New Revenue Sources

Transport for London

August 2021

FINAL

1. Executive Summary

The pandemic had a seismic impact on Transport for London (TfL's) finances, creating a recurring gap that must be fixed. TfL is committed to working with Government to identify a solution to this structural funding gap so the city's transport network can support both regional and national policy priorities. The Financial Sustainability Plan (FSP), published in January 2021, laid out long-term options, including the recommended scenario of Decarbonise by 2030. This scenario assumed a new source of income of £500m would be delivered by 2023/24, while still leaving a funding gap of £1.6bn.

This review represents the development of the feasibility of this new income assumption, as well as TfL's recommendations and implementation plans for raising additional revenue of between £0.5bn - £1.0bn by April 2023, as required by the 1 June funding agreement. This is one of several workstreams where TfL is actively seeking to manage as much of the funding gap as it can, including reviewing opportunities to accelerate operating efficiencies, reviewing the pension scheme, assessing service level changes, and identifying different levels of capital investment.

This review sets out the current state of TfL's income (**Section 2**), reviewing existing revenue sources before the pandemic and how they have evolved historically. TfL is significantly more reliant on fares income than its international peers. While all transport authorities have suffered dramatic income losses irrespective of their funding sources, this reliance on public transport revenue means this review has considered a wider set of new funding sources than increased fares. London also has a long history of innovative road user charging schemes to achieve important policy aims. For example, the original Congestion Charge (CC) and more recently the Ultra Low Emission Zone (ULEZ) have helped reduce traffic volumes and emissions while improving sustainable travel and air quality.

TfL has already adapted its income during the pandemic. RPI +1 was used in 2021 as a core business planning assumption. While road user charging schemes were initially suspended to support critical workers, in June 2020 the Congestion Charge was temporarily increased from £11.50 to £15 and extended to evenings and weekends. ULEZ will also be expanded to cover inner London from October. The ongoing cost of fare concessions above those typically available elsewhere in England have been met by an increase to the existing TfL element of the GLA council tax precept and road user charging revenue.

The assessments of options in this review (**Section 3**) have been carried out against the appraisal criteria agreed with Government in June 2021. These criteria cover the impact of options on economic and Mayor's Transport Strategy outcomes; the financial impacts including the level of net income and whether it is sustainable; and the feasibility of the options, including high-level technical, legal, and stakeholder considerations. These assessments led to the recommendations in **Section 4**. The review recommends three overarching areas for further development. Each of these areas contains several options which remain under consideration and on which no decision has been made by the Mayor or TfL.

Optimising the fares system with a focus on consistency: Increases beyond RPI+1 per cent are not recommended, due to the risk this creates to economic recovery and due to our existing over-reliance on fare revenues. However, there are smaller changes that can be made to fares which create more consistent systems and increase revenue. Options for consideration include making permanent the restriction that the 60+ and Freedom Pass concession can only be used after 09:00; introducing an all-day peak fare to Heathrow; increasing the deposit for an Oyster card; and withdrawing from the Travelcard Agreement.

Incremental options on taxation: Many people and groups benefit from the transport network – beyond those that pay at the point of its use (through public transport fares or road user charges). Funding through taxation is a way of ensuring this wider group of beneficiaries contributes to the cost of operating and improving the network. Building on TfL's existing retention of business rates and council tax income through the GLA precept, several options remain for further development. These include further incremental increases in council tax and, subject to necessary legislative changes, an online delivery tax that responds to the congestion and emissions impact of small deliveries, as well as options to devolve the equivalent amount of Vehicle Excise Duty that London pays but does not currently receive.

Changing the way we charge for road use: If further fares and taxation options are not deemed appropriate to raise the income required, increased charges for road use have a role to play. Road congestion leads to increased carbon emissions, worse safety and bad experiences for critical freight and services, as well as those who need to drive. Schemes developed to improve these policy outcomes could also provide income to reinvest in the transport system (and provide a stronger alternative to cars). Options for further consideration include changes to the existing Congestion Charge (where we are already consulting on making the £15 charge permanent and extending the hours of operation), the Greater London Boundary Charge (which is currently undergoing a feasibility study), a London-wide Ultra Low Emission Zone, London-wide carbon charge, or workplace parking levy. Next generation road user charging – for example using distance-based pricing – cannot be delivered by the timescales required by the latest funding agreement but could potentially provide an ongoing long-term funding source and a new model for how to pay for road use in London and beyond.

The options above would require similar approaches to implementation (also set out in **Section 4**). Further policy development and impact assessment, along with the appropriate public consultation and engagement and consideration of the need for a charging scheme to be in conformity with the Mayor's Transport Strategy, would need to take place before any option could move to approval, design, and delivery.

The development of these options requires a collaboration between TfL, the Mayor, and Government. This is because many of the options presented here require specific action or commitment from Government to enable implementation.

No new income source of this magnitude is easy to identify and implement; any policy will need a mix of consultation, equalities assessment, mitigating measures and stakeholder engagement. Nonetheless, by presenting three credible option areas, narrowing down which interventions could be pursued, and setting out a roadmap for partnership with national Government, we are helping make London's transport system more sustainable and better prepared for the future.

2. Introduction

Background

Before the pandemic, we were on track to achieve financial sustainability by covering the costs of our day to day operations by 2022/23; largely as a result of taking around £1bn out of our net cost of operations since 2015/16. However, as has been shown during the pandemic, we are heavily reliant on farebox income for the majority of our revenue and significantly more so than other transport authorities around the world. This means TfL is very exposed to extreme demand shocks and has limited mitigations to apply when they occur.

The severe reduction in passenger income during the pandemic has required substantial direct Government support. The most recent Funding and Financing agreement includes a commitment to achieve financial sustainability by April 2023, as well as identifying new or increased, recurring income of between £0.5 to £1bn per annum from 2023.

This report sets out the work done to identify, review and evaluate potential new income options and their feasibility. It goes on to outline our recommendations and how they could be implemented.

