.	36
Total	130
Congestion charging net income	121

The total of the improvements listed above is greater than the anticipated net income from Congestion Charging. Funds from transport grant are used to make up the difference.

London Underground Limited 2003 Business Plan Commentary



31st October 2002

1. INTRODUCTION

TfL's vision is:

“Transport for London will be a world-class transport authority, delivering integrated, safe and reliable transport to all users to sustain London's place as a premier world city.”

LUL's vision complements TfL's and is that we want to be **A World Class Tube for a World Class City**. Our mission is that we will open London's rich potential to all by delivering a dynamic public service that puts the customer first. Our values are:

- We put our customers first
- We are dynamic
- We are proud and passionate about our business
- We respect and trust one another and our partners
- We apply our knowledge and learn continuously

Below this we have developed customer service aims (how it will feel for customers) based on our understanding of customer needs and wants. We are also in the process of developing the company's people and culture vision, which is how it will feel for staff.

Our service aim is that customers will trust us to help them move swiftly around London. We aim to be known for providing a service that is reliable, safe, fast, welcoming, simple and integrated.

This recognises that we only exist because of our customers and that we need to change the way we operate to ensure that their needs are more closely matched. It also recognises that we need to build confidence by providing a quality service, delivering it consistently, and keeping customers well informed of what we are doing. We have created Customer Service Delivery Standards that define the level and quality of service we aim to provide, based on customers' priorities and our capability to deliver. An essential element of our modernisation plans is to 'unlock' the system to those who currently find it difficult to use.

LUL has agreed the standards we intend to meet which are set out in the Service Plan, itself consistent with the Mayor's Transport Strategy. The Public Private Partnership (PPP) will ensure our assets are improved to enable us to meet those standards. The next challenge is to ensure our people are ready and able to deliver against the standards making use of the improvements in assets delivered by both PPP and Private Finance Initiatives (PFIs). How we will do this, in a manner consistent with TfL's Strategies, is set out in the People and Culture Capability Plan. Below these corporate level plans sit the individual action plans for each business unit.

2. LUL Priorities for the 2003 Plan

LUL has four short-term priorities:-

- improving train service **reliability**;
- maintaining and improving **safety**;
- maximising the value of secured **investment** and
- improving **customer information**

The timeframe for completion of the latter stages of the PPP process, coupled with the transfer of London Underground to Transport *for* London (TfL), remains uncertain. At present, the timescales for improvements are based on the assumption that transfer of the Infracos to the private sector takes place in November 2002.

Safety Case Version 3.1 has been approved by Her Majesty's Railway Inspectorate (HMRI) and will come into force when the Infracos transfer to their new owners.

3. MAYOR'S STRATEGIES

London Underground actively monitors the development of the Mayor's strategies, participating in consultations, discussing with TfL, and identifying implications for our operations and business plan. These implications come in two forms:

- Direct: placing an obligation on, or requiring an action of LUL (e.g. safely increase train kms)
- Indirect: proposals not placing obligations on LUL, but nevertheless having consequences to which we must pay due regard (e.g. congestion charge) or advocating best practice that LU should follow.

Regular analysis is undertaken to identify relevant policies and proposals in newly published/revised strategies, map actions in the Service and Capability Plans to these policies and proposals, and identify contradictions and gaps. This informs development of the Service and Capability Plans and issues are captured in LUL's risk register where appropriate.

To date, some 30 policies and proposals in the Mayor's strategies have been identified as having a direct implication for LUL. Requirements range from improving reliability and service volumes, to delivering disability awareness training, to undertaking biodiversity surveys on land holdings. Comparison with the Service and Capability Plans showed that in almost all cases, actions to support the proposals are either planned or in progress. The only significant exception is possibly renewable sources for head office power supplies, where the desired date may be difficult to achieve and further work is required to assess how the proposal can be met.

Service and Capability Plan actions also generally support most of the indirect implications, though there are lessons in terms of best practice (e.g. design of station projects to incorporate latest environmental technologies). There are also some areas where the rate of implementation will vary according to available funding. For example, programmes to deliver an accessible network and station congestion relief schemes could be accelerated should additional funding become available, allowing the relevant proposals to be achieved earlier than they otherwise would.

4. CUSTOMER SERVICE ELEMENTS

Customer research has allowed us to develop our aim and six key customer service elements that support it which are summarised below:

A reliable service

Our customers want to experience a reliable service with fewer delays. If disruptions do occur they would like to see them resolved quickly to minimise the impact upon their journeys. Our customers require high quality information at all times, but particularly when there are delays, advising them of alternative routes and the expected length of the delay. They welcome regular updates and reassurance during disruptions, particularly from train operators.

During 2003/04 we will continue our focus on reliability by better monitoring and performance management of staff, extending a train service information system to the sub-surface lines, implementing tactical equipment improvements and introducing more robust timetables on the Bakerloo and Sub-Surface lines (see **Appendix 1**). In the longer term, train service reliability improvements will be enabled by the much improved real time information and communication capability delivered by the Train Identification and Management Information System (TIMIS) and the Connect PFI. Under PPP, improved asset maintenance regimes and renewals of signalling systems and rolling stock will further improve reliability. Key Performance Indicators for Reliability and their targets are shown in **Appendix 6**.

A safe service

Our customers want to travel in an environment within which they feel safe and secure. They want to feel confident that we possess robust safety processes and be aware of the risks that they face whilst travelling on the Underground, such as areas where pickpockets operate.

We aim to ensure safety risks from our operations are as low as reasonably practicable (ALARP). We will continue to make improvements in our managers' health & safety knowledge, our safety accountability and decision making processes, our compliance with safety standards and procedures, our competence delivery and assurance regime; and in capturing lessons learned. Work will continue to minimise platform train interface incidents, implement fire precaution works, improve station congestion management, update speed restriction signage, reduce the frequency of signals passed at danger and maintain our good performance record on track safety. We will increase customers' awareness of safety risks on the Underground and influence their behaviour to avoid these risks. In the longer term, we will install runback protection on all trains by 2007. Safety Key Performance Indicators and targets are contained in **Appendix 6**.

A fast service

Our customers want a fast and frequent train service and want to be able to purchase tickets more quickly, particularly during peak travel times. They also need quick and easy access between street level and trains and between trains when interchanging.

In 2003/04, we will introduce timetable improvements on the Victoria and Central lines (**Appendix 1**) to reduce platform waiting time and introduce multi-modal Smartcard technology to reduce time spent purchasing tickets and passing through the ticket gates. We will reduce the time spent in stations by continuing the PPP lift and escalator refurbishment programmes. As well as progressing access, egress & interchange improvements at selected stations, such as those currently ongoing at King's Cross St Pancras, LUL will continue work on congestion relief planning and implementation at the stations listed in **Appendix 2**.

In the longer term, LUL will increase scheduled train service levels to take advantage of the PPP delivered signalling and rolling stock capability upgrades, the first being the Sub-Surface, Victoria and Waterloo & City lines, thus reducing both platform wait time and on train time further. We will also work to ensure an adequate power supply is available to enable this capability to be utilised. LUL will continue to plan and implement schemes to relieve station congestion at, notably, Camden Town, Tottenham Court Road and Covent Garden.

A welcoming service

Our customers want to experience a comfortable journey in a clean and pleasant environment that is easily accessible to all. In 2003/04 we will embark on a programme to modernise or refurbish almost all stations over the next seven years (**Appendix 3**). Sixteen stations will be completed in the first year. This will not only improve the appearance of stations but provide train arrival indicators in the ticket hall and on platforms (where not provided already), high quality public address in all areas, extra seating, clocks and waiting areas at some locations.

Appendix 4 shows the programme over the next seven years for expanding the network of accessible stations by providing step free access. Furthermore, as stations are refurbished or modernised the following improvements included in the PPP Contracts will be implemented:

- Guidance systems for visually impaired people
- Tactile markings
- Colour contrasted handrails
- Tonal contrast to highlight hazards and physical obstructions
- Induction loops at ticket offices
- Clear audible and visual information systems

Accessibility Key Performance Indicators and targets are shown in **Appendix 6**.

We will also deliver a network of control rooms to improve monitoring of stations and hence customer and staff security. This will free staff to be where customers need them and provide consistent and up-to-date information. We will complete the roll out of CCTV coverage of LUL's 60 car parks while continuing our arts and events programme, litter and anti graffiti campaigns. In the longer term we will implement on-train CCTV and extend the provision of Help Points.

A simple service

Our customers want services that are easy to use and are well co-ordinated. They wish to see a simplified, readily understood fares structure and ticket range, easy to remember first and last train times, and reliable train frequencies.

In 2003/04 we will improve real time service information for customers through improvements made this year to internal communication processes. Subject to business and operational review, we will open Cannon Street, Temple, Chancery Lane, Shoreditch stations and the Waterloo & City line for standard service hours. We will also strive to make ticketing simpler through fare revisions and, in the longer term, with the introduction of stored value ticketing. Also in the longer term, we will provide visual electronic information display panels in each car and automated voice announcement with the name of the line, the final destination, the next station stop, and information on transport interchange and nearby landmarks at particular stations.

An integrated service

Our customers want an integrated public transport network, with quick and easy interchange with other public transport modes. They also want facilities for cycle storage, car parking and set-down areas for cars and taxis close to stations.

In 2003/04 we will continue to explore and implement improvements in interchange signage and inter-modal real time information delivery at key stations. In the longer term we will make interchange ticketing easier for non-travelcard holders with the introduction of stored value ticketing. LUL will deliver its part in interchange improvements, such as Kings Cross St Pancras CTRL, Thameslink 2000, CrossRail and Victoria Transport Interchange. We will open the Piccadilly line extension to serve the new Heathrow Terminal 5 (subject to final agreement with BAA). New journey opportunities will be offered by the East London line extensions through partnership with the SRA and others. We are seeking powers for an extension of the Metropolitan line to Watford Junction to improve interchange with national rail services. The Shepherd's Bush station redevelopment at White City will include interchange facilities with the proposed West London Transit.

5. REVENUE

During the busiest half hour of the morning peak, the network in Central London is operating at or near its full capacity in the direction of peak flow. Therefore increasing market share in the short term will involve increasing usage of the network at off-peak hours and outside the central area. In the longer term, under the PPP, capacity will be increased enabling a greater share of the peak market to be achieved.

We will encourage near market audiences to become more frequent users. Communications will be used to close the gap between real and perceived cost and performance, encouraging Underground usage by those with outdated perceptions or influenced by disproportionate levels of negative media coverage. Campaigns will also generate revenue through stimulating new journeys by selling London's attractions. The improvements to the network delivered by PPP, as well as other improvements led by LUL such as those in Section 4 above, will assist in attracting additional customers.

Sustainable revenue growth can only be achieved by providing customers with a service that they consider to be value for money. A new smartcard-based product called PrePay will be introduced for customers who don't travel regularly enough to find season tickets worthwhile but who would find it appealing to reduce the number of times they have to queue to buy a ticket. PrePay will enable these customers to load value on their smartcards on a pay as you go basis, and will offer a discount against ordinary cash fares.

Commercial revenue development

Non-fares income (secondary revenue) is money generated at the discretion of LUL rather than in consequence of its statutory responsibility to provide safe and efficient public transport services.

We will manage and develop new and existing revenue opportunities to generate additional revenue, financial savings or customer and other benefit while having no significant impact on the safe and efficient operation of the railway. These include:

- Install new vending facilities and ATMs as well as renegotiating the Snap Map contract
- Re-tendering car park contracts as well as a new car park at Hatton Cross
- Mobile phone mast installation and trial of mobile phone signal for use of mobile phones on the Underground
- Ticket Barrier advertising as well as upgrade of other advertising sites
- Securing sponsorship for New Year's Eve and Waterloo travelator
- Install more multimedia terminals and investigate feasibility of screens "on train" showing information / advertising.

Opportunities will be managed sensitively so that they add positively to customers' experience on the Underground network.

6. PEOPLE

Equality

We recognise that inequalities and harassment within our workforce are a barrier to achieving our customer service goals. While proud of our diverse workforce which reflects London's diverse population - 1 in 3 of our staff being from an ethnic minority - we are working hard to address under-representation of ethnic minorities in our managerial grades. The rail industry is traditionally a male-dominated sector and we are no exception – only 15% of our employees are women. We are proud of recent successes in recruiting more women to drive our trains and are working to open doors to women at all levels.

LUL has developed an action plan, with annual targets, in partnership with the Trades Unions, which includes action to:

- end all forms of harassment and create a fair culture;
- eliminate any direct or indirect discrimination in recruitment or promotion, or wherever it exists;
- positively encourage under-represented groups to apply for jobs;
- ensure family-friendly working conditions;
- target development activities at under-represented groups; and
- develop and implement a new approach to medical displacement, which demonstrates best practice in relation to disability equality.

Skills and Training

We are determined to ensure that our staff have the skills and training to enable them to share in the achievement of LUL's targets. The Budget and Plan includes funds earmarked for training which will help us both immediately in the budget year as well as in the future. In Trains, we intend to grow the management cadre internally and develop broad skills in readiness for the PPP upgrades.

Recruitment and staff levels

Our headcount has increased in the run up to the commencement of PPP to ensure that we can take full advantage of the improvements to be delivered under PPP as well as being able to meet our obligations under the partnership.

7. ENVIRONMENT

London Underground is committed to achieve its environmental aims by:

- assessing environmental impacts prior to making major investment decisions;
- adopting “green” procurement for the goods and services that we buy;
- using resources such as energy wisely;
- monitoring, protecting and enhancing wildlife habitats;
- informing our stakeholders of our environmental performance and seeking their help in achieving our objectives where appropriate;
- being sensitive to the needs and concerns of neighbouring communities, in particular with regard to noise arising from operation and maintenance of the railway.
- investigating ways to improve air quality in tunnels and below ground stations

8. INVESTMENT

The Public Private Partnership (PPP)

The PPP will allow London Underground to undertake long term planning with certainty and end the myopic approach to investment resulting from large year to year funding variations. The PPP allows us to efficiently tackle these challenges head on and maximise the benefit to customers.

