

## Transport for London 'AA' Rating Unaffected By Recent Announcement on Fare Increases

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LONDON (Standard & Poor's) Sept. 15, 2006—Standard & Poor's Ratings Services said today that the 'AA' rating on Transport for London (TfL) will not be affected by the recently announced increase in fares. Although the bus fare increase is significantly lower than originally assumed in the business plan, it follows higher-than-expected revenues in the past financial year.

TfL's 2005 business plan assumed an increase of the retail price index (RPI) plus 10% for bus fares in January 2007. Instead, bus fares will now increase by only RPI plus 3.85%. Nevertheless, TfL still expects to meet its revenue forecasts due to higher-than-expected passenger demand and increases in advertising and other non-fare income. Despite the terrorist attacks on the London transport system in July 2005, passenger volume continued to grow in the year ended March 31, 2006 (financial 2005/2006), resulting in total (bus and tube) fare and congestion charge income of £2,553 million, which was £53 million higher than forecast. Based on this strong passenger demand, TfL are revising their business plan, which is in balance based on an increase of only RPI plus 3.85% on buses. Underground fares will increase by RPI plus 1%, as originally planned.

In our January 2006 full analysis report on TfL, (see "Transport for London," published on RatingsDirect), we had noted that the planned RPI plus 10% increase in bus fares could be politically difficult to implement. However, given the higher-than-expected growth in passenger numbers in financial 2005/2006, we believe that the lower-than-assumed bus fare increase will not affect the rating on TfL. Moreover, the lower increase preserves some flexibility to introduce higher fare increases in the future, if required.

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