Figure 1: Summary of TfL revenue sources

Income source	2018/19	2020/21
Passenger income	£4.9bn *(52%,*	£1.6bn *(31%)*
Other operating income	£0.8bn *(9%)*	£0.8bn *(15%)*
Business Rates Retention	£0.9bn *(10%)*	£1.0bn *(19%)*
Other revenue grants	£0.1bn *(1%)*	£0.1bn *(2%)*
Mayoral business rates	£1.0bn (11%)	£0.9bn *(18%)*
Property receipts / asset sales	£0.7bn *(7%)*	£0.1bn *(1%)*
Borrowing	£0.7bn *(8%)*	£0.6bn *(12%)*
Other capital grants	£0.2bn *(2%)*	£0.1bn *(2%)*

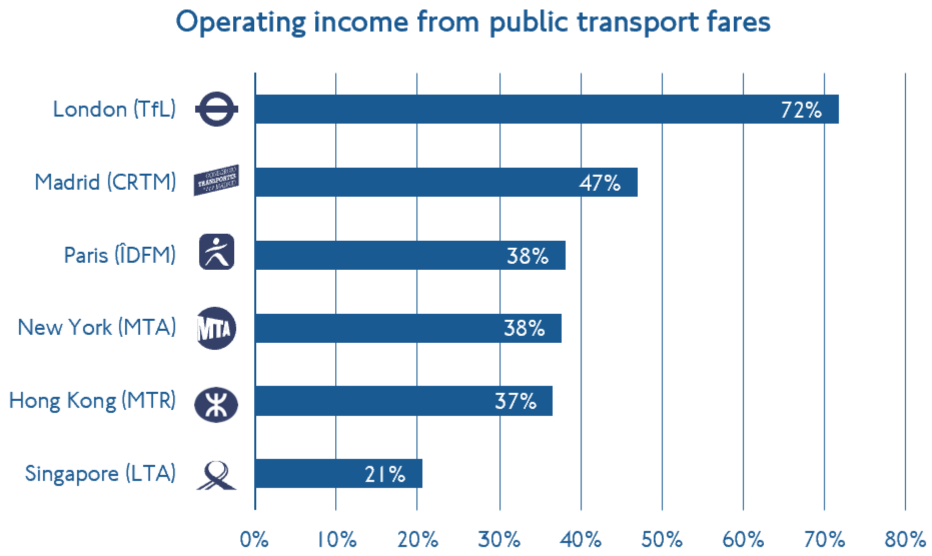
Passenger income

Background and historical trends

Passenger income is TfL's largest revenue source, accounting for half of all income before the pandemic, and over 70 per cent of operating income. These figures were projected to rise even further under our 2019 plan.

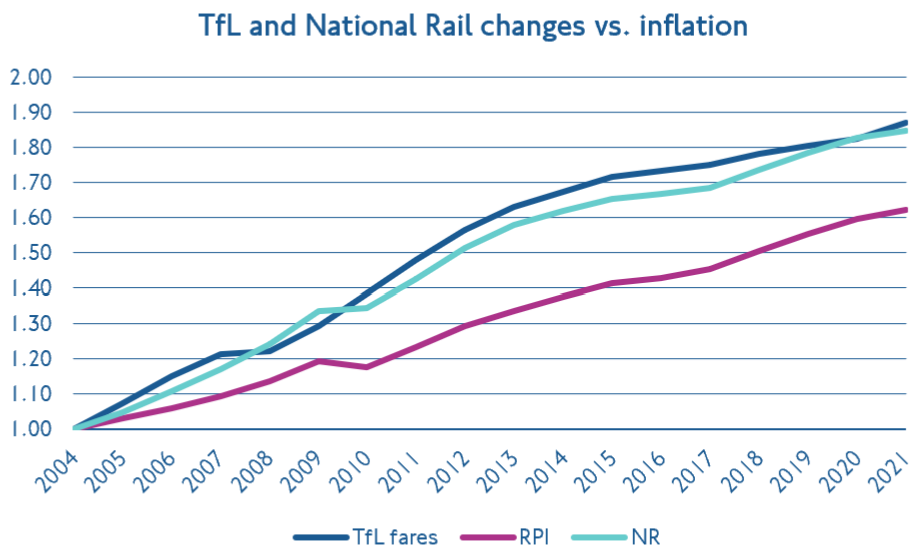
This reliance on fares income is very high compared to our international peers as shown in Figure 2.

Figure 1: International comparisons of operating income



The Mayor is responsible for setting TfL's fares, noting that Travelcard prices and the cost of the multi-modal pay as you go (PAYG) Travelcard caps are set by agreement with the train operating companies (TOCs) in line with National Rail fares. Over the long-term, TfL and National Rail fares have risen along a similar trajectory as shown by Figure 3.

Figure 2: TfL and National Rail changes vs. inflation



TfL provides discounted and concessionary fares. These fares contribute to two significant policy objectives. The first is to ensure that the transport network remains accessible and inclusive to all Londoners. Secondly, young person concessions encourage the use of public transport early in life, creating habits that increase the use of sustainable travel later in life.

During the pandemic

As a condition in the October 2020 Extraordinary Funding and Financing Agreement, if the Mayor and TfL wished to continue to offer travel concessions above those typically available elsewhere in England (such as free travel for all Londoners aged under 18 and 60-65, apart from statutory entitlements including under the Education Act 1996) then the costs of the additional benefits must be met without using HMG funding and without recourse to additional borrowing, savings, service changes or deferrals.

The ongoing cost of these concessions has been met by an increase to the existing TfL element of the GLA council tax precept and road user charging revenue.

The October 2020 settlement included a condition that required an increase of RPI+1 (2.6 per cent) on fares under the Mayor's control, which was completed in March 2021.

Existing plans

TfL has an assumption within the FSP and in its Revised Budget of an overall fares increase of RPI+1% on fares under the Mayor's control in 2022.

The Financial Sustainability Plan assumed fare rises (in London and nationally) of RPI+1 per cent in all years from 2020/21 to 2024/25. However, any actual fares changes are subject to a decision by the Mayor, taking into account the Government's decision regarding TOC fares and thus Travelcards.

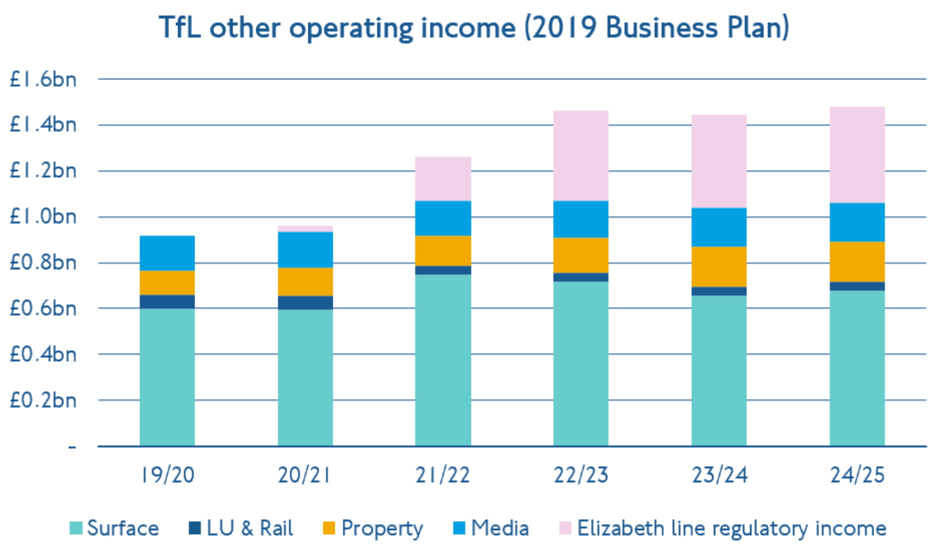
Other operating income

Background and historical trends

TfL has a variety of other sources of operating income it is responsible for, beyond public transport fares, business rates and other grants. These sources are collectively known as other operating income.