The PPP performance specification is based on LUL’s own long term trains and stations plan and, requires Infracos to recover the shortfall in the condition of the Underground’s infrastructure. This requires enormous investment in track, signalling, stations, earthworks, bridges and other structures. Tackling the backlog on a whole-life asset management basis is essential to ensuring that service improvements will be sustained.

The PPP enables an intensive programme of work on a scale never previously undertaken on the Underground. It delivers new projects in the order that delivers most benefit to customers whilst managing short-term disruptions. The principal deliverables, subject to any changes in the final version of the PPP Contracts, are as follows:

Infraco JNP

Line upgrades will deliver new signalling systems and 68km of track renewals. By 2014 all the line upgrades will be complete. It is expected that these works will result in marked improvements in journey times on the Jubilee, Northern and Piccadilly Lines.

Jubilee Line

The line will see the introduction of a new signalling and control system as well as additional trains. Measures introduced are expected to further reduce journey times, increase reliability and increase ambience significantly.

Northern Line

As with the Jubilee Line, the Northern Line gets a new signalling and control system which is expected to significantly increase reliability and journey times, building upon the existing good work that has been done as part of the Reliability Project. The line upgrade is due to be completed by the end of 2011.

Piccadilly Line

There will be little change to the line's signalling and rolling stock during the first period of the contract, although reliability and ambience are expected to improve. By 2014, the line will be upgraded with new trains, signalling and control systems that will deliver faster journey times and increased capacity, enabling the line to better serve the increasing passenger demand and the planned Heathrow Terminal 5 extension.

Infraco SSL

District, Circle, Hammersmith & City, Metropolitan and East London Lines

The Sub-Surface assets are among LUL's oldest. The SSL network will be fully upgraded through a phased program of rolling stock replacement and resignalling and the migration towards centralised control. The upgrade benefits will not be fully delivered until the second contract period, but in the first period the District Line fleet will be refurbished, and there will be the opportunity for further service and reliability improvements.

Within the first two review periods (15 years), it is expected that capability will be upgraded. This will involve new trains, signalling, control systems and track works being implemented on all lines. The result of this work will be a reduction in journey time on the northern section of the network by 17% and on the southern section by 11%. An inter-operable fleet of around 190 new trains will be provided delivering significant flexibility benefits and improved reliability through the delivery of a centralised signalling control centre.

Infraco BCV

Bakerloo Line

All trains on the Bakerloo line have been refurbished, and the PPP will increase asset reliability. There will be the opportunity for some modest medium term train service frequency improvements, before the line is fully upgraded in the 3rd contract period.

Central Line

The Central Line has seen some significant improvements recently as a result of the culmination of the Central Line Project (CLP). The CLP delivered new trains, signalling and control systems, incorporating Automatic Train Operation and Automatic Train Regulation, which has reduced the variability associated with manual operation, improved run times and allowed higher service levels to be operated. Further improvements to waiting times and crowding can be expected due to the increased utilisation of the existing train fleet.

Victoria Line

During the first review period customers can expect improved service levels due to increased utilisation of the existing fleet. Reliability is also expected to improve. During the second contract period the line will be fully upgraded with new trains, signalling and control systems, reducing journey times and increasing capacity.

Waterloo and City Line

Under PPP an additional train will be made available for peak service, increasing capacity on this busy line.

Underground Initiatives Programme (UIP)

The Underground Initiatives Programme is a programme of works allocated to support the PPP and the Service and Capability Plans, which in turn underpin the strategy to deliver the aims of the company. Typically, projects within the UIP fall into the following categories:

- Replacement bus services and publicity relating to the temporary closure of lines and stations for improvement work;
- Certain non-Infraco health and safety projects;
- Funding required for changes to standards;
- Projects to generate additional income and Traffic revenue;
- Design & feasibility of network extensions;
- Station congestion relief and step-free access projects;
- Other station improvements including 3rd party property developments;
- IT/IS renewal and improvement;
- Reliability improvement;
- Knowledge, planning & research;
- People and Culture initiatives;
- Property care and accommodation; and
- Contract support, capturing synergies within PPP.

With the known level of funding allocated by government, the UIP has been planned with reasonable certainty for the next six years. Previously the UIP varied considerably from one year to the next, meaning longer term planning was hampered by budgetary uncertainty. Long term planning allows the UIP to be more focused on delivering LUL's and TfL's aims and reduces stop-start and other project funding inefficiencies.

9. FINANCIAL ANALYSIS

The DfT has offered a 7½ year funding package to take London Underground through to the first periodic review of the PPP contracts. This offer is dependent on the outcome of consultation with the Mayor and TfL, which has still to reach a conclusion.

Assumptions

The compilation of the Plan is based on the following assumptions

- By the beginning of the budget year 2003/04 the Infracos will have transferred to the private sector and LUL will have transferred to TfL.
- No real increase in fares throughout the Plan period

Financial Plan

Appendix 5 sets out the 2003/04 budget and the financial projections through to 2008/09 including the latest expectation of the cost of operating the PPP via the Infrastructure Service Charge (ISC). A summary is given in the table below.

(ISC costs are subject to final PPP contract and date of transfer).

£bn	03/04	04/05	05/06	06/07	07/08	08/09
Income	1.3	1.3	1.4	1.4	1.4	1.4
Operating Costs	(1.1)	(1.1)	(1.2)	(1.1)	(1.1)	(1.2)
UIP projects	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
ISC	(1.1)	(1.0)	(1.2)	(1.2)	(1.2)	(1.2)
Funding Required	(1.0)	(1.0)	(1.2)	(1.2)	(1.2)	(1.3)
Shortfall from available Funding	0	0	(0.1)	(0.2)	(0.2)	(0.2)

The funding agreement with Government contained provisions including:

- the intention that this funding package will be reviewed at each Government Spending Review, the next occurring in 2004.
- additional funding, should it be required, for expenditure on Safety Change and Qualifying Change of Law.
- a comfort letter in respect of major expenditure pressures under the PPP contracts falling to LUL but which are outside its Business Plan.
- an assumption that LUL could build up a reserve provision of £170m over the five years, (although LUL has advised Government that there may be insufficient funding to create this provision).

As a result of this agreement and the accompanying provisions, LUL is satisfied that there is sufficient funding for the years to 2004/05, although LUL has stated that it would be a significant challenge to build up the risk reserve. Beyond 2004/05 the funding was likely to be insufficient as shown in the table above. London Underground maintains that it will be difficult to build up a Risk Reserve of £170m by 2006/07 within this level of funding.

It should be noted that with the ISC representing some 50% of LUL's total costs and the existing PFIs a further 8%, LUL's financial flexibility is limited in future. Consequently income growth and tight cost and risk control take on even greater importance. There are other separately funded items under discussion with Government.

Efficiencies

Any efficiencies emanating from McKinsey's organisational review and implementation of the Business Improvement Project will be applied to the budget and plan once the review is concluded. In addition LUL will continue to seek efficiencies in its operations that enable improved performance at no net increase in cost. Measures of Financial Efficiency and targets are contained in **Appendix 6**.

Planned Timetable Changes - Reliability Improvements*(Timetable changes dependent on Infracos – details subject to changes to the PPP contracts)*

Line	Date	Description of Improvement	Journey Time Reduction (mins)
Bakerloo	May 03	Reliability	0.001
Sub-surface	Sep 03	Reliability (and Amersham off-peak): This is the second in a series of changes, which improve on service reliability. It will maintain service levels on the District, Circle and Hammersmith & City (H&C) Lines, and offers a revised service pattern on the Metropolitan Line. The options are focused on the service North of Harrow-on-the-Hill with improved reliability over the whole Sub-surface network.	0.022

Planned Timetable Changes – Reduced Scheduled Journey Time*(Timetable changes dependent on Infracos – details subject to changes to the PPP contracts)*

Line	Date	Description of Improvement	JT Reduction (mins)
Victoria	Oct 03	Improvements to off-peak service frequency during Weekday inter-peak, Weekday evening and extend the Saturday peak period.	0.01
Central	Mar 04	Peak shoulder / weekends: It will aim to improve off-peak trunk frequencies. We will also investigate ways to improve peak services.	0.024
Central	Mar 05	Peak service improvements	0.006
W & C	Jan 05	Peak service improvements	0.001
Northern	Feb 05	Peak/ Off-peak service improvements	Tbc

Note: Timetable changes are dependent on PPP delivery and are subject to changes in the PPP Contracts. Dates beyond 2005 are not shown as planning work is at an early stage.

Planned Congestion Relief Projects

(For non-PPP funded stations, these dates are current planning assumptions; for a significant number of stations, Planning Permission and Transport & Works approval will be required).

Station	Build End Date	Project	Funding
Brixton	2003	Congestion Relief & Access – project on site now	Transition
Covent Garden	2004	Congestion Relief: installation of 7 new ticket gates to improve customer exit flows (in advance of larger scheme in the future)	MEA ¹
Euston Square south entrance	2005	Congestion Relief & Access (linked to property development): includes an expanded southern ticket hall, new ticket office, and step-free access to the westbound platform	MEA
Farringdon	2005	Congestion Relief & Access – linked to Crossrail and Thameslink 2000	MEA/ External
Heathrow T123	2005	Congestion Relief only (BAA funded): a package of works to improve flows at the T123 station as part of the T5 development	MEA
Leicester Square	2005	Congestion Relief: redevelopment of the Hippodrome entrance to provide a widened, realigned staircase providing direct access to the pedestrian area on Cranbourn Street	MEA
Golders Green	2005	Congestion Relief and improved interchange to complement the PPP refurbishment and step-free access project better interchange – incremental improvements to PPP refurbishment project	MEA
Holloway Road	2005	Congestion Relief & Access opening up of currently disused areas and the provision of step-free access facilities in connection with Arsenal stadium relocation	MEA
Leicester Square	2006	Congestion Relief & Access: longer term scheme to improve flows in the station	MEA
Shepherds Bush (C)	2006	Congestion Relief & Access connected with the White City project (developer led)	MEA/ External
Wembley Park	2006	Congestion Relief & Access: improvements to both the main and stadium entrances and within the station	MEA
Euston	2007	Congestion Relief & Access – expanded ticket hall linked to Railtrack Master plan	MEA
Highbury & Islington	2007	Congestion Relief & Access, with focus on improved interchange – could be linked to property development	MEA

¹ Major Enhancement Agreement as defined in the PPP Contracts

Station	Build End Date	Project	Funding
Walthamstow Central	2007	Congestion Relief & Access potential additional entrance, possibly linked to property development and/or redesign of national rail layout	MEA
Kings Cross St Pancras	2007	Congestion Relief & Access – on site. New and expanded ticket halls, passageways and interchange routes, linked to CTRL works.	MEA
Vauxhall	2008	Congestion Relief & Access: upgrade to support Vauxhall interchange scheme	MEA
Finsbury Park	2008	Congestion Relief & Access: reinstating disused areas of the station to provide a larger ticket hall, improved interchange with national rail and step free access/interchange	MEA
Green Park	2008	Congestion Relief & Access – feasibility study undertaken. Likely to be linked with ticket hall works	MEA
Holborn	2012	Congestion Relief & Access: need identified and a study being progressed to produce options	MEA
London Bridge	2008	Congestion Relief only – may be tied in with property development and involve widening of the platform access/egress passageways to the northbound Northern line platform	MEA Potential Section 106 funding ²
Paddington	2008	Congestion Relief & Access – linked to Crossrail and Railtrack Masterplan	MEA
South Kensington	2008	Congestion Relief & Access – may be linked to property development and include a new ticket hall	MEA/ External
Tottenham Court Rd	2010	Congestion Relief & Access – may be linked with Crossrail. Likely to include a large ticket hall in a box beneath the Centre Point Plaza, new entrances and improved internal layout.	MEA
Waterloo	2008	Congestion Relief & Access – could be linked to property development	MEA
Bank	2009	Congestion Relief & Access, particularly focusing on improved flows in the DLR and W&C line areas	MEA
Camden Town	2011	Congestion Relief & Access: including an expanded ticket hall with escalator links to lower circulating area and platforms	MEA
Bond Street	2011	Congestion Relief & Access – could be linked to Crossrail	MEA
Covent Garden	2012	Congestion Relief & Access: longer term project (as part of Leicester Square area proposals)	MEA

² Developer contribution to public infrastructure (“planning gain”)

Station	Build End Date	Project	Funding
Baker Street	2014	Congestion Relief & Access: need identified and a study being progressed to produce options	MEA
Embankment	2014	Congestion Relief & Access: need identified and a study being progressed to produce options	MEA
Victoria	2014	Congestion Relief & Access: major multi-modal redevelopment	MEA

Station Modernisation & Refurbishment*(These details are subject to any changes in the PPP Contracts)*

	Modernisation	Refurbishment	(Enhanced) Refurbishment
2004	Buckhurst Hill	Turnham Green	Northfields
		West Ruislip	South Harrow
	Bow Road	Chigwell	Acton Town
	Burnt Oak	Roding Valley	Bayswater
	Tufnell Park	Plaistow	Kilburn
	Borough	Dagenham Heathway	West Hampstead
	Kennington	North Harrow	Arnos Grove
		Ruislip Manor	
		Northwick Park	
2005	Holland Park	Stamford Brook	Bond Street
	Notting Hill Gate	Hammersmith (H&C)	Walthamstow Central
	Lancaster Gate	Shepherd's Bush (H&C)	Boston Manor
	Hainault	South Ruislip	Golders Green
	Epping	Northolt	Holloway Road
	St. John's Wood	East Acton	Great Portland Street
	Morden	Leyton	Sudbury Hill
	Aldgate East	Fairlop	Sudbury Town
	Manor House	Snaresbrook	Caledonian Road
		South Woodford	Ealing Common
		Loughton	Turnpike Lane
		Theydon Bois	Becontree
		Upney	Dagenham East
		Uxbridge	Stockwell
		Ruislip	
		Eastcote	
		Ladbroke Grove	
		Wanstead	
2006	Maida Vale	Chiswick Park	Piccadilly Circus
	Elephant & Castle	Ravenscourt Park	Holborn
	Marble Arch	Preston Road	Euston Square
	Bethnal Green	Leytonstone	North Acton
	Mile End	Woodford	Hounslow Central
	Wembley Park	Debden	Cannon Street
	Neasden	Bromley-by-Bow	Tower Hill
	Swiss Cottage	Elm Park	Gloucester Road
	Chalk Farm	Watford	South Ealing
	Kentish Town	Northwood	Park Royal
	Alperton	Northwood Hills	
	Knightsbridge	Westbourne Park	
	Putney Bridge	Upminster Bridge	
	Farringdon		

	Modernisation	Refurbishment	(Enhanced) Refurbishment
2007	Shepherd's Bush (C)	Mornington Crescent	Willesden Green
	Queensway	Angel	Hendon Central
	Oxford Circus	Barons Court	Oakwood
	St. Paul's	Ruislip Gardens	Finchley Road
	Highbury & Islington	Greenford	Colindale
	Brixton	Perivale	Totteridge & Whetstone
	Belsize Park	Hanger Lane	West Finchley
	Archway	Newbury Park	Mill Hill East
	Arsenal	Rickmansworth	Finchley Central
	Bounds Green	Croxley	East Finchley
	Earl's Court	Hillingdon	North Ealing
	Blackfriars	Ickenham	Cockfosters
		Rayners Lane	Hornchurch
		Redbridge	White City
		Gants Hill	Moorgate
		Hampstead	Liverpool Street
2008	Chancery Lane	Pinner	Dollis Hill
	Brent Cross	Grange Hill	Southgate
	Highgate	West Kensington	Woodside Park
	Camden Town	Chesham	St. James's Park
	Euston	Chalfont & Latimer	Temple
	Leicester Square	Chorleywood	Amersham
	East Putney	Moor Park	Harrow-on-the-Hill
	Embankment	West Harrow	
	Whitechapel	Old Street	
	Edgware Road (H&C)		
	Baker Street		
2009	Kilburn Park	Hammersmith (Dist/Picc)	Osterley
	Warren Street	Wimbledon Park	Russell Square
	Waterloo	Southfields	Queensbury
	Green Park	Ealing Broadway	Heathrow T123
	Finsbury Park	West Acton	Hounslow West
	Paddington (Circle)	Barkingside	South Kensington
	King's Cross St. Pancras	Parsons Green	Mansion House
	Barbican	West Brompton	Aldgate
	Wood Green	Latimer Road	Regents Park
		Paddington (Suburban)	Charing Cross
		Canons Park	Blackhorse Road
			Vauxhall
			Stepney Green

Accessibility Programme

The stations below will have works carried out to enable a step-free route for Customers between the street outside a Station entrance and each platform of that Station and between each platform at a Station.

(Completion dates of those projects below marked as delivered by Infracos under PPP are subject to any changes in PPP contracts.)

InfraCo Group	Station	Comment/Status	Completion
JNP	Acton Town	projects delivered by Infracos under PPP	2003
JNP	Golders Green	projects delivered by Infracos under PPP	2004
BCV	Hainault	projects delivered by Infracos under PPP	2004
JNP	Manor House	Likely to be engineering difficulties	2004
JNP	Morden	projects delivered by Infracos under PPP	2004
SSL	Earl's Court	Project on-site now	2005
SSL	Euston Square (south entrance)	Property Development scheme proposed, possible link to Euston	2005
SSL	Farringdon	Connected to both Crossrail and Thameslink 2000 proposals	2005
BCV	Leytonstone	projects delivered by Infracos under PPP	2005
JNP	Wembley Park	Linked to station redevelopment proposals	2005
JNP	West Hampstead	May be linked to other station improvements	2005
JNP	Archway	May be linked to local regeneration scheme	2006
SSL	Blackfriars	Linked to Thameslink 2000 proposals	2006
JNP	Finchley Central	Recently deferred due to unexpectedly high costs	2006
JNP	Finchley Road	Possible link to property development	2006
BCV	Greenford	projects delivered by Infracos under PPP	2006
JNP	Hendon Central	-	2006
BCV	Highbury & Islington	Likely to be linked to congestion relief proposals which could involve use of old lift shafts	2006
JNP	Leicester Square	Scheme being designed in conjunction with congestion relief proposals	2006
SSL	Liverpool Street	May be linked to Crossrail proposals	2006
BCV	Newbury Park	projects delivered by Infracos under PPP	2006
SSL	Rayners Lane	projects delivered by Infracos under PPP	2006
BCV	Shepherd's Bush (Central)	Scheme designed, linked to White City development proposals	2006
JNP	Euston	Could be linked to Railtrack Masterplan and Euston Square	2007
SSL	Harrow-on-the-Hill	projects delivered by Infracos under PPP	2007
SSL	Ladbroke Grove	projects delivered by Infracos under PPP	2007
SSL	Pinner	projects delivered by Infracos under PPP	2007
SSL	Whitechapel	Linked to Crossrail 1	2007
JNP	Camden Town	Linked to station re-development proposals	2008
JNP	Finsbury Park	Scheme designed. Master plan being developed for entire station including surface level	2008

InfraCo Group	Station	Comment/Status	Completion
		platforms	
JNP	Green Park	Feasibility Study undertaken. Likely to be linked to ticket hall improvements	2008
SSL	King's Cross St. Pancras	Project on-site now, linked to congestion relief works connected with CTRL	2008
JNP	Knightsbridge	Likely to be engineering difficulties	2008
SSL	Paddington	May be linked to Crossrail proposals and Railtrack Masterplan	2008
JNP	Russell Square	Scheme designed but likely to be engineering difficulties	2008
SSL	South Kensington	May be linked to property development scheme	2008
JNP	Tottenham Court Road	Linked to congestion relief scheme, and possibly Crossrail	2008
JNP	Waterloo	Scheme designed using old lift shafts, could be linked to property development	2008
SSL	West Brompton	delayed by local objections	2008
BCV	Bank / Monument	Likely to be engineering difficulties.	2009
JNP	Edgware	projects delivered by Infracos under PPP	2009
JNP	High Barnet	projects delivered by Infracos under PPP	2009
SSL	High Street Kensington		2009

London Underground 03-04

Strategy	Indicator Name	Code	Units	Reporting Frequency	Year end targets					
					2003/04	2004/5	2005/6	2006/7	2007/8	2008/9
Safety	Total number of major injuries and fatalities	S1	number	Period	133	133	133	133	133	133
	CSS: personal safety and security	S2	score out of 100	Quarterly	79	79	80	80	80	80
Financial Efficiency	Total cost per passenger kilometre	FE1	pence	Period	N/A	0.26	0.28	0.28	0.28	0.28
	Total income per passenger kilometre	FE2	pence	Period	N/A	0.16	0.16	0.16	0.16	0.16
	Controllable costs efficiency target	FE3	pence	Period	N/A	N/A	N/A	N/A	N/A	N/A
Congestion / Ridership	Usage: passenger journeys	CR1	m	Period	978	993	1010	1024	1036	1043
	Service volumes: train kilometres operated	CR2	m	Period	68.2	68.9	70.5	70.7	70.8	71.1
	CSS: crowding	CR3	score out of 100	Quarterly	69	68	68	68	67	67
Reliability and Service Quality	% of scheduled service operated	RSQ1	%	Period	93.8	94.0	94.3	94.5	94.7	94.9
	% of peak hour trains cancelled	RSQ2	%	Period	3.81	3.59	3.45	3.30	3.16	3.02
	Excess journey time (unweighted)	RSQ3	minutes	Period	3.36	3.27	3.25	3.24	3.24	3.22
	CSS: reliability - journey/wait time	RSQ4	score out of 100	Quarterly	79	80	80	80	80	80
	CSS: overall satisfaction	RSQ5	score out of 100	Quarterly	75	76	77	77	78	78
	CSS: information	RSQ6	score out of 100	Quarterly	76	77	77	78	79	80
Access	% of system accessible: step free to platforms only	A1	%	Period	16.1	16.5	18.0	19.2	19.2	20.0
	% of system accessible: step free to platforms and trains	A2	%	Period	3.5	3.5	3.5	3.5	3.5	3.5

TRANSPORT FOR LONDON

TfL BOARD

SUBJECT: THAMES GATEWAY BRIDGE (TGB)

MEETING DATE: 19 NOVEMBER 2002

1. PURPOSE

This paper reports progress on the TGB project and the proposed program to take the project to the stage where an application for powers can be submitted.

2. BACKGROUND

The TGB is a high priority project for both central government and the Mayor and is proposed in a large number of policy and planning documents for London. It is consistent with the government's overall goals for transport and is included in several of the government's policy documents, e.g. RPG 3 and RPG9.

The Draft London Plan's key focus is to support significant growth in housing and employment. East London is expected to play a major role in this by accommodating a minimum of 142,000 additional homes and 255,000 additional jobs by 2016.

The draft London Plan proposes a program of actions to overcome constraints and support this growth. Accessibility to employment and activities is regarded as a key transport constraint. In particular, the river Thames is a major barrier to the movement of people and goods. It restricts opportunities for people living south of the river to take up employment in the developing areas on the north bank, and discourages interaction between communities either side of the river.

In response to this need, four new river crossings in East London are proposed in the Mayor's Transport Strategy and the Draft London Plan. Together they represent a balanced approach to development of the transport network as shown on Figure 1. They are:

- DLR extension to Woolwich – already being progressed by DLR
- Crossrail – providing a link from Canary Wharf to and possibly beyond Woolwich
- The Silvertown Link – a two lane road link between North Greenwich and Silvertown
- The Thames Gateway Bridge (TGB) – a proposed six lane bridge between Beckton and Thamesmead, with two lanes dedicated to public transport.

This report focuses on the Thames Gateway Bridge and reports on its current status, work done to date, and next steps.

3. PROJECT DESCRIPTION

The TGB is a proposed six lane bridge, with two of these lanes dedicated for busway use to join up the East London and Greenwich Waterfront Transit facilities. The busway would provide direct links into communities to the east of the DLR Woolwich crossing. Services currently proposed would directly serve Barking, Thamesmead, Abbey Wood and Woolwich.

The bridge will have separate provision for cyclists and pedestrians and will be designed to be light rail compatible. It is being planned as a local link with the primary purpose of supporting the regeneration of the Thames Gateway. It involves approach works to connect to the existing local road network on the northside at the A13/A406 junction, and with the A2106 on the southside.

The full project costs have been reviewed at £425m. The bridge would be tolled to help fund the facility and manage demand. The current tolling concept is that workers and residents in parts of the most immediate boroughs would pay £1 for car trips, with heavier vehicles charged higher rates in an overall scheme generally similar to that of the Dartford Crossings. Non-residents would pay higher rates for all classes of vehicle - the working assumption is that this rate would be double the resident rate.

Modelling shows that because of the tolling structure and the location of the bridge relative to Dartford and the highway network, the TGB would not be a viable alternative route for long distance traffic.

4. JUSTIFICATION

There are two components of the case for the project, namely regeneration and transport. Substantial work has been undertaken on developing the case for the river crossings over a number of years. TfL has reviewed this work and assessed the case for the project. The project has been redefined as a local link, the transport case has been updated, and the regeneration work has been enhanced. This work will provide the basis for the more detailed work needed to support an application for powers.

4.1 Regeneration case

Reports on two regeneration studies (Brook Lyndhurst/Volterra and Symonds/ATW) have been produced. They clearly show the need for regeneration and its critical importance for the Thames Gateway.

Brook Lyndhurst/Volterra have developed a new robust methodology to quantify the regeneration benefits of the new crossings (see Annex 1). The initial results have produced a set of statistically valid relationships between accessibility and employment potential in London. The improved accessibility that would result from the two river crossings has been quantified by TfL. The study then quantified the employment potential that would result from this improved accessibility.

The studies show that the TGB would generate additional employment potential in the range shown in Table 1.

Scenario	Total increase in employment potential	Expected net increase from the TGB
No crossings	125,000 – 132,000	
With TGB	143,000 – 158,000	+18,000 – 26,000

Table 1 – Increase in employment potential from the TGB

The TGB increases the employment growth potential in the Thames Gateway by around 15%. This represents a potential increase of around 50 jobs for every million pounds invested.

Typical benchmarks for the costs of creating new jobs (and hence implicitly the minimum estimate of their value) used by development agencies such as the LDA and English Partnerships are typically of the order of £11,000-£12,000 per job, which would give a total value of the potential jobs created of about £200-£300m.

It should be noted that the TGB alone is not a sufficient condition for this growth. To actually achieve this potential a range of supporting regeneration measures will also be needed (e.g. training and education, availability of sites, wider economic environment). But the TGB is a necessary condition of this regeneration - without the TGB this growth is unlikely to occur.

4.2 Transport and economic case

The overall transport case has been updated using an enhanced multi-criteria appraisal framework (see Annex 2).

In terms of traffic needs, the predicted morning peak two-way flows in 2011 are 4400 vehicles/hour (17m vehicles/year). 98% of these trips have an origin and/or destination in the Thames Gateway boroughs.

The modelling shows good traffic usage of the bridge and it indicates that the desired regeneration and economic development in the Thames Gateway cannot be achieved without this necessary road capacity being provided for essential private vehicle travel associated with the regeneration.

The TGB provides a high quality public transport link between north and south of the river. It will link up the East London & Greenwich Waterfront Transit facilities with dedicated busway lanes, providing either direct services or services with easy connections over a wide area. The advantage of the busway over a fixed rail system is its flexibility in allowing buses to serve local areas then access the busway to complete the trip. Projected usage is 20 buses/hr/direction. Around 10,000-24,000 daily bus passengers would benefit from the reliable dedicated lanes.

In terms of the economic case the benefit-cost ratio is 1.3:1, with the major component of the benefits being travel time savings resulting from reduced congestion and improvement in journey times for cross-river movements in East London. Overall network performance also improves.

The bridge will deliver major accessibility improvements, e.g.