Figure 4 shows a breakdown of these income sources from the 2019 Business Plan by business area:

Figure 4: Sources of other operating income



This document is being provided in accordance with a condition of the TfL funding agreement dated 1 June 2021, which required TfL to present a review of potential new income sources to Government. The contents of this document do not represent TfL or Mayoral policy, or a decision on any of the options listed. The purpose of this document is to give a preliminary indication of the potential receipt associated with each theoretical option listed without consideration of their acceptability to the relevant decision maker(s). Any options that are to be developed will be subject to a detailed assessment and legal review. A full impact assessment and consultation may be required before any decisions about implementation can be made. The contents of the document are confidential and should not be disclosed to any unauthorised persons.

- Surface: this covers streets, buses and other smaller services. The majority of income comes from streets, due to our existing road charging schemes (RUC), including the Congestion Charge (CC), Low Emission Zone (LEZ), and the Ultra-Low Emission Zone (ULEZ). Surface other operating income peaks in 2021/22 with the expansion of the ULEZ before this income declines as compliance against the required vehicle standards improves.
- Elizabeth line regulatory income: This income relates to the central section and is netted off to zero by access charge costs. It is included here for completeness
- Property: TfL's Commercial Development business produces operating income through commercial and residential lettings
- Media: TfL has one of the largest advertising estates in the UK and has contracted partnerships to extract value from this asset.

During the pandemic

Other operating income is subject to many of the same pressures as public transport demand and has been lower during the pandemic. For example, Media income in 2020/21 was £50m, a third of what we had previously forecast as our advertising sites received less footfall and companies reduced their marketing budgets. Similarly, property income was reduced by over 40 per cent.

The CC, LEZ and ULEZ were suspended at the start of the pandemic to support critical workers moving around London, particularly those providing services to the NHS, as well as freight and other vehicles supporting London's supply chain requirements whose journeys were essential to the early response to the national emergency caused by the pandemic.

In accordance with the Government's funding agreement in May 2020 a temporary package of measures to change the CC Scheme was implemented on 15 June 2020 to prevent streets in central London becoming unusably congested and to support the reallocation of road space to support safe walking and cycling and to support certain key workers. The temporary changes included increasing the charge from £11.50 to £15 and expanding into evenings and weekends.

Existing plans

The ULEZ was expanded to inner London in October 2021 as planned, bringing in significant additional income which will then diminish as compliance improves. We are also currently consulting on future changes to the Congestion Charge scheme.

TfL is developing proposals for its property development business to operate without financial support from TfL – with a separate workstream working with the DfT on this plan.

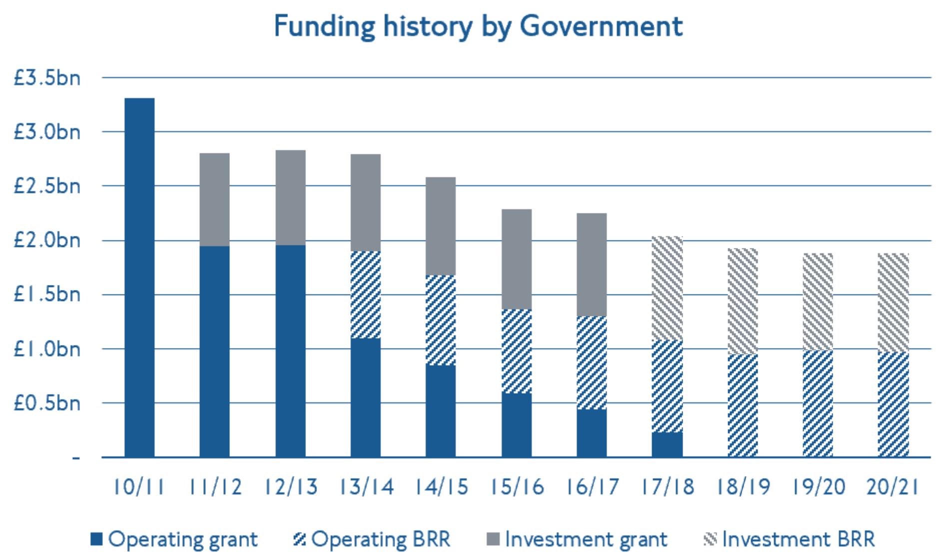
TfL will introduce a new user charge for the Silvertown and Blackwall tunnels once the Silvertown Tunnel is completed. The charge is necessary to manage demand for the tunnels and to ensure that the local road network can accommodate future traffic levels and mitigate air quality impacts with the new tunnel in place. The charge will also provide a source of revenue to help fund the construction and operation of the new Silvertown tunnel.

Business rates retention (operating and capital)

Background and historical trends

TfL has only received funding from retained Business Rates since 2013. Prior to this, all of our support from taxation was provided via grants from the Department for Transport. As shown in Figure 5, the transfer began with half of the General Grant in 2013/14, followed by the Investment Grant (as a pilot in 2017/18). The remaining half of the General Grant has been phased out as part of the 2015 Spending Review funding agreement.

Figure 5: TfL funding history by Government



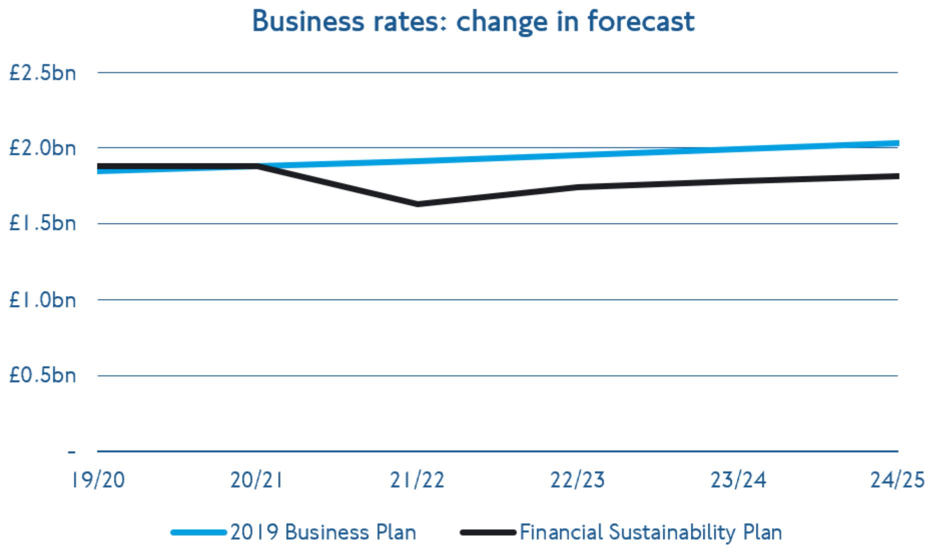
During the pandemic

TfL's income from retained business rates in 2019/20 and 2020/21 was consistent with pre-pandemic forecasts. This is due to changes in income from ratepayers taking time to flow through and impact on the amount of funding available.