- an extra 400,000 jobs are within 45mins of Thamesmead by car
- an extra 200,000 jobs are within 45mins of Thamesmead by public transport
- an extra 800,000 people are now within 45mins of Thamesmead by car and an extra 300,000 by public transport

Examples of the major accessibility improvements are given in the plots at Annex 2. Social inclusion is expected to be enhanced through this improved accessibility to jobs, healthcare, education and leisure and retail facilities

In summary, the positive BCR and large regeneration potential combine to produce a strong justification for this project, although the environmental impacts still need to be assessed and consultation undertaken. The business case is further strengthened by the availability of a viable funding plan (see section 6) that should provide lowest cost funding and does not place a call on TfL funds needed for other major transport projects. Putting this quantitative case with the role of the project as a lever to deliver many of the governments and Mayor's policy objectives for the Thames Gateway and London, the TGB is clearly an essential part of the future transport network in London.

5. ENVIRONMENTAL ASSESSMENT

Additional work is in progress on the potential transport and environmental impacts. Previous studies have indicated that the main long-term environmental impacts of the TGB are likely to be localised and manageable. The main impacts to be managed will be localised noise impacts, the visual aesthetics of the bridge, severance, traffic and construction impacts. The project will have offsetting positive impacts on the environment, for example public transport improvements and localised reductions in congestion.

A range of mitigation measures will be considered during detailed planning, including good design to offset any visual impact of the bridge. There may be localised increases in traffic noise and some take of open ground on the riverbanks. In general noise impacts on sensitive location could be mitigated by the provision of noise insulation measures and by the use of appropriate landscaping measures. Localised traffic management measures may also be required to minimise impacts at sensitive locations.

Some concerns have been expressed in the past about impacts of the bridge on car use. The key issue is that the significant housing and job growth will generate major increases in travel demands and the predominant focus of the four crossings package is public transport, representing around 90% of the proposed new (people-moving) infrastructure capacity.

6. FUNDING

Toll revenues from the TGB will not be sufficient to pay for the full costs of the facility. The projected annual net revenues of less than £20 million/year are not sufficient to provide a market return on a £353m PFI, which would finance the

construction. They provide less than half of the capital costs of the Thames Gateway Bridge. Sensitivities of higher traffic and higher toll rates indicate that there is no set of reasonable assumptions that might close this gap for a stand-alone project relying on TGB tolls alone.

The project would be viable, however, with additional other revenues and can be especially attractive as a toll-based structure if the toll revenues of the TGB are combined with the revenue stream of another facility. TfL, with its financial advisor Bear Stearns, has determined that a structure that combines the TGB tolls with those of the Dartford Crossings would create a financing structure that best balances the Government's private investment policies of risk transfer and affordability. This structure will not only produce an off-balance-sheet project, but would achieve it at lowest cost, assuring the greatest funding potential from the Dartford Crossings.

A viable financing plan has been produced and is at Annex 3. The plan would create a Special Purpose Vehicle (SPV) responsible for:

- constructing the Thames Gateway Bridge on time and to budget
- managing operations and maintenance over a long term concession (e.g. 28 years)
- taking the traffic risk for the TGB and that portion of Dartford toll revenues that would be available as a contingent source

Dartford tolls would be brought into the financing plan under contractual arrangement, whereby either direct tolls or amounts attributable to net Dartford tolls would be available as a funding source for the TGB project. Once these tolls are contractually committed, projections indicate that they will not be drawn upon until 2010, when the TGB opens. Separate amounts of Dartford net revenues will be sought for the enabling costs involved in planning and managing the procurement of the SPV through to the year 2009.

The financing plan achieves the following objectives:

- it provides the lowest-cost PFI solution to the building of the TGB
- it delivers an off-balance sheet project
- it provides the greatest amount of funds for transport projects in the Thames Gateway and the wider region

The Business Plan makes provision to fund enabling costs as shown in Table 2.

2002/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
2.5	11.0	12.4	38.0	1.6	1.6	1.6	1.6

Table 2 – TfL business plan provision for the TGB (£m, 2002 prices)

TfL has determined that a joint venture with the Secretary of State (SOS) is the most viable mechanism to implement the funding plan. Under this approach, relevant payments from Dartford would be authorised by the SOS and would flow directly into the joint venture by virtue of the Government's equity interest in the project. From there they would pass to the SPV. No Dartford funds (or funds from any appropriate Government Department allocated in lieu of net-Dartford revenues) related to the TGB would flow through TfL. This approach requires no legislation and can be implemented using the existing powers of TfL and the Government.

7. POWERS

There are three options to secure powers, namely a Hybrid Bill, highway powers or Transport and Works Act (TWA). Highway powers is the least favoured path as it would involve several different inquiries and would not provide all the powers needed. The TWA process has proven to be unreliable and time consuming. GOL has recently advised that the TWA approach may not be supported for the project.

A Hybrid Bill is the preferred route for the project. In August 2002 the Mayor wrote to John Spellar requesting government support for the Hybrid Bill approach. It provides the most comprehensive method for a major infrastructure project. It offers the quickest and most reliable route and would cover the full scope of powers needed, including powers for a tolling regime and the use of tolls from Dartford Bridge to support the project and its long-term financing.

The work required on planning, environmental assessment and consultation required over the next 12 months is largely the same under any powers option. Negotiations will continue with government on the Hybrid Bill option. If government does not commit to this option in a reasonable timeframe, the highway powers or TWA route will be adopted. The aim is to submit an application for powers in November 2003, subject to the results of consultation and the environmental impact assessment.

8. CONSULTATION

It is essential for the success of the project and an application for powers that effective consultation occurs with affected parties during the detailed planning and environmental assessment work.

So far there has been broad consultation with major stakeholders on the project. The boroughs and the Thames Gateway London Partnership (TGLP) have been strongly supporting the TGB. The government has also made regeneration of the Thames Gateway an issue of national importance and wish to see early realisation of this ambition, including major transport upgrades like the TGB. Market research has recently been undertaken in the areas local to the Thames Gateway Bridge and this has confirmed that the number one issue for people is getting jobs.

Consultation with prospective statutory consultees (e.g. PLA, CAA) will start in early 2003 on the scope and timing of project work to be undertaken. Consultation with local boroughs and the public will occur over a 2 month period starting in June 2003. The consultation will focus on presenting a clear proposal and creating a good understanding of the local impacts of the project. Views will be invited on design options for the bridge structure. A range of mechanisms will be used including information leaflets, advertising, exhibitions, meetings, internet and briefings.

9. PROGRAM

A program to complete the project by 2010 is at Annex 4. The major milestones are shown below. It assumes that two years elapse from the time of submission of an application to the SOS decision. This timeframe would be equivalent to a Hybrid Bill

option. The two years is the maximum than can be accommodated to achieve an opening in 2010.

- Public consultation completed (July 2003)
- Planning and design completed (September 2003)
- Environmental Impact Assessment completed (October 2003)
- Submission of application for powers (November 2003)
- Public inquiry (2004)
- Secretary of State decision (2005)
- Appointment of concessionaire (2006)
- Construction begins (2007)
- Bridge Opening (2010)

The next 12 months will comprise the studies, analyses and planning required for a robust case for the project, and developing the application for powers. TfL is currently procuring expert consultants to manage the technical work program. It includes:

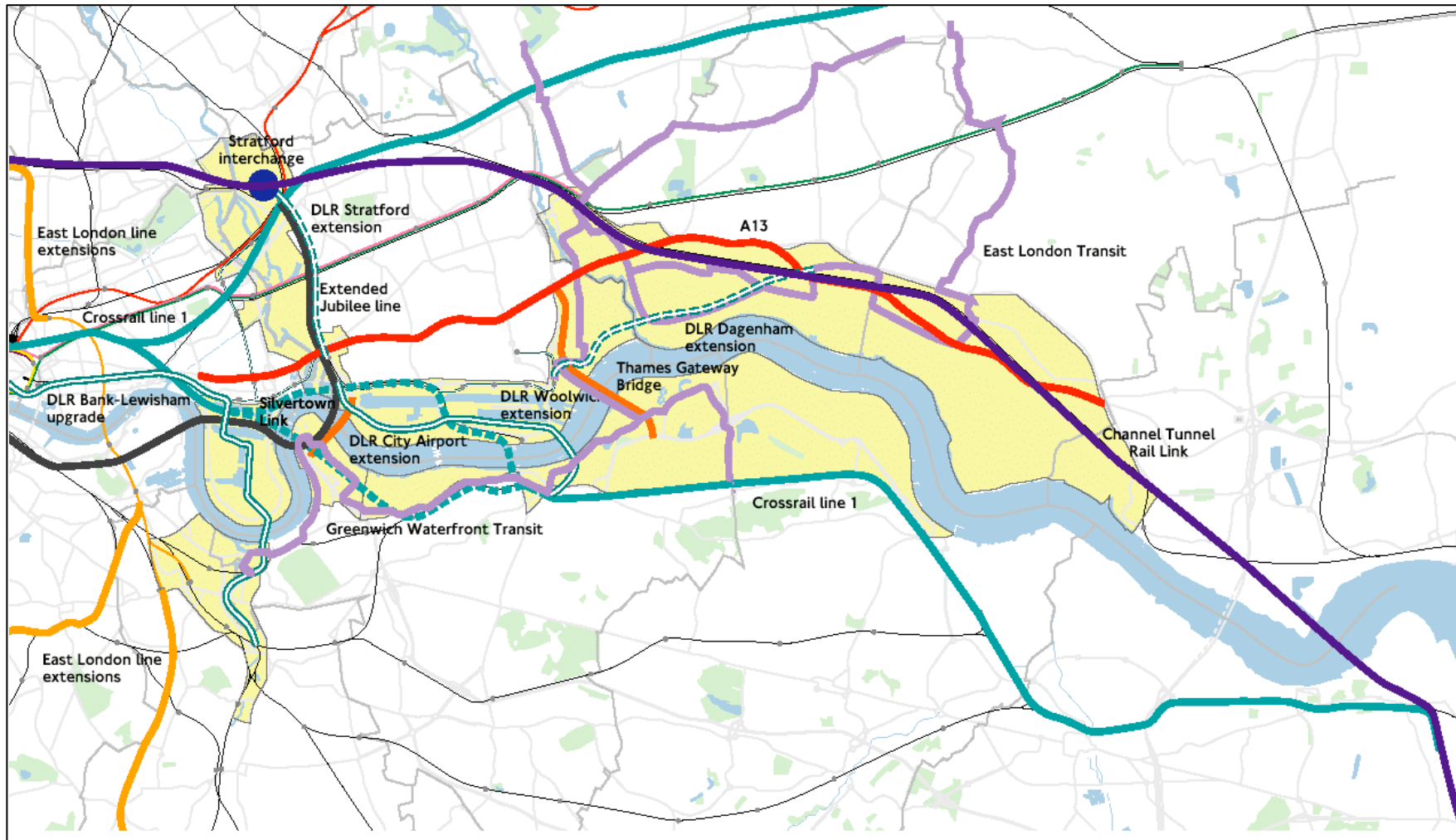
- Updating and expanding the scope of the highway and public transport models and production of revised traffic forecasts
- Detailed assessments of the regeneration impacts of the new crossings
- Assessing the environmental impacts of the project
- Detailed design and costing
- Refining the funding plan, business case and procurement strategy

The program for project delivery has been established, but can only be achieved with the strong commitment from government to the funding plan and timely approval of powers. This is currently the major project risk.

10. RECOMMENDATIONS

It is recommended that the TfL Board note the status of the TGB project and approve the program as outlined.

Figure 1: Map of Crossings locations in context of other transport schemes



Annex: 1

The Regeneration Case for Additional River Crossings in the Thames Gateway

Summary

- The Thames Gateway area is in need of new opportunities and case for redevelopment of brown field sites is well established. It is a key element in both local and national regeneration policy
- The proposed river crossings at Silvertown and Gallions Reach complement the other transport initiatives already proposed for the Thames Gateway.
- In particular, they provide northward linkages for the communities South of the Thames which are otherwise amongst the least accessible in London
- It can be shown statistically that higher employment levels are associated with greater accessibility by all modes of transport. The linkages by which this occurs are complex, but nonetheless real
- Without these additional crossings, it is likely that development in the Thames Gateway will occur at a lower density than could potentially be the case. This will both defer and prevent the realisation of the full potential of the area
- Without the crossings the projections in the London Plan will be much harder to achieve
- New river crossings are an essential element in knitting together the Thames Gateway area, reducing social exclusion and creating viable communities.

Introduction

This report brings together recent studies undertaken by Symonds and Brook Lyndhurst/Volterra to look at the benefits of new river crossings to the London economy. Specifically, it examines the potential effects of new crossings of the Thames at Silvertown and the proposed Thames Gateway Bridge at Gallions Reach.

These are crossings providing car and bus capacity, which provide a range of positive impacts, including improving accessibility to extremely deprived parts of London and offering benefits to these areas. This report focuses on the quantification of the regeneration benefits and the extent to which estimates of these can be relied upon in assessing the case for these crossings. These benefits must be set against possible costs of congestion and pollution in further work.

The quantification of transport benefits has been subject to very considerable study over recent years. New approaches have been researched both in the UK and Europe and the considerations raised in these studies are drawn on here. The research

undertaken to progress the river crossings studies is considered to be reliable and will be further refined over the coming year.

The report is divided into three sections. The first looks at the need for regeneration in this part of London and the scope for achieving it in terms of site availability and capacity. The second summarises the evidence on the extent to which the proposed crossings would improve accessibility to these areas. The third deals with the question of whether such improvements are likely in practice to deliver a different type and level of economic activity.

1 The Need

The two crossings connect different parts of the Thames Gateway. This is a priority area in government and GLA policy. The boroughs within Thames Gateway suffer deprivation on a number of dimensions and the table below shows only one of these. The index of multiple deprivation is a partial measure which nonetheless captures some of the essential elements of the problems affecting the Thames Gateway as the Symonds report shows. The Table shows how the zones of change and the boroughs within the Thames Gateway are all well below the London average and in many cases in the bottom 10 per cent. Even the least deprived part of the Thames Gateway area is only just above the London average.

Comparing the London Thames Gateway 'Zones of Change' with the average for London (Average Ranking of Wards on Index of Multiple Deprivation)

<u>Zone of Change / London Borough</u>	<u>Ranking Average</u>
Zone 4 : Stratford / Leaside / Royals	347
Zone 1 : Canary Wharf / Isle of Dogs	532
Zone 2 : Deptford / Lewisham / Greenwich	928
Zone 3 : Greenwich Peninsula	1270
Zone 6 : Woolwich / Belvedere / Erith	1542
Zone 5 : Barking / Havering Riverside	1788
Tower Hamlets	289
Hackney	361
Newham	401
Islington	849
Southwark	1129
Lambeth	1362
Barking and Dagenham	1442
Lewisham	1525
Haringey	1609
Greenwich	1763
Waltham Forest	1899
London Average	3138

Each of the 8414 wards in England have been ranked in an index of multiple deprivation. (Data: DETR - Index of Multiple Deprivation 2000). The most deprived ward ranks 1 and the least deprived ranks 8414. .

The lower the score in the above table, the more deprived is the area.

The London average is a population weighted average of the borough scores.

Employment growth in the Thames Gateway is slow – since 1989 employment has risen at less than half the rate in the rest of London. Employment density in the boroughs in the Thames Gateway is also low with six of the 10 boroughs in the bottom third.

Growth is not constrained by a lack of opportunity. Symonds examined the local policy context and existing regeneration activity within the Thames Gateway area, and show that, when the Regional Planning Guidance was published last year, there were 212 sites covering 4,597 ha, with a capacity in the order of 8m sq m of floorspace. Of this, 5.3m sq m would be employment uses, 1.7m sq m in mixed uses, 0.6m sq m of retail, 0.2m sq m of leisure and 0.2m sq m of education and other uses providing about 200,000 jobs and over 60,000 housing units.

By April 2001, only 40 sites had been completed covering 383 ha, or 8.3% of the identified land. A total of 810,000 sq m of floorspace had been completed consisting of 533,000 sq m of employment land, 214,000 sq m of retail space and 63,000 sq m of leisure and other uses. Perhaps not surprisingly, housing development has come forward more rapidly than employment schemes. Development of both B1 (office) and residential in the Thames Gateway is running significantly below that in Central London and West London.

The high level of site availability is important in view of the potential risk that infrastructure projects may hinder rather than help development areas. By improving accessibility, it is argued that it simply makes it easier for activity to leave an area. In this case, the risk is relatively low in comparison to the opportunity, since activity rates are already low, and therefore costs and prices are also low.

Failure to improve accessibility will not necessarily mean that no development takes place. It is more likely to mean that there will be 'more of the same', that is low quality, low density development which reflects the expected take up in this area on past experience. An example is planned housing development at the southern end of the Thames Gateway bridge. The current plan from the developer reflects the expected demand for this location given its relative unattractiveness. A decision to construct the bridge would mean that the developers would wish to increase housing density and to improve the quality of their development which would then become more desirable and could be sold at higher prices.

Delay in decision making increases the risk of development locking in lower performance and preventing the Thames Gateway reaching its potential. This in turn could undermine achievement of the London Plan's strategy of accommodating the forecast growth in London's population and employment within the city's current boundaries and require consideration of less sustainable options.

Conclusion:

- There is a need for economic and social development

- Existing economic activities are at a relatively low level and opportunities are of significant size
- Failure to capitalise on this opportunity risks locking in low density development and endangering the London Plan strategy

2 Accessibility

A study has been undertaken by Brook Lyndhurst/Volterra to compare the employment access enjoyed by the Thames Gateway in comparison to other parts of London. The study has examined the employment that can be reached within 45 minutes from individual wards in the Thames Gateway boroughs. This shows that this area is currently the least accessible in London. By 2011, the planned improvements in the Mayor's Transport Strategy, which includes Crossrail (via Barking and Rainham) and the DLR connection to Woolwich and London City airport. These projects will raise the accessibility of the Thames Gateway by public transport.

However, the improvement is just as large for the West of London as in the East and little is done by currently planned schemes to make the situation relatively better in the East. As the Table shows, accessibility changes by similar amount for both the Thames Gateway and the rest of London in the no crossings case. In particular, improvements are not very widespread for that part of the Thames Gateway which is South of the Thames. Accessibility remains below that in the rest of London and additional public transport investment will be needed to bring this area up to the accessibility levels of the rest of London.

When a comparison is made with a transport network which includes additional river crossings, it makes a substantial difference to the relative position of the Thames Gateway boroughs and closes much of the difference between Thames Gateway and the rest of London as far as highways accessibility is concerned. Analysis has looked at the Silvertown crossing, the Thames Gateway Bridge, and both together.

Impact of Crossings on Thames Gateway boroughs

Employment within 45 mins (000s)	Highways		Public Transport	
	TG	Rest of London	TG	Rest of London
Average per ward				
2001	1341	1534	946	1286
2011 no crossings	1262	1443	1217	1538
Silvertown	1288	1441	1221	1538
Thames Gateway Bridge	1324	1444	1228	1539
Both	1336	1444	1230	1539

Conclusion:

- Without the crossings, there is an improvement in public transport access to all parts of London
- The proposed crossings provide a relative improvement for the Thames Gateway area and bring highways accessibility almost up to the levels enjoyed by the rest of London

- Further investment would be needed to achieve full parity

3 Accessibility and Regeneration

At one level, it is obvious that infrastructure is hugely important – people can't live in places from which they can't get to work and businesses cannot locate in places which their employees cannot reach and from which they cannot trade. But the analysis of the linkages between infrastructure and economic activity has often been inconclusive in practice and subject to challenge.

The aspects of infrastructure analysis that have been the subject of research focus are stated very briefly below as they affect the analysis of benefits which is our main concern here. There are also issues surrounding the analysis of costs of infrastructure projects but these are addressed elsewhere.

- Transport benefits can be analysed in terms of savings of time and so on only if it assumed that no subsequent effects exist. Such transport cost savings may fall over time if new activity, including regeneration, is induced by the changes and increased traffic levels result
- These subsequent changes may be of greater benefit to the economy and society than the transport benefits alone if they fulfil other social objectives, or make possible more efficient and effective economic activity
- The potential benefits include:
 - improvements to productivity from increased competition
 - access to new markets and for new firms
 - potential for higher quality development
 - establishment of new centres of population and economic activity (agglomeration effects)

None of these potential benefits are captured by standard analysis because of their complexity and the data difficulties involved

The difficulty can be illustrated in the standard UK appraisal framework, which is typically based on fixed land use assumptions and has no method for taking into account the changes in activity which are induced by the infrastructure.

The Symonds report describes the process by which infrastructure works through the property market to deliver regeneration which in turn produces changing travel demand and use of the infrastructure. Section 1 has already described the considerable development opportunities that exist and how the existing plans from developers will limit the future density of development and scope unless decisions on accessibility are taken very soon.

Below we summarise the analysis by Brook Lyndhurst/Volterra which quantifies the extent to which development patterns are likely in practice be affected by the introduction of the new crossings. This new quantitative approach will be subject to further refinement as plans for the Thames Gateway are further developed and new data becomes available.

The method here relies on establishing the employment densities in different parts of London and how these vary with the accessibility of these areas. The aim is to identify the extent to which accessibility relates to levels of activity.

It is important to remember that the analysis first provide a forecast of future conditions as a baseline against which to set alternatives. Rather, it estimates what the expected employment/population in a given ward would be if its accessibility is different, using the relationships identified in data for 2001.

Transport analysis is used to calculate the employment accessibility of every ward in London and how this changes with the introduction of the river crossings for both public and highway transport systems. This is then applied to the relationships which have been estimated between accessibility and employment density and the potential changes in employment identified.

The results show:

Summary of Crossings Impacts			
	Total increase in potential (2001-2011)	% change on 2001 base	Crossing(s) impact as % of base impact
Employment			
- no crossings	125,300-132,400	18.6-19.6	-
- TGC	142,600-158,200	21.2-23.5	13.8-19.5
- Silvertown	131,700-143,100	19.5-21.2	5.1-8.1
- both crossings	144,800-162,800	21.5-24.1	15.6-23.0
<i>Source: Brook Lyndhurst/Volterra</i>			

These results illustrate the potential range for employment gains with different levels of accessibility, other things being held constant. The crossings improve employment potential in the Thames Gateway by 19,500 and 30,400, an increase of between one sixth and one quarter compared to the situation with no crossings.

They can be compared with the projections published in the London Plan. These suggest that employment increases of 176,000 in Thames Gateway are projected. This figure is close to the upper range of the estimates provided by the analysis but well above the estimates which are generated without the crossings.

As well as economic activity the crossings contribute to social regeneration. This is more than access to work and work opportunities. It is also about access to a wide variety of facilities – from hospitals to family and cinemas to bowling rinks as Symonds describe. Viable communities require a wide variety of links in different directions and by different modes. One example of how accessibility can overcome marginalisation can be found in South Bermondsey, where the Jubilee Line has both encouraged new residents and improved the conditions for those already there.

Conclusions

- Analysis can be undertaken to examine the effect of changes of accessibility on employment potential

- This shows that increases in employment of around 25,000 can be expected as a result of the crossings. TGB supports at least 70% of this total
- The results suggest that the crossings are essential to the achievement of the London Plan
- Good urban linkages are essential to support and encourage viable communities and social regeneration

Conclusions

This is an initial study of the impact on regeneration of the proposed two river crossings. It reviews the evidence on capacity for development and it presents a piece of new analysis which is able to quantify for the first time the potential for new activity in this part of London as a result of changes in accessibility.

We conclude that both Silvertown Link and the Thames Gateway Bridge provide significant regeneration benefits. Though there are overlaps between their impacts which mean that the sum of the two is less than either on its own, they are both worth doing. This is because there are substantial areas which are not subject to overlap in the Greenwich peninsula and in Erith.

Analysis shows that the new crossings provide the necessary conditions for increasing the density of development in the Thames Gateway and that this development can be accommodated. Supporting policies will be required for regeneration to take place. This includes suitable planning policies and support in the relevant Boroughs, the availability of training opportunities for existing local residents and the ability to put in place appropriate environmental policies. The Symonds report suggests that such policies or approaches to policies are indeed in place, whether through the Boroughs or through the Thames Gateway Partnerships and would provide suitable support to regeneration of the area.

Further work needs to be done in a number of respects to refine the case and establish this in more detail.

More detailed site analysis is currently taking place for the LDA/TGLP which will refine the information on site capacities and the timeframe over which different locations may be brought forward. This will help confirm the capacity available and the potential density of development which will become possible. It is the expectation of the experts involved in this study that it is likely to increase the development capacity available, particularly in later years.

Secondly, further refinement of the modelling work will be undertaken to incorporate the evolving proposals for the Thames Gateway area. Although this may change the detail of the estimates, we do not believe that it will significantly change their character. Further modelling will also look at how population changes respond to accessibility.

Annex 2:

The Transport Case Progress Report November 2002

Background

Substantial work has been undertaken on developing the case for the river crossings over a number of years. TfL has reviewed this work, re-examined the costs of the crossings, is examining the transport impacts and has updated the appraisal methodology it proposes to use for the crossings. This progress report does not yet reflect the assumptions set out in the draft London Plan nor current assumptions about the form of CrossRail. TfL is currently procuring expert consultants to undertake a major work programme to update and expand on the earlier work. This will include:-

- Updating and expanding the scope of the highway and public transport models and production of revised traffic forecasts
- Detailed assessments of the regeneration impacts of the new crossings
- Scoping the environmental impacts and a major study of the environmental impacts of the new crossings
- Reviewing the designs for the crossings taking into account current best practice.

This further work will be used to provide inputs to public consultation in June/July 2003 and will be used to develop the full case for the project. This note summarises the key findings from previous work and work that has been updated. The new work will provide a more refined detailed assessment of the crossings, but the work undertaken so far allows a broad assessment to be undertaken of the case for the project. This is reported below.

Appraisal of the Project

An appraisal framework has been developed drawing from TfL's Multi-Criteria Assessment Framework and DfT's GOMMMS methodologies. This covers the Government's five key objectives for environment, safety, economy, accessibility and integration. Information is provided at both the GOMMMS Appraisal Summary Table (AST) and will be provided at a more detailed level as the project progresses.

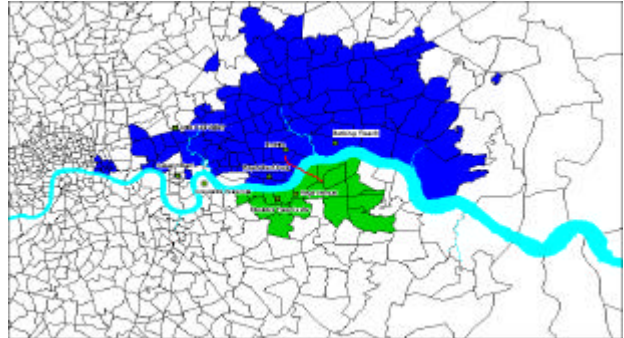
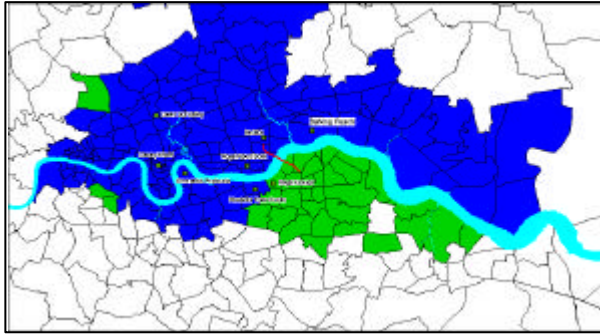
Assessment of the Thames Gateway Bridge November 2002