Existing plans

There is a clear benefit to businesses from public transport investment, especially in Central London. Our forecasts represent our current best view of how our existing Business Rates Retention (BRR) allocation will change over time, as shown in Figure 6. This assumes no changes to the business rates system but some negative impact to receipts given impact of the pandemic on business rate payers. The existing Business Rates Supplement is expected to be required to help repay Crossrail loans until 2041.

Figure 6: Business rates forecast compared to pre-pandemic



Property receipts / asset sales

Background and historical trends

TfL has a significant asset base, including its portfolio of property and land holdings.

Commercial Development was set up in TfL in 2012, and now consolidates all commercial property assets from across the TfL group. Under the current arrangements, commercial development is required to be capital neutral, with a significant proportion of the funding in the existing plan coming from the disposal of selected non-operational property assets. While property sales are a normal part of managing any commercial asset base, an overdependence can produce poor value for money and is financially unsustainable for the business in the longer term.

Outside of commercial development, TfL also completed the sale and leaseback of the Elizabeth line rolling stock fleet in 2018, which released approximately £1bn to reinvest in infrastructure including delivering a fleet of new Piccadilly line trains, the first of which will appear in London from 2023. The lease costs add to our operational expenditure.

During the pandemic

TfL has been cautious regarding property receipts and asset sales in the current market, when value for money may be harder to obtain.

Existing plans

The June 2021 funding agreement contained a workstream focused on commercial development options. The scope of this workstream is to “agree a plan for housing delivery through a dedicated commercial property company that meets the shared ambitions of the Mayor and HMG to deliver housing in a high demand area and to provide an increased revenue stream”. These plans are being developed separately to this income review and are not considered further in this report. The financial impact is also not material within the timeframe of this report.

There are other assets which could be considered for sale and leaseback but this approach to borrowing creates ongoing operating costs which make achieving long-term financial sustainability harder.

Borrowing

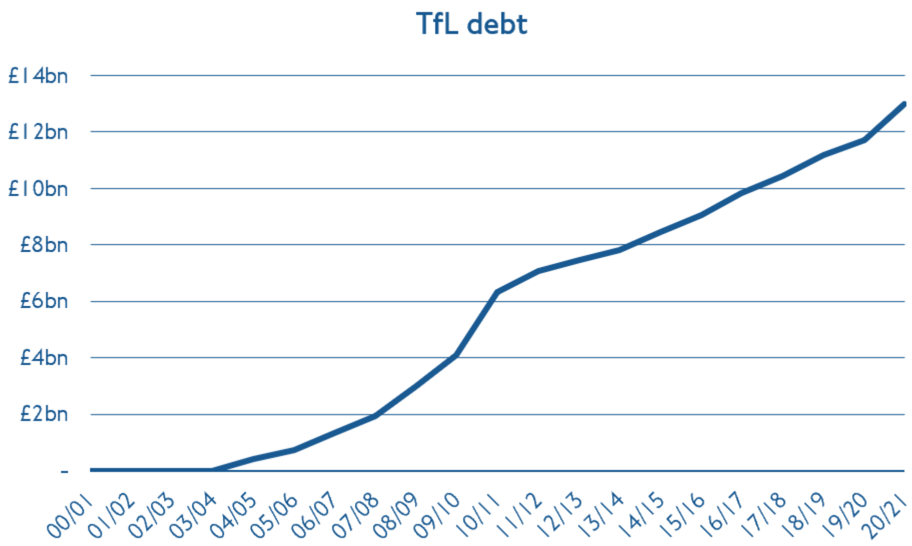
Background and historical trends

TfL started with zero debt on its balance sheet. However, over the past 20 years we have used borrowing, alongside other funding sources, to fund improvements to the transport network.

When managing TfL's borrowing, TfL is required to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, under which it must ensure all of its borrowing is prudent and sustainable. TfL must also take into account arrangements for the repayment of debt and consider the impact on overall fiscal sustainability. All borrowing must be for capital purposes.

Before the pandemic, TfL's total debt rose to £12bn, reaching the limits of affordability, which means it can no longer continue to borrow significantly in future, unless new significant additional revenue sources are in place. TfL considers a range of factors when assessing the affordability of debt, including the prudential borrowing framework and certain financial ratios.

Figure 7: TfL debt levels



During the pandemic

The significant reduction to TfL's revenues as a result of the coronavirus pandemic has further impacted affordability of existing borrowing as well as any potential future borrowing.

The May 2020 funding agreement (covering 1 April to 17 October 2020) included £505m of additional borrowing from the Public Works Loan Board (PWLB). The October 2020 funding agreement (covering 18 October 2020 to the 31 March 2021) included £95m additional borrowing from the PWLB.

TfL's existing borrowing has also become more expensive to service during the pandemic due to Moody's downgrade of the organisation's credit rating in June 2021. Moody's noted that the downgrade reflected "TfL's intrinsic financial strength has been durably and materially weakened by the pandemic, and that the limited level of financial support provided by the Government of the United Kingdom, and the absence of clarity on ongoing financial support arrangements, at a time when TfL faces a long-lasting shortfall in ridership post pandemic, signals that this erosion in its financial strength is unlikely to be reversed."

Existing plans

In order to demonstrate financial sustainability over the long term, TfL must cover not only the financing costs, but also the debt principal repayments. To reach and maintain financial sustainability TfL will only be able to make debt repayments in the years in which it generates an operating surplus.

TfL is not planning to undertake any additional borrowing in the next few years due to affordability constraints. It is also unlikely TfL will have sufficient resources to make any principal repayments earlier than 2024/25.

Equity map

Table 1 below summarised the different beneficiaries of London's transport network (before the pandemic), and how much they each contribute to TfL's overall income.