OBJECTIVE	CONTEXT	SUB-OBJECTIVE	MEASUREMENT																						
ENVIRONMENT	Minimise adverse impacts on the Environment	Noise	Results from earlier work have suggested that the environmental effects would in general be fairly small, with modest noise impacts typically of no more than +/-1-2 dB(A). Further work is being undertaken to update this																						
		Emissions / Air Quality/ Other effects	To be assessed																						
SAFETY	Minimise adverse effects on safety		To be assessed.																						
ECONOMY	Value for Money, generate significant benefits	Transport Economic Efficiency	Full Project Costs TGB: (2002 undisc.) £425 millions, of which construction costs are £353m Benefit:Cost Ratio TGB: 1.3:1																						
		Traffic Flows	Highways Annual Usage AM Peak Hour 2-way TGB: 17 million vehs 4,400 vehs Of which: HG V's Through Traffic TGB: 6% 2% Public Transport – AM Peak Hour 2-way no Crossrail with Crossrail TGB: 4,000 pax 2,000 pax																						
ACCESSIBILITY	Minimise Severance Effects	Severance	Removes traffic from sensitive frontages																						
		Accessibility changes	See maps on next page																						
		Employment and Population Catchment Changes 2011	Changes due to TGB: Employment <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Highways</td> <td style="text-align: center;">PT</td> </tr> <tr> <td>Barking Reach</td> <td style="text-align: center;">+100,000</td> <td></td> </tr> <tr> <td>Thamesmead</td> <td style="text-align: center;">+400,000</td> <td style="text-align: center;">+200,000</td> </tr> <tr> <td>Erith</td> <td style="text-align: center;">+200,000</td> <td></td> </tr> </table> Population <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Highways</td> <td style="text-align: center;">PT</td> </tr> <tr> <td>Barking Reach</td> <td style="text-align: center;">+100,000</td> <td></td> </tr> <tr> <td>Thamesmead</td> <td style="text-align: center;">+800,000</td> <td style="text-align: center;">+300,000</td> </tr> <tr> <td>Erith</td> <td style="text-align: center;">+200,000</td> <td></td> </tr> </table>		Highways	PT	Barking Reach	+100,000		Thamesmead	+400,000	+200,000	Erith	+200,000			Highways	PT	Barking Reach	+100,000		Thamesmead	+800,000	+300,000	Erith
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Erith	+200,000																								
INTEGRATION		Land-Use Policy	Supports both the London Plan and Government housing proposals for the development of the Thames Gateway																						
		Regeneration	Supporting additional 18,000 – 26,000 jobs, estimated value of £250m																						

Accessibility Impacts

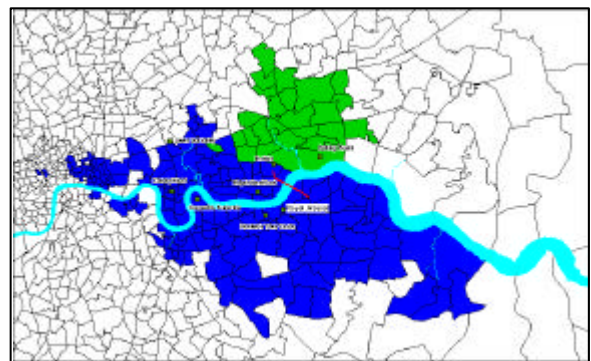
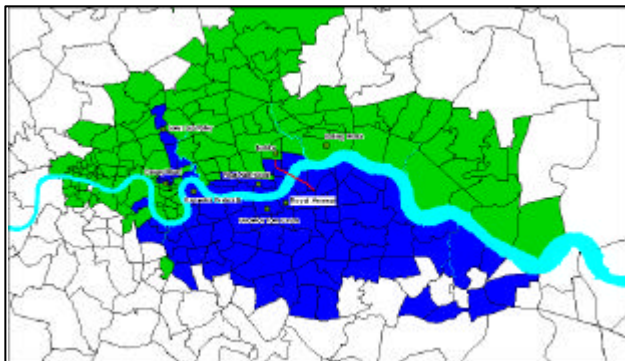
Increase in Accessibility for Barking Reach

Highway	Public Transport
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Increase in Accessibility for Royal Arsenal

Highway	Public Transport
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Area accessible without crossings
 Increased area accessible with crossings



Annex: 3

Funding Plan for Thames Gateway Bridge

The Thames Gateway Bridge has long been viewed as an essential component to the redevelopment and economic growth not only of the Thames Gateway, but also to the long-term economic growth of London. Its benefits, as addressed in the business case and the cost-benefit analysis, have been attractive for some time; but its funding has been consistently difficult. Analyses by various commercial parties with knowledge of the commercial and economic factors in the project, have indicated that toll levels on the TGB, matching those of the Dartford Crossings, will not be sufficient to pay for the full costs of the facility.

Annual net revenues on 17 million vehicles, producing less than £20 million per year, are not sufficient to provide a market return on construction and financial commitment costs on a £353 million PFI. The shortfall against banking ratios, such as annual revenues to debt service coverage, is greater still. This outcome is consistent against the most optimistic assumptions on costs and revenues, including those of previous analyses.

Current and independently derived projections of costs, providing for contingencies for risk and optimism bias as per revised Treasury Guidance, indicate that *the TGB tolls pay for less than half of the capital costs of the bridge itself, when compared against a long-term amortisation of debt and equity returns*. The project will be viable, however, with additional revenues and can be especially attractive as a toll-based structure, which combines the stream of a stronger facility to the new bridge. These impacts are summarised in table 3, in the body of this note.

TfL has determined that a structure that combines the Thames Gateway Bridge tolls with those of the Dartford Crossings would create a financeable structure that best balances the Government's stated private investment policies of risk transfer and affordability. Such a structure will not only produce an off-balance-sheet project, but it would also do so at lowest cost, assuring the greatest funding potential from the Dartford Crossings.

I. Background

Various proposals have been put forward for funding the creation of a Thames Gateway Bridge over the past decade. Prior to TfL's leading the project, earlier reviews noted that both it and other crossings (including a vehicle crossing at Silvertown and a rail crossing) would require the cross-subsidisation from tolls to be imposed on the high volume of traffic using the Blackwall Tunnel.

These proposals effectively elaborated on an approach used to fund the Queen Elizabeth Bridge, the second of what is now referred to as the Dartford Crossings. The funding for the QE Bridge looked both to existing tolled traffic on the Dartford Tunnel and then additionally to the new toll revenues, which would be generated by the new crossing. This structure has proved extraordinarily successful as a low-cost, project-financing mechanism provided by the private sector.

Since these earlier proposals, the concept of tolling the Blackwall Tunnels has been set aside within the funding plans. The DLR crossing, designated for Woolwich, has gone forward separately, as it was already within TfL funding plans.

The Silvertown crossing has been set as a separate investment issue within the London Plan. Like the Thames Gateway Bridge, this crossing may benefit from repeating the strategy of employing existing nearby river crossings to cross-subsidise a new facility. Specifically, it could be linked to the future consideration of placing tolls on the Blackwall Tunnels, which are currently untolled and which lie within the same transport corridor. Also, its proximity to the development sites of the Greenwich Peninsula and shorter access to the Isle of Dogs could provide significant opportunities for targeted developer contributions.

In the period of TfL’s sponsorship of the project, statements by the Secretary of State noted that net revenues of the Dartford crossings will be free of the final financing payments related to the construction of the Queen Elizabeth bridge. These net revenues would then be available to fund projects in the region, including crossings in the Thames Gateway¹.

Funding Plan

These events have led to the development of a funding plan that ties the continued toll revenue of Dartford into support for the Thames Gateway Bridge. This plan adopts the consistent approach of earlier financial proposals for Thames crossings in general and the Thames Gateway Bridge in particular.

The funding plan would consist of two broad sets of costs. The first would total £70 million in planning, enabling and procurement costs for the project. The second would include the construction costs of £353 million, which are anticipated to be met by private investment in a PFI.

The first set of costs would be met by annual payments from Dartford net revenues, as considered in the Secretary of State’s reasons for continuing the charging order. These amounts would cover various up-front or development costs necessary to prepare for a financing and construction, which are shown in the following table.

Enabling Costs (2002 prices) £ millions

2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	Total
3	11	12	38	2	2	2	2	70

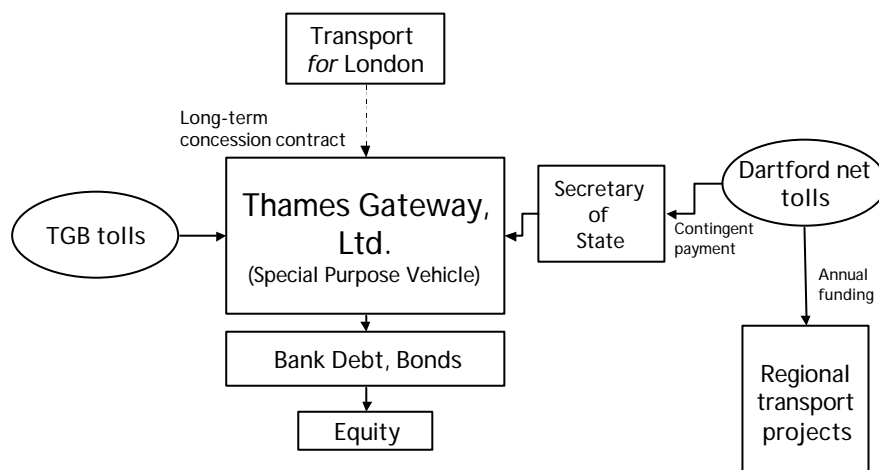
The second part of the funding plan covers the investments anticipated to be undertaken by Thames Gateway Ltd., a Special Purpose Vehicle (“SPV”), which would be set up by the winning consortia to deliver and manage the Thames Gateway Bridge.

¹ Most recently in *Secretary of State’s Statement of Reasons for Making the Dartford Crossings Charging Order*, 4 April 2002. The note highlights the proposals for the East London Thames Crossings (paragraph 7.b), and notes them again as a likely beneficiary of funding (paragraph 10).

The SPV, which would take the obligation and the risks for:

- Constructing the Thames Gateway Bridge on-time and to budget
- Managing the operations and maintenance, including major maintenance of the bridge through a long-term concession; for modelling the viability of this approach we have assumed a 28-year concession, which is a pay-back period within the range anticipated for PPP/PFIs
- Traffic on the Thames Gateway Bridge, and that portion of Dartford Revenues that would be available as a contingent source, bearing its own market-related risk
- The sufficiency of Dartford net tolls (revenues after operating, administration, and major maintenance expenses), which would be brought into the financing plan under contractual arrangement, whereby either direct tolls or amounts attributable to and payable from net Dartford tolls would be available as a funding source for the TGB project. Once these tolls are contractually committed, financial projections based on current assumptions indicate that they will not be drawn upon until 2010, the year of project completion and when the Thames Gateway Bridge opens for service.

Financing Scheme for the Thames Gateway Bridge



The negotiations around these risks and the treatment of their associated project revenues will have to be addressed by governmental sponsors and with bidders within the procurement itself. Further research on the projections of both TGB and Dartford Crossings traffic related to the proposals for regeneration and development, the final form of the TGB, and its relation to other transport developments within the Thames Gateway, including further crossings and their tolling status, will be necessary to define the specific terms of the structure.

The Phase II Financial Advisor will have responsibilities to work with TfL in the specific derivation of terms with which to engage the market in an invitation to tender and in subsequent negotiations with bidders.

II. Objectives

The funding strategy, whose assumptions and sensitivity scenarios are listed later in this note, meet the following goals:

1. *Provide a lowest-cost PFI solution to the building of the Thames Gateway Bridge*
2. *Off-balance sheet treatment*
3. *Provide the greatest amount of funds for transportation projects in the Thames Gateway and the region*
4. *Create a self-funding agreement for the bridges that will not take away from other transport needs already noted within TfL's long-term funding requirements*

These points are summarised as follows:

Provide a lowest-cost PFI solution to the building of the Thames Gateway Bridge

The costs of the project will be determined via the standards including design, which will be set for the TGB, and by the degree of risk shifting and financing costs in a private SPV, which will deliver, manage and maintain the bridge.

By effectively combining the traffic revenues and risks of both TGB and the Dartford Crossings, the SPV will benefit from sufficient debt coverage to sustain the highest security acceptable to a PFI investment. This will provide a more attractive credit for private funders, both from the robustness of the revenues and the more simple credit issues of a toll-based, rather than formula-based, grant-funded payments, supported by comfort letter.

With the higher coverage ranges anticipated, lending rates should be lower, reducing the cost of the project, and its net draws of toll payments, to the lowest amounts possible. For any given level of toll, this will maximise the amount of residual funds that will return to the public (either the Government or TfL) earmarked exclusively for regional transport investments.

Off-balance-sheet treatment

Transport projects that only draw on non-governmental revenues, and whose funds depend on traffic risk have an apparent advantage in securing off-balance sheet status. With those projects sponsored or now managed by TfL, this factor has been highly important.

For example, the Croydon Tramlink, which passed revenue risk (specifically “volume” or traffic risk) to investors, was judged off-balance sheet for public-sector scoring requirements. In contrast, the availability payments that fund the DLR Airport extension do not involve traffic risk, a factor that has contributed toward judging the project on-balance sheet.

In earlier proposals on the Thames Gateway crossings, it has been questioned whether traffic risk would be priced efficiently on three newly tolled crossings. The addition of the proven stream on the Dartford crossings to TGB, in equal or greater volume to the TGB revenues, should mitigate this impact and allow more efficient pricing of this risk.

Somewhat ironically, this prompts the issue that the combined flows of the two facilities might be too robust for the equity to face significant risk over the long term. This will be especially true if toll levels are set at levels preserving Dartford's anticipated status as a funding source for regional projects.

This factor appears to affect all toll roads with healthy revenues, and may be addressed within the procurement by bidding either a lower toll level (which would compromise the funding capacity of the systems) or a shadow toll on the revenue facilities. Other formula-based clawback or revenue apportionment mechanisms, which may be desirable in their own right, may be employed as well. The precise levels of such compensation mechanisms will depend on the final configuration and market views of the costs and risks of the bridges.

TfL believe that the traffic volume risk on TGB, combined with either total or factored volume risk of Dartford, with the risks of construction and with the moderate financial risks in operations and ongoing maintenance may produce a quantifiable and balanced risk profile, which might be efficiently priced to assure off-balance sheet treatment.