Table 1: Equity map of TfL income sources

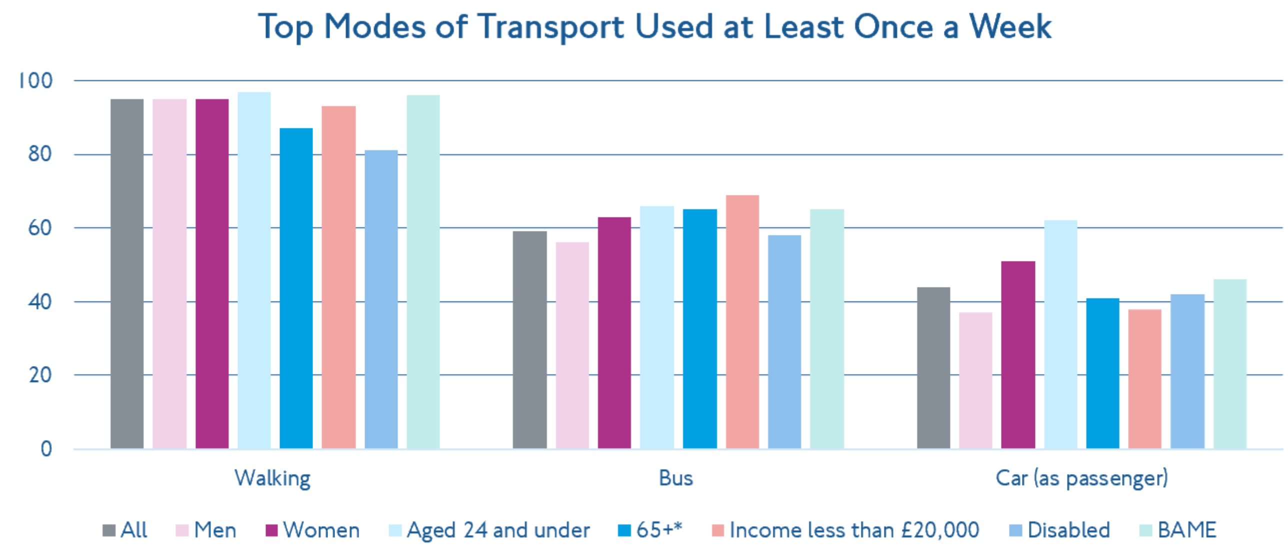
Beneficiary group	Nature of benefit	Funding element	2018/19
Public Transport users	Directly use the public transport network to access work, leisure, health and other opportunities.	Fares + share of borrowing	**£6.2bn**
Private Vehicle users	Private drivers and passengers use the road network to access work, leisure, health and other opportunities. Greater public transport use also reduces road congestion and journey times. Commercial operators use the road network to deliver goods to residents and businesses.	Other operating income (exc. Media / property) + share of borrowing	**£1.2bn**
London residents	All residents - whether they use the network or not - benefit from being in a city with a well-connected transport system. Public transport has significant decarbonisation and air quality benefits. Residents who own their homes also benefit from increased property prices, especially near new infrastructure.	Council tax precept to fund concessions (£15 on band D)	**£6m** *£43m was added to this in 2021/22*
London businesses	Businesses benefits from access to a strong employment market enabled by the transport network, as well as access to a wide customer catchment.	Business rate retention. Also MCIL and BRS for Crossrail (not included in total here)	**£2.0bn**

Beneficiary group	Nature of benefit	Funding element	2018/19
Business customers	These are businesses that pay TfL for a specific service and product, enabling them to meet their objectives. This includes property income, property receipts and advertising / income	Property and media income, asset sales	**£0.5bn**
Businesses and residents outside London	Unless they use public transport or drive into London's road user charging schemes, they pay nothing towards TfL's ongoing capital or operating costs; all of the UK benefits from a successful capital that net exports tax revenue and is a competitive advantage to all UK cities.	None currently	**£0.0bn**

Equality

The Equality Act 2010 requires TfL to have due regard to equality implications in the exercise of its functions when developing and delivering its services. We have utilised existing research including summary information from the TfL 'Travel in London: Understanding our diverse communities 2019' report to consider potential impacts on equality for London's communities in the options assessments detailed in this document. The report uses data from the Office for National Statistics (ONS) 2011 Census and TfL's 2016/17 London Travel Demand Survey (LTDS) to describe profiles of equality groups within London's communities and identifies barriers faced by these groups when accessing different modes of transport.

TfL believes Every Journey Matters and it is important to understand the key issues that affect travel use for everyone impacted, including those sharing protected characteristics under equality legislation when proposing any increase in fares and for any RUC or WPL proposals. Travel experiences are individual and will be influenced by a number of factors such as age, gender and income. Age continues to impact on a number of factors such as technology use, type of ticket used and barriers to increased public transport usage.



* 65+: 3rd most used transport mode – 43 per cent Car (as driver)

Table 2 below summarises TfL's document 'Understanding Diverse Communities' and outlines the population and some of the key factors affecting travel for the various equality groups.

Table 2: Summary of Understanding Diverse Communities 2019 (based on data from 2016/17)

Group	Per cent of London Population	Factors Affecting Travel
BAME	**40 per cent** Projected to grow to 46 per cent by 2041	• BAME Londoners are younger, which drives their concerns around cost of travel.
Women	**51 per cent** In line with other parts of the UK	• Significantly greater proportion of women had experienced a specific worrying incident (37 per cent, compared with 28 per cent of men) • More likely to be a car passenger (51 per cent compared with 37 per cent of men)
Older (over 65)	**11 per cent** Expected to grow to 16 per cent of the London population by 2041	• Considerably more likely to have a disability
Younger (under 25)	**32 per cent** Expected to make up 29 per cent of the London population by 2041	• Higher bus use is driven by affordability
Disabled	**14 per cent**	• 84 per cent say their disability limits their ability to travel • 21 per cent (compared to 16 per cent all Londoners) have been completely / temporarily put off travelling due to a worrying incident • Freedom passes most common ticket held (61 per cent)
Low-Income	**28 per cent**	• Those living in low income households are more likely to be over 65, disabled or BAME
LGB	**2.6 per cent** Higher proportion of Londoners classify themselves as LGB than in the UK as a whole (2.0 per cent)	• More likely to experience unwanted sexual behavior (all 10 per cent /LGB 16 per cent) • More likely to experience hate crime (all 22 per cent /LGB 30 per cent)

A number of barriers prevent people from using public transport more frequently, with cost of travel commonly mentioned. Where proposing fares increases, due regard is given to certain groups whose travel experiences are determined by cost, such as for those living in a low-income household, BAME and younger people. These groups typically use the bus more frequently compared to other modes of public transport. Whilst cost of travel is a lower barrier for older Londoners (aged 65+), fares option proposals concerning those aged 60+ will require further assessment to determine impacts on older Londoners that do not yet have access to a Freedom Pass.