Provide the greatest amount of funds for projects in the Thames Gateway and the Region

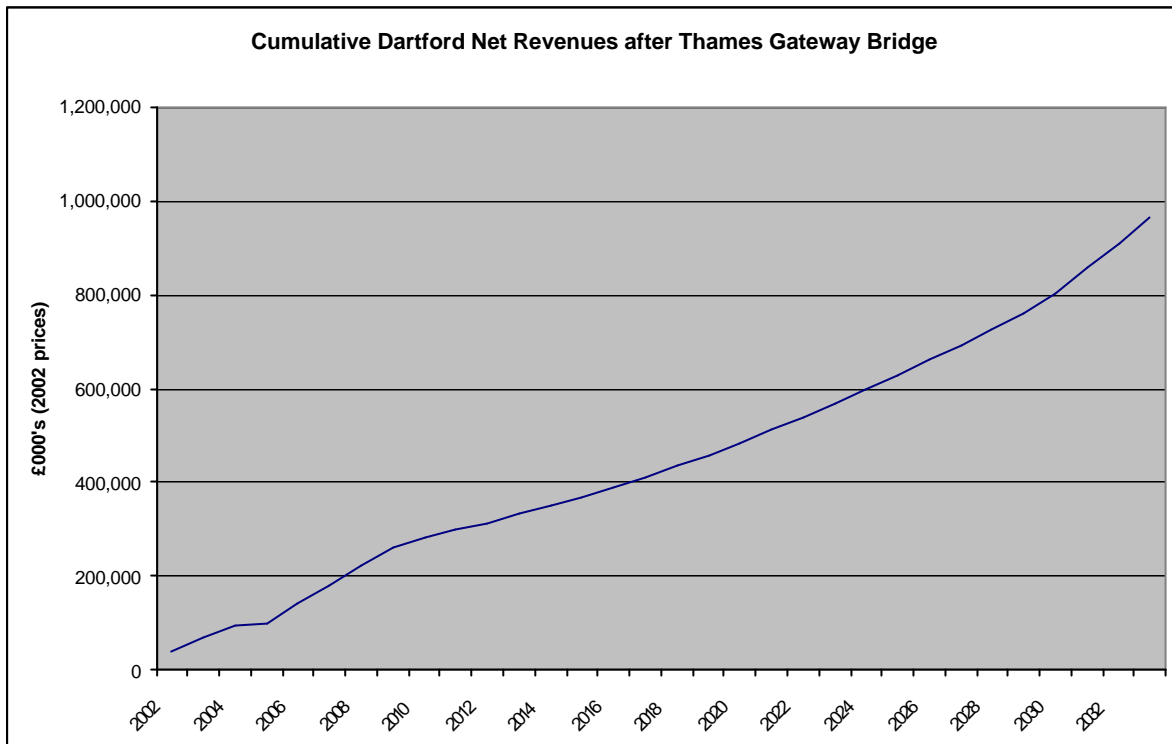
By having the most stable funding platform upon which to allocate risk, the costs of the PFI should be as low as possible. By promoting the lowest-cost risk-shifting scheme, this approach will leave the greatest amount of funds for other regional projects.

The proposal to use Dartford tolls will result in modest draws on Dartford net revenues until 2005, when the final enabling investments will be made, and after this year, until PFI payments (infrastructure service charges) come due. These ISC payments are not anticipated until 2010, although it is contemplated under any concession structure that the provider will have clear financial incentives to complete the project by earlier dates, and receive toll revenues and contingent payments from Dartford from such dates.

A prospective schedule of funding benefits that will be provided by Dartford tolls, after support for the Thames Gateway Bridge, follows in Graph 1. This graph is based on the base case, which maintains current cost and toll projections.

In this case, the TGB's total anticipated call on Dartford revenues is 32% of the total net revenues produced by Dartford over the life of the project². The remaining 68% would be available for other projects, as considered in the Secretary of State's Statement regarding the Dartford Charging order. These projects could include support for other Thames Gateway Crossings.

² Requirements on Dartford would be approximately 21% of net revenues until 2010. A conservative estimate of early PFI payments, which would commence at this date would initially require additional funding support equal to three-quarters of net Dartford revenues. This level of support would tail to zero over twenty years.



Additional amounts of funding may be provided by tax increment financing, developers contributions, or supplementary revenues provided by advertising revenues, sale of wayleave rights for optical fibres, telephone/radio masts or utility infrastructure, either directly or through a lower net cost of bids. Other sources may include built-in service requirements for major utility providers and land and development rights on lands associated with the project.

Create a self-funding agreement for the bridges that will not take away from other transport needs already noted within TfL's long-term funding requirements

Previous proposals to fund various Thames Gateway crossings focused on producing a funding mechanism entirely from toll revenues, so that the payments would not detract from other ongoing funding needs. TfL has undertaken the lead in promoting the crossings with the commitment that the Thames Gateway Bridge will not sacrifice other transport needs funded by its long-term budget.

By bringing contingent amounts from the Dartford Crossings to support the Thames Gateway Bridge, TfL will preserve its other services, which are already under-funded across the term of its business plan and across all projections of its long-term funding needs.

III. Financing Plan

Toll Rates and Traffic

For purposes of these analyses, we have maintained a baseline toll structure from previous analyses for TGB and at current rates for Dartford as follows:

Table 2.

2001 prices	TGB (2001 prices) ³	Dartford ⁴
Local		
Cars	1.00	1.00
LGV	1.70	1.80
HGV	2.90	2.90
Non-Local		
Cars	2.00	NA
LGV	3.40	NA
HGV	5.80	NA

Within the financial models, these tolls are inflated by RPI (2.5%) to 2010, the year of project opening and thereafter.

Baseline traffic projections have been adjusted for the delivery of the Thames Gateway Bridge in 2010 and for the potential of a delivery of the Silvertown link in 2015. This baseline was deemed acceptable for purposes of these analyses in that the user demand for the Thames Gateway Bridge from continuing tolls on Dartford offset the lost demand associated with proposed tolls on the Blackwall Tunnel. This view is supported by implied elasticities in the earlier models and from subsequent traffic studies on tolling combinations. This baseline discounts the impacts of the crossings on regeneration, and may be considered a conservative, but particularly relevant starting point for a market view on the robustness of the toll revenues.

Traffic on the Dartford Crossings has been modelled to decline by 3.5% when the Thames Gateway Bridge opens, reflecting previous assumptions of traffic shifts anticipated with charging on both facilities.

These figures are adjusted for various positive and negative scenarios via the assumptions listed in the sensitivity analyses listed below.

³ These rates would be escalated by inflation to the opening date of the project.

⁴ There is no differential on toll rates for local and non-local traffic. The charging scheme going into effect on 1 April 2003 will have a single £1.00 charge for all vehicles, 10pm to 6am.

Capital Structure

Revenues and expenses have been taken from earlier analyses, as has the presumption of a 90:10 debt to equity ratio, which, given the experience of the Dartford Crossings, seems viable. Equity returns are stated on a pre-tax basis. The desirability of particular debt structures, including the use of subordinated debt will be monitored in the period of formal bidding. No assumptions have been made regarding insurance to wrap any bond funding, although stable toll facilities, generally carrying underlying A-category ratings (in contrast to BBB/A- ratings for standard PFIs), are often excellent candidates for such facilities.

Concession length has been modelled at 28 years as a base case. This range will allow a longer period of repayment for debt financing and will best preserve the continuous funding potential of Dartford for projects in the Thames Gateway and region. The range could be longer, depending on capacity in the debt markets, and could also be significantly shorter, were a more self-amortising structure, akin to that of the Dartford Crossings themselves, adopted. The capacity of the combined funding streams indicates that longer concession periods would not be necessary.

Contract award and concessionaire design has been assumed to start in 2005, with construction extending up to a 2010 opening.

Other key assumptions

Capital costs have been reviewed independently and by TfL, and are herein stated as 2002 prices. Operating costs and the costs of periodic renewals have been adopted earlier analyses.

Sensitivity Analyses

To test the robustness of our proposal, we have run sensitivity analyses at various cost bases, traffic levels, and toll revenues. While these analyses build on consistent results in estimates of baseline traffic for the Thames Gateway Bridge, the preliminary stages of the project mean that the single point variances around these aggregate numbers and financial ratios may be substantial. Nevertheless, the range of the analysis, and the general sense of the scenarios indicates that the proposed financing mechanism is robust and highly viable in the PFI market.

All scenarios assume tolls rising at RPI on both Thames Gateway and Dartford. For the former revenues, this assumption is consistent with earlier proposals. Assumptions of growth at higher or lower levels would have material impacts on the outcomes of the cases.

Table 3.

Scenario	Significant Features	Results	(£000's)
1. Baseline	Traffic projections used in previous studies, discounting effects of development plans for the Thames Gateway; tolled Silvertown crossing reduces TGB traffic by 5% in year 2015 and beyond	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	17,049 49,940 0.42 1.65 .9 billion
2. Revenue Maximising tolls on TGB	Revenue gains cease at around £1.50 to £2.00 baseline; as a conservative estimate, only a 20% gain in gross revenue is expected on 50% toll increase; net revenue impacts are proportionately higher, as operating expenses conservatively projected to remain unchanged	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	21,695 49,940 0.54 1.77 1.0 billion
3. Revenue Maximising tolls on TGB; project cost escalation	Cost escalation of 20% from baseline costs (which include contingencies of 30%), toll maximising revenues adopted on TGB only	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	21,695 49,940 0.45 1.47 0.9 billion
4. Revenue Maximising tolls on TGB, similar increase on Dartford	Same as scenario 2, with similar revenue gains on Dartford; estimate for Dartford may be conservative in that traffic embodies more long-distance trips and is likely to be more inelastic	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	21,695 63,578 0.54 2.01 1.2 billion
5. Increased traffic from the development case	10% uplift from baseline in TGB traffic from greater trips resulting from development case	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	19,372 49,940 0.48 1.71 1.0 billion
6. High-end traffic from the development case	20% uplift from baseline in TGB traffic from greater trips resulting from development case; this case uses the same financial results as the revenue maximising toll case on TGB (scenario 2); the assumption of operating expenses not increasing means that this result may be marginally overstated	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	21,695 49,940 0.54 1.77 1.2 billion
7. Impact of free Silvertown Link	Further 7.25% reduction in TGB traffic from baseline; lowest coverage occurs before opening of Silvertown, so impact on bank ratios may be manageable	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	17,049 49,940 0.42 1.65 .9 billion
8. Recession and weak development market	20% drop from baseline traffic for TGB, and 10% drop in Dartford; would relate to impacts of long-term recession and dampening of development interest in the Gateway	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	12,403 44,946 0.31 1.41 .7 billion
9. Downside case; project cost escalation against baseline revenues	20% increase in costs from current projection	TGB net Revs, £(2010): Dartford net Revs, £(2010): Low coverage, TGB only: Low coverage, TGB and Dartford: Additional Regional Transport Funding £(2002):	17,049 49,940 0.35 1.38 .8 billion

Outstanding management and risk issues to be addressed by governmental sponsors

1) Silvertown Link

Traffic analyses indicate that a Silvertown Link as a tolled two-lane crossing is likely to have a modest-to-minor reduction on traffic on the Thames Gateway Bridge. This decline could range from 2% to 5% and has been represented throughout the sensitivity analyses as the more conservative 5% reduction. A greater risk, and one that could result in a total of ten to twelve percent decrease in traffic (and therefore revenues), would be a free crossing at Silvertown. Alternative versions of Silvertown, which might include a four-lane structure, would cause further traffic reductions, although the range of this impact has not yet been quantified in traffic or financial projections.

Similarly uncertain are the prospects for any Silvertown options going forward independent of a charging scheme on Blackwall. The viability of a Silvertown crossing, without contribution from its users, substantial third-party development funds, and/or cross-subsidisation of other toll revenues has not been established. Given the weakness of a tolls-only scenario for Thames Gateway Bridge, we do not anticipate that Silvertown would be a viable stand-alone project.

2) Treasury guidance on uplift for costs

Treasury guidance suggests that uplifts for large construction projects such as the Thames Gateway Bridge might range from 44% to 66%. This reflects the increases in costs from earliest appraisal to project completion. Recent PFIs and PPPs have indicated that project costs can increase significantly during procurements themselves. Despite these warnings, Treasury guidance suggests that the uplift range can be lowered through improved clarity regarding the infrastructure solutions, their closer examination of their likelihood to meet performance specifications, and the relevance of costs for similar facilities and components delivering like performance specifications.

The costs used in the sensitivity analyses are from an updated survey looking at a Calatrava bridge structure, which appears to meet both traffic performance specifications and aesthetic criteria expected of what will literally be a landmark structure. The cost projections adopted in this analysis include a 30% contingency and a detailed risk analysis, which supports this level of contingency. They also reflect a 25-30% increase from earlier projections (including an allowance for inflation and the costs of a more expensive design). Given the level of independent scrutiny on costs and the revision over earliest estimates, the baseline cost appears within the range recommended by Treasury.

As additional mitigating factors, TfL has examined alternative designs offering an approximate 10% savings in construction costs (albeit with weaker aesthetic benefits as a landmark structure). Also, there may be savings from these levels from efficiencies in final planning, construction and delivery, which will be identified by private bidders and incorporated in their bids. Whilst these amounts may vary

substantially between projects, PFI-type procurements often save between 10-20% on construction costs. Overall, the combination of these factors provides further cushion on the deliverability of the project within stated cost ranges.

A final sensitivity analysis has been run on a 20% increase on the stated costs of the project, in order to measure the viability of the financial structure (scenario 9).

3) Definition of Local Traffic

Previous financial analyses have taken the position that all traffic into the Thames Gateway area was “local.” However, this broad assumption, which subsumes 98% of all traffic, may not be practical. A more useful approach may be defining all local traffic as originating inside a defined area, setting up a system roughly analogous to the definitions used with Congestion Charging programme. This more narrow definition could comprise approximately two-thirds of the potential traffic for the bridge, forcing the remaining third into the higher toll ranges. While this impact has not been modeled, the preliminary work on elasticities indicate that it might be roughly revenue neutral: the reduced usage of this “non-local” group would offset the higher tolls they would be asked to pay.

The specific localities included in the definition of “local” will be subject to further review, as will the toll ranges and revenue projections for a more narrow “local” scenario.

Other Financing Support

There has been much discussion of the potential impacts of third-party developer funds, which could be brought to fund the Thames Gateway Bridge project via Section 106 agreements. While the bridge will enable 17 million vehicle trips per year by 2011 and will enable substantial economic growth, the more diffuse distribution of these trips, compared to passenger rail traffic, make the single-point impacts of the bridge difficult to judge. They will therefore be more difficult to negotiate as site-specific benefits to developers.