Proposed roads income options would help in achieving reductions in traffic and vehicle emissions which are harmful to human health. Older and younger groups are likely to benefit most, as would those on low incomes who often live in areas of poorest air quality. Whilst additional costs of driving may particularly impact those on low incomes, these groups are less likely to travel by car and more likely to walk or travel by bus. Particular regard should be given to groups more likely to use cars for accessibility or safety concerns, including women and disabled people, and therefore less likely to be willing or able to switch transport modes.

The potential revenue-raising taxation options do not relate to travel and therefore do not have a direct effect on MTS measures. These options will have equality impacts outside of TfL and is a consideration for the GLA/Mayor and HMG. Equality impacts of some of the taxation options should be given due regard in relation to groups that live in low-income households (such as women, disabled people, BAME Londoners and older people, who are more likely to live in low-income households than other Londoners): for example, council tax is regressive so impacts those on low incomes more.

The high-level assessments in the Appendix include further key information and detailed outcome assessments based on factors agreed between HMG and TfL/GLA. These assessments consider some of the equality impacts of proposed options on London's communities. Any proposals which are taken forward will be subject to further equality and other impact assessment as appropriate; their findings, including the availability of potential mitigations to adverse impacts, must be taken into account before any decision to implement them is taken.

3. Appraisal process

Approach

The following activities were set out in the June 1 funding agreement.

i. The **Criteria for options assessment** will be agreed between HMG and TfL/GLA before commencing the review by the delivery date [completed]
ii. The review working group will report monthly to the Oversight Group who shall also be consulted on the **shortlist of options** by 05 July 2021 [completed]
iii. The **Options Review and Feasibility Study** shall be completed with recommendations and submitted to DfT by the delivery date. TfL will also submit an implementation plan for the recommended option or options for agreement with HMG [this report]

Agreeing the assessment criteria

It was agreed that all options should be assessed against three key categories: outcome, financial and feasibility. The purpose of the assessment criteria is to do the following;

Outcome Assessment: assess the economic impact of the option as well as any impact on key outcomes core to the Mayor's Transport Strategy

Financial Assessment: assess the financial impact of the option considering income generated, implementation costs, recurring costs and Net Present Value

Feasibility Assessment: assess the feasibility of delivering the option taking into account technical, legal and stakeholder considerations as well as identifying suitable benchmarking

The assessment criteria were agreed as follows:

Outcome Assessment:	
Economic impacts Impact on economic recovery/growth (both transport benefits/disbenefits and wider impacts on the economy)	**Business impacts,** i.e. impact on access to businesses/footfall • Change in end to end journey time for commuters and businesses • Change in cost of travel for commuters and businesses • Change in reliability for commuters and businesses
	Productivity, i.e. impact on London's economic output • Wider economic impacts (indication of job productivity and agglomeration impacts) • Change in vitality of high streets and town centres • Change in new housing delivery
MTS contribution How will the initiative secure or facilitate the	**Safe,** i.e. meeting TfL's statutory safety responsibilities; London's streets will be safe & secure **Mode Share** i.e. 80 per cent of all trips in London to be made by active, efficient and sustainable modes by 2041

implementation of the MTS outcomes?	**Active,** i.e. London's streets will be healthy, and more Londoners will travel actively
	Efficient, i.e. London's streets will be used more efficiently & have less traffic on them
	Green, i.e. London's streets will be clean and green
	Connected, i.e. The public transport network will meet the needs of London
	Accessible, i.e. Public transport will be safe, affordable and accessible to all
	Quality, i.e. Journeys by public transport will be pleasant, fast and reliable
	Sustainable, i.e. Active, efficient & sustainable travel will be the best option in new developments
	Unlocking, i.e. Transport investment will unlock the delivery of new homes & jobs
Sharing the cost	Review balance of how much groups that benefit from the transport network contribute to its costs
Equality	What is the anticipated equality impact of the initiative considered to be, subject to full equality impact analysis?
Financial Assessment:	
Income level	£ of new revenue p.a. once initiative is live
Upfront cost	£ of cost to deliver - including capex and opex
Recurring cost	£ of opex once initiative is live
Abstraction	£ of revenue reduced or added to other TfL services, or to other public sector services
Net Present Value	Identifying today's value of future net income streams, using an appraisal period of 25 years and a discount rate of 3.5 per cent (consistent with the Green Book)
Sustainability	Is this income source recurring, or does it reduce over time; does it make funding more resilient to future shocks
Volatility	How stable is the income assessment e.g. to economic downturns
Feasibility Assessment:	
Timescale	Date of likely go live including all stages (consultation, approvals, design, delivery and any need for revision of the MTS)

Technical difficulty	Rating of level of difficulty and complexity in the ability to design and deliver the solution
Legal	Identify proper legal basis for proposals including available powers and where they are insufficient, identify possible route to securing them
Stakeholder alignment	Rating of the potential reaction from positive to negative of stakeholders to the proposals. Split into different stakeholders.
Delivery conflict	Rating of how delivering this initiative makes delivery of other initiatives more or less challenging.
Benchmarking	Brief description of comparison to other UK or Worldwide cities where relevant

Identifying the shortlist

In arriving at our shortlist of options we sought to meet criteria as outlined in the funding letter;

- Options should provide a recurring revenue income stream from 2023. Therefore, options that only provided a one-off income benefit (e.g. asset and property disposals) were discounted
- Options should be within the Mayor's or TfL's current statutory powers, noting that a legal review will be necessary on any preferred option. Some options not within existing statutory powers have been retained based on their contribution to the other assessment criteria; Government support will be required for legislation for these.

Given the size of the challenge presented to us, that is generating between £0.5bn-£1bn per annum, we considered options that generated a material new revenue stream. That is not to say that lower value revenue generating options are discounted. These types of options are considered part of business as usual and our own long-standing desire to become financially sustainable.

As agreed with DfT, we also considered all revenue options that had been identified as part of the Independent Review undertaken in December 2020. Options considered by the Independent Panel included options that were not within the Mayor's current statutory powers and as such these have also been considered in this report.

The shortlist can be summarised into three broad categories; fares, roads income and taxation. Some of the annual net income figures are indicative as for example, different levels of charge or tax increase could be set.

Fares options

Ref	Option	Implementation	Net income p.a.
1	Optimise January 2022 RPI+1 change for future revenue	-	£10m
2	All-day peak fare between Zone 1 and Heathrow	-	£10m
3	Restrict 60+ concession for use only after 09:00	-	£40m
4	One-off 10p increase on bus and tram fares	-	£50m

Ref	Option	Implementation	Net income p.a.
5	Increase charge for Oyster card	-	£5m
6	Fares revision of RPI + 2 in January 2022	-	£75m
7	Significant uplift in all fares including travelcards	-	£500m
8	Withdrawing from the Travelcard Agreement	-	£55m
9	Changes to Zoning/Pricing	-	£35m

Taxation options

Ref	Option	Implementation	Net income p.a.
1	Council tax: Increase Mayoral precept	-	£400m
2	Council tax: general increases on a reformed base	-	£500m
3	Mayoral CIL (post CRI)	-	-
4	VAT slice: Retention of 0.5 per cent of London VAT take	-	£500m
5	VAT supplement: 0.5 per cent increase in London	-	£500m
6	Retain Vehicle Excise Duty collected in London	-	Up to £500m
7	Online delivery tax	-	£500m

Roads income options

Ref	Option	Implementation	Net income p.a.
1	Changes to Congestion Charge: Central London	£7m	£70m
2	Greater London Boundary Charge	£220m	£700m
3	London-wide TfL Workplace Parking Levy	£100m	£100 - 300m
4	Hybrid distance-based charge: Inner and Central London	£270m	£1.0bn
5	Expand ULEZ for vans to outer London	£195m	£50m
6	London-wide ULEZ	£260m	£300m
7	London-wide carbon charge	£325m	£550m

Assumptions

These numbers are based on high-level estimates and assumptions. For example, fares income estimates are particularly dependent on the extent to which demand returns. Road income estimates are dependent on the extent to which different types of car trip return, the mix of residents and non-residents driving in different parts of the city and final scheme design including charge levels and discounts and exemptions. As options are progressed for further discussion, further modelling and analysis will be undertaken and we expect the estimates to change as we refine our understanding.

These numbers also do not consider the demand on other public transport modes. For example, the options on roads may impact bus speeds which would lead to higher demand for buses and therefor higher bus revenue. Further work will be undertaken to fully understand these impacts as options are progressed.

Summary of option assessment

The table below summarises the assessments, which can be found in the appendix. The assessments aim to provide a preliminary indication of anticipated impacts taking into consideration how the option may affect outcomes, finance and feasibility. The appendix should be read in full to get a more comprehensive understanding of the anticipated impacts. However, it is important to note that the assessments undertaken are high-level and do not constitute a complete and thorough assessment that would normally be undertaken as part of a feasibility study or business case.

The impacts outlined under equality do not constitute a full Equality Impact Assessment and further detailed work will need to be done should any of these options be selected for progressing further and before any decisions are made.

The finance column shows the total implementation costs (where relevant) as well as the average net income once the intervention is introduced. The average net income figure is calculated up to 2027/28.

Fares options summary

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
1	**Optimise January 2022 RPI+1 change for future revenue**, with focus on rail increase	• Focuses fares increases on areas of growth • Will encourage bus travel by keeping fares affordable and stimulate economic activity in local high streets • Potential small shift from rail to car, mitigated by shift from car to bus • Encourages behaviour change to better utilise network capacity as buses tend to have more spare capacity	• Negative impact on customers with lower incomes who travel by rail but preferable for low-income customers than raising bus fares	Income p.a. £10m	• Increase structural funding gap for bus network, potentially necessitating service reductions in future to ensure service is financially sustainable.	January 2022

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
2	**All-day peak fare between Zone 1 and Heathrow**	• Small shift from public transport (PT) to car • Raises barriers to PT access for low income groups • Focuses fares increase on a journey generally made only occasionally • Increased PT user contribution	• Raises barriers to public transport access for lower income groups, noting that a high proportion of the journeys are being made by customers who are flying out of Heathrow	Income p.a. £10m	Potential impact on CAZ economic recovery as a result of above inflation increase	Early 2022
3	**Restrict 60+ concession for use only after 09:00**	• Some shift to private vehicles possible as PT cost increases. • Balanced positive and negative impacts with shift to more private vehicle use or walking/ cycling	• Increase in barrier to travel at relevant times for over 60s on low incomes	Income p.a. £40m	Potential reduced accessibility for lower socio-economic groups	Early 2022
4	**One-off 10p increase on bus and tram fares**	• Increased cost for customer groups with lower income • Marginal impact on high street footfall • Potential shift to active travel, especially for low income groups • Potential shift to private cars for local journeys, increasing congestion and reducing bus speeds • Potential increased emissions if shift to private cars	• Focuses fares increase on customer group with lower incomes on average	Income p.a. £50m	Fares increase higher than RPI+1 increase (at a time when RPI is relatively high) which may impact ridership, Wider negative impact on economic growth	Early 2022
5	**Increase charge for Oyster card**	• Increased cost to individual commuters/leisure travellers and businesses that provide cards to their staff • Encourages further migration to contactless	• Marginally negative impact on customers with low income	Income p.a. £5m	None identified	Early 2022

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
6	**Fares revision of RPI + 2 in January 2022**	• Potential negative impact on economic recovery of CAZ due to above inflation increases to rail fares, especially in Zone 1 • Potential shift to private cars, increasing congestion and emissions • Potential small reduction in journeys, resulting in reduced retail footfall	• Negative impact on customers with low income	Income p.a. £75m	Risk that suppressing passenger demand damages London's economic as option likely to reduce demand (especially as at a time when RPI is relatively high)	Early 2022
7	**Significant uplift in all fares including travelcards**	• Reduced footfall as significant increase is likely to reduce passenger demand materially. • Potential negative impact on London's GVA due to reduced footfall • Potential shift to private car use with potential for shift to active travel for short journeys • Also, potential for increased congestion and emissions • Raises barriers to PT access for people with low income • Marginal safety impacts	• Negative impact on customers with low income • Disproportionate negative impact on customers with protected characteristics within low income group	Income p.a. £500m	Risk that suppressing passenger demand damages London's economic as option likely to reduce demand	Early 2022
8	**Withdrawing from the Travelcard Agreement**	• Positive impact on journey time and ease of travel due to focus on contactless and PAYG. • Increased cost for some commuters, subject to number of trips made over a year. • Promotes demand for public transport alongside walking and cycling due to	Some impact on older customers due to digital exclusion	Income p.a. £55m *including cost savings*	Level of complexity for implementation due to considerations around phasing out valid travelcards and technical aspect of ensuring the capping rules are consistent across	Late 2022/23

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
		Seamless PAYG travel and simpler ticketing propositions			Travelcards and other travel products	
9	Changes to Zoning/Pricing	• Will lead to adverse customer and stakeholder reaction • Reduced share for TfL rail modes due to standard elasticity impacts • Potential impact to make green modes less attractive, but more financially sustainable	• Negative impact on low income workers that live outside Zone 1 • Reduces fares for commuters / residents in Zone 1, who tend to be wealthier than average	Income p.a. £35m	• Implementation likely to be time and effort intensive due to significant one-off re-working of fares data • Planning needed to ensure it falls within standard fares revision process Refund process to accommodate existing season tickets, cost not included in current estimates	Late 2022

Taxation options

The taxation options do not have a clear impact on a lot of MTS measures. This is because changing the level of general taxation, introducing supplements or directing greater 'slices' of taxation to London is unlikely to have an impact on travel behaviour, modes of public transport used and safety of the network. The key outcome from the taxation options is the additional income which will be invested in:

- Public transport and walking and cycling infrastructure to improve the quality of our transport services, thereby facilitating a shift to more sustainable modes
- Public transport expansion to facilitate the unlocking of new homes and jobs

The summary table highlights the key economic impacts and those who would contribute to the option.