The view of developers and engineering consultants familiar with road projects in the UK is that Section 106 agreements may be possible for the Thames Gateway Bridge, there is scant history of their contributions to other bridges. Their contributions therefore may not be reliable in significant amounts or in timing to influence the financial viability of the project. These amounts, currently speculated to be in the range of 1% to 3% (£4 to £12 million) of project value, have therefore not been factored into the financing plan being put forward to Government and to private infrastructure investors.

A more viable mechanism, but one that would require changes in primary legislation, would be the use of Tax Increment Finance. This approach would look to capitalise the long-term growth in taxes related to property development and appreciation, without disadvantaging the payers of these taxes by imposing higher rates. Such financings have been successful in the United States and are being explored by TfL for the potential applications to development projects in the UK. While this work remains a promising vein for capturing the long-term gains of the development of the

Thames Gateway and within the overall London Plan, it is not being advanced at this time as a direct source to the Thames Gateway Bridge Project.

Other sources identified, which might be of use to the project, but which will require independent consideration within the procurement and/or separate commercial negotiations to realise:

- Advertising revenues
- Sale of wayleave rights for optical fibres
- Telephone/radio mast
- Utility infrastructure for gas, water, electricity and telephone
- Development rights on land required during procurement and construction, then freed by the completion of the project

Any additional revenues brought to the project may be used to either reduce the costs that would have to be capitalised within the SPV or reduce the payment costs to the SPV.

Legal Structure

Various options have been considered for creating an availability of Dartford revenues to the Thames Gateway Bridge.

The first option involves linking the charging schemes of the Thames Gateway Bridge and the Dartford crossings. Under this arrangement, a new order (i.e. secondary legislation) would need to be made for Dartford, linking that scheme to the charging scheme proposed by TfL for the TGB. Although the legislation is not explicit on this point, linked schemes would appear to allow net revenue from one to be applied directly to the other.

However, in the absence of any contractual or functional relationship between the Secretary of State and the SPV for the TGB, the funds would need to pass through TfL and would be commingled with TfL grant for other transport needs, unless "ring-fenced" for TGB within TfL's accounts. Any residual funds attributable to the Dartford net revenues and not needed to meet TGB PFI commitments, would either a) not be transferred to TfL or b) would flow back to the control of the SOS.

Apart from the need to remit funds through TfL, this option is also hampered by the 10-year limitation on spending approvals, inherent in the charging order legislation. Any financing structure built on these arrangements would probably require accelerated payments on debt and earnings, which would consume all residual Dartford revenues, which would abbreviate the risk horizon for whole-life-asset management, and which would, in any case, be insufficient to extinguish the financing obligations of the SPV.

A second and simpler legal option would be for TfL to establish a joint venture with the Secretary of State, which would in turn grant the SPV arrangements for the winning bidder. Conceptually, this would be analogous to the joint-venture structure that has been adopted for the development of Crossrail.

Under this approach, relevant payments from Dartford would be authorised by the Secretary of State and could flow directly into the joint venture by virtue of the Government's equity interest in the project. From there they would pass to the SPV. No Dartford funds (or funds from any appropriate Government Department delivered in lieu of net-Dartford revenues) related to the TGB would flow through Transport for London.

The ten-year limitation on applications of funds, as noted in the first option, remains in effect, but may here be treated as a secondary issue. The joint-venture structure may receive other direct contractual payments from the Secretary of State, which are not subject to the ten-year limitation. For example, a contract from the Secretary of State to provide shadow tolls in amounts related to notional traffic on the Dartford crossings could be authorised and, if need be, paid to the joint venture from any appropriate Government funds.

This second option appears to be the most viable way forward, in that it requires no legislation, is not limited to a 10 year statutory term and avoids the flow of funds through TfL, whether ring-fenced or otherwise. This option may also be enabled by the existing powers of TfL and the Government.

Public Sector Comparator

To assure value for money, TfL will construct a public sector comparator, based on the risk allocations determined within the procurement profile, and any social adjustments that would be attributable to early delivery of the facility. The phase II Financial Advisor will assist in the creation and derivation of this model, to assure its compliance with Government guidance and to assure a robust comparator as a discipline to the procurement process.

Annex 5: Thames Gateway Bridge (Hybrid Bill or accelerated TWA process)

ID	Task Name	2002	2003				2004				2005				2006				2007				2008				2009				2010							
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
1	KEY MILESTONES																																					
2	Agreement by Government in principle to Hybrid Bill	■																																				
3	Stakeholder consultation completed		■																																			
4	Contents of draft bill agreed with Government (if Hybrid Bill)		■																																			
5	Transport impacts evaluated			■																																		
6	Funding identified			■																																		
7	Public consultation completed			■																																		
8	Design and feasibility completed				■																																	
9	Progress report to TfL seeking final 'go'					■																																
10	Environmental study completed				■																																	
11	Submission of draft Bill/TWA application					■																																
12	Public Inquiry/Committee hearings						■																															
13	Royal Assent/Secretary of State decision									■																												
14	Appointment of concessionaire										■																											
15	Construction begins																																					
16	Bridge Opening																																		■			

**TRANSPORT *for* LONDON
TfL BOARD**

SUBJECT: SAFETY, HEALTH AND ENVIRONMENT COMMITTEE REPORT

MEETING DATE: 19 NOVEMBER 2002

1. PURPOSE

This report provides a summary of the SHEC meeting held on 4 November 2002.

2. BACKGROUND

The Committee (which meets not less than six times a year) is required under its terms of reference to report to the TfL Board.

3. REPORT ON NOVEMBER 2002 MEETING

Key points arising from the November meeting are as follows:

3.1 London Underground Risk Assessment Methodology

3.1.1 Mike Strzelecki gave a detailed presentation on the risk assessment process developed in London Underground, and how the results had focussed LUL's investment and management effort on the most cost effective risk-reduction measures for the Underground over recent years and going forward. He confirmed that Infracos would be required to participate in the risk assessment process adopted by LUL and that T.U. H&S representatives, staff and management had all been briefed on the methodology.

3.2 Reducing casualties from crashes involving motorcycles and scooters

3.2.1 A paper was submitted by Street Management at the request of a previous meeting of the Committee, to meet a Board reporting requirement. A summary of the main issues identified, together with recommendations where appropriate, is included as Appendix 1.

3.3 Assaults and 'Hate Crimes' – progress update

3.3.1 The Committee heard a report on progress with a review of work being undertaken across TfL and LUL to better understand the causes of violence against staff employed in the provision of 'front line' services, together with the most effective means of reducing such assaults, and to share results across the modes. Unsurprisingly, poor service reliability linked to inadequate information registered as significant causes of assault, as did disputes relating to fares and tickets.

3.3.2 Discussions were held with a number of groups concerned about safety issues relating to 'hate crimes'; it was proposed to meet with representatives of those Groups, together with Board Member Kirsten Hearn to better identify what could be done to deter hate crimes directed against groups or individuals.

3.4 Fire Brigade Union – threat of industrial action.

- 3.4.1 Nick Agnew briefed the Committee on the implications for TfL services arising from the threat of industrial action and the preparations that had been made to mitigate the effects of any action in the near future.

4. RECOMMENDATION

The Board is asked to NOTE the report from the Committee.

The next meeting will be held on 3rd February 2002

**TRANSPORT for LONDON
TfL BOARD**

**SUBJECT: SHEC - REDUCING CASUALTIES IN LONDON INVOLVING
MOTORCYCLE AND SCOOTER RIDERS**

MEETING DATE: 19TH NOVEMBER, 2002

1. PURPOSE

The purpose of the report is to inform the Board of the work undertaken by Street Management on reducing casualties in London involving motorcycle and scooter riders. The work follows an early report submitted to the Board on 11th June 2002, when it was agreed that a further report on this matter would be submitted to the November Board meeting.

2. BACKGROUND

The Safety Health & Environment Committee (SHEC) recognised the growing numbers of P2W casualties and the commitment to report to the Board by the end of 2002. A report was presented to the November 2002 SHEC and Street Management Advisory Panel (SMAP). This report presents a summary of the situation.

3. SUMMARY

3.1 The risk to riders of motorcycles and scooters, (P2Ws) of becoming a casualty (being killed or seriously injured) is much higher than for any other mode of transport or as a pedestrian on London's streets. Every year more than 10 in every 1000 motorcycles or scooters registered in London is involved in a serious accident in which the rider is killed or seriously injured (called KSI's) – and sometimes pedestrians and other road users are involved as well. By contrast, less than one in every 1000 registered cars are involved in an accident in which a car occupant is killed or seriously injured. Even pedal cycles experience less risk than motorcycles.

3.2 At the same time, the number of motor cycles and scooters is rising fast – total numbers licensed are up 40% in 2000 compared with the average in 1994-98. This is likely to be due to growing road traffic congestion, and may well increase slightly as a result of the congestion charging in central London, since P2Ws will not pay the fee.

3.3 Both the national government and the Mayor have set demanding targets for improvements in road safety and in the reduction of road accidents. These were discussed in depth in the paper on the Road Safety Plan, which the Board approved on 17th July 2001. The Board's Safety, Health and Environment Committee (SHEC) believes that addressing the factors affecting accident risk to motorcycle and scooter users is one the most important tasks in improving road safety in London.

3.4 SHEC has kept this issue under constant review since its inception, and when I reported our concerns to the Board in March 2002 I undertook, with Derek Turner, Managing Director, Street Management, to report to the Board on this matter before the end of 2002. I am grateful to him and his team for the work they have done, which I commend to the Board.

The Board's attention is drawn to the following key points contained in those reports.

4. ANALYSIS OF TRENDS AND CAUSES

- 4.1 The reports demonstrate that the casualty *rate* has halved over the last 15 years from a peak of over 20 in 1000 registered P2Ws to about 10-12 currently. The *number* of casualties fell correspondingly until the middle 90's, but has risen again in the last 6 years due to the increase in the number of registered vehicles.
- 4.2 Riding P2Ws involves higher risk of serious injury or death than any other road user because of: lower stability than 4 wheel vehicles; characteristics of size, speed and acceleration which enable and encourage filtering and overtaking; lower visibility to other road users; and greater exposure of the rider to injury than the occupant of 4 wheel vehicles.
- 4.3 Interestingly, the most commonly occurring cause of P2W accidents is conflict with other vehicles at junctions or prior to manoeuvre (which could be the fault of the rider or of the other road user). Unlike most other road traffic accidents, there is no locational pattern to P2W accidents, and no significant linkage to road engineering, road surface, traffic signal or other physical issues. Addressing the problem therefore is principally about influencing driver and rider behaviour.
- 4.4 Finally, a significant finding is that 30% of all KSIs in London are of courier riders – i.e. people riding P2Ws in the course of work.

5. MEASURES RECOMMENDED

While the report mentions a number of measures which are recommended or in hand, some of which are in TfL's hands, some of which depend on others for action, I want to focus on two – influencing road user behaviour, and the issue of the responsibility of employers of couriers and pizza deliverers.

5.1 Influencing road user behaviour

- A more concerted effort is needed on road user education, on P2W training, on leveraging the requirement for riders to undergo training, on clarifying the Metropolitan Police Service policy and resource allocation to enforcing better road user behaviour, and on encouraging daytime running lights.
- Already the Mayor's road safety strategy has stepped up resources devoted to road safety education both for school children and other target groups, and as part of this a London cinema film advert made for TfL and focussing on raising awareness of P2W safety is released this month.
- *Bikesafe* is a training scheme offered by the City of London Police, which TfL have offered to help resource the MPS to deliver on a wider scale – with little success so far. An alternative training scheme *The Edge* set up by the Motor Cycle Industry Association has the potential for delivery by organisations other than the MPS, and TfL could facilitate and promote this scheme widely once the delivery capability is in place.
- There is an opportunity to encourage the insurance industry to require persistent claimants to take such a training programme as a condition for insurance renewal, or to avoid a substantial premium hike. It might be possible to envisage such a training experience being a required part of a sentence following conviction for a traffic offence.

- Finally, although the evidence is not conclusive, TfL should consider encouraging the universal use of daytime running lights by P2Ws, to improve visibility to other road users; it will in any case be permanently hard wired on new motorcycles from 2003.

5.2 Responsibility of employers

- Apart from the requirement for an employer to be satisfied that an employee and his vehicle are insured for occupational use, there is no *de facto* statutory obligation on employers regarding the health and safety of their employees while travelling; the Health and Safety Commission has up till now regarded the question of occupational road travel risk as a matter for the legislation covering road traffic, vehicle safety etc rather than the Health and Safety legislation. This of course focuses entirely on the rider and his vehicle and not on the role of the employer in determining the conditions under which he rides. A recent review led by the then Royal Mail Chief Executive has suggested that this be revisited, but the HSC are reported to be concerned about the resource implications of having to include occupational travel risk generally.
- SHEC's view is that the particular record of accidents for employees using P2Ws – principally couriers and pizza deliverers - raises important questions about the nature and management of the employment arrangements, and suggests that consideration should be given to applying the disciplines and requirements of the Health and Safety at Work Act to the relevant employers. We would recommend approaching the Health and Safety Executive at policy level to discuss this.

6. TARGETS

Our final point as a committee concerns the targets set by the Mayor for his Road Safety Strategy – which are for a 40% reduction in the *number* of KSIs, for each mode of travel, by 2010. With the number of licensed P2Ws increasing daily (40% up in the last few years already and more to come), this reduction target becomes almost impossibly demanding. We recommend that a parallel working target should be to reduce the *rate* of KSIs for P2W users by 40% - this after all reflects the risk faced by an individual user. If a baseline of 12 KSIs per 1000 P2Ws licensed in London (average of the last three years), then this target would be 7.2 KSIs per 1000 licensed P2Ws by 2010.

7. IMPACT ON FUNDING

There are no direct financial implications of this report.

8. RECOMMENDATIONS

The Committee is asked to NOTE this report.

DAVID QUARMBY
TfL BOARD MEMBER/CHAIR OF SHEC

6th November, 2002

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