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
1	**Council tax: Increase Mayoral precept**	• Within current Mayoral powers • Increased household bills • Sharing the cost - Residents	• Council tax is regressive; any increase in tax will have a greater impact on households that have lower levels of income or that are 'asset rich' but 'cash poor', including pensioners and BAME Londoners.	Income p.a. £400m	• Subject to Government support to accommodate within Council tax referendum thresholds. • Could be unpopular - increased council tax bills for taxpayers • Potential negative impact on economic growth	Phased in by 2025
2	**Council tax: general increases on a reformed base**	• Not within current Mayoral powers • Increased household bills • Sharing cost – Residents	• Option is less regressive than the option to increase existing council tax. It aims to mitigate council tax impact on households with lower levels of income, through a reformed	Income p.a. £500m	• Reform would be technically difficult and would take time. • Could be unpopular - Increased council tax • Potential economic impact on economic growth	Post 2025

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
			banding that creates a fairer tax system in London.			
3	**Mayoral CIL** (post CRI)	• Within current Mayoral powers • No impact expected on development industry, unless CIL rates change • Sharing the cost - Developers	• No impact on equality measures is expected	Income p.a. £0m	• Within existing Mayoral powers • Available only from 2040, after CRIdebt repayment	Post 2040
4	**VAT slice: Retention of 0.5 per cent of London VAT take**	• Not within current Mayoral powers • No impact on London's businesses or consumers. • Sharing the cost – Businesses (existing costs)	No significant level of impact on equality is expected as tax changes proposed are relatively small in most cases, however further work is needed to confirm this.	Income p.a. £500m		By 2025
5	**VAT supplement: 0.5 per cent increase in London**	• Not within current Mayoral powers • Potential change in consumer behaviour, subject to elasticity of demand • Sharing the cost - Customers	VAT is regressive; increase in VAT will have a greater impact on those with low incomes.	Income p.a. £500m	• Requires primary legislation, long implementation time • Could be unpopular - small increase in cost of certain goods for consumers. • Potential negative impact on economic growth	Post 2025
6	**Vehicle Excise Duty** – retain VED collected in London	• Not within current Mayoral powers • No impact on motorist • Sharing the cost – private vehicle drivers (existing costs)	No impact expected as there is no change to existing cost to private vehicle drivers. Further work will be carried out to confirm this.	Income p.a. Up to £500m	• Possibly a declining revenue stream unless electric cars pay a similar charge	By 2025

Ref	Option	OUTCOMES		FINANCE	FEASBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
7	**Online sales tax / delivery charge**	• Not within current Mayoral powers • Potential change in consumer behaviour, subject to elasticity of demand • Sharing the cost - Customers	Further work is needed to assess impact	Income p.a. £500m	• Requires primary legislation, long implementation time • Could be unpopular - small increase in cost of certain goods for consumers. • Potential negative impact on economic growth • Medium technical difficulty of implementation as it is a new tax	Post 2025

Roads income options summary

Broadly, the key outcomes from the roads options, with the exception of ULEZ expansion option for vans which has a limited ability to reduce overall traffic levels, are:

- Reduced traffic congestion within the area of operation
- Increased benefit to local high streets due to local reductions in traffic and increase in active travel (marginal impacts from CC Central London and London-wide ULEZ options)
- Local improvements in bus speeds on key routes due to lower levels of traffic
- Reduced probability of collisions due to lower levels of traffic, at varying levels for each option
- Reduced carbon and other emissions due to lower levels of traffic
- Shift to travel by sustainable modes instead of private cars, as options present a disincentive to driving
- Improved journey time and reliability

There is a risk of judicial reviews as a result of implementing many of these options. E.g. with the London wide ULEZ option, judicial reviews could be raised by people who may have recently bought non-ULEZ compliant vehicles.

The summary table below highlights the key outcomes that are more specific to each option.

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
1	Changes to Congestion Charge: Central London	• Around 4 per cent decrease in car kms 7am-6pm and 15 per cent decrease in car kms in charged weekend hrs • Associated reductions in emissions • Increased uptake of sustainable travel	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Potential disbenefits for those on low incomes	Income p.a. £70m (already assumed) Implementation cost £7m	• Potential delivery conflict – ULEX • MTS revision may be required	Early 2022

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
		• Increased costs to businesses but marginal compared to CAZ economic output • Local improvements to freight and bus speeds on key routes	and disabled people not eligible for Blue Badge.			
2	**Greater London Boundary Charge**	• Around 3 per cent decrease in London-wide car trips • Associated local reductions in emissions • Increased uptake of sustainable travel where alternatives exist • Marginal increased costs of driving for businesses • Local improvements to freight and bus speeds on key routes	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Additional cost of driving may particularly impact those on low incomes and those less likely or able to switch modes • However, those on low incomes are less likely to drive, and more likely to use the bus / other PT, so as a group would benefit.	Income p.a. £700m Implementation cost £220m	• New scheme and would require significant new camera and signage infrastructure • Significant increase in vehicle/ANPR images captured and related processes to identify qualifying vehicles, driving both implementation and operational costs • MTS revision may be required	Autumn 2023
3	**London-wide Workplace Parking Levy**	• Between 1 and 3 percent decrease in London-wide car trips if charge is passed on entirely to employees • Associated reductions in emissions • Increased uptake of sustainable travel • Increased costs to businesses if they absorb charge	Potential equality impacts arising from decisions by businesses on whether to pass the charge on to employees	Income p.a. £100 - £300m Implementation cost £100m	• Level of uncertainty for required level of operational effort – number of spaces liable for registration, licensed spaces, discount/exemption application verification, level and type of	October 2024 – October 2025 dependent on requirements and procurement route

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
		• Could support car free development and other land use if it leads to reduced workplace parking over time • 1.3 per cent decline in eligible parking spaces expected			enforcement that will maintain scheme integrity • Implementation might take considerable effort – public procurement process for licensing and enforcement, potential need for new charging systems • MTS revision may be required • Government support required for new London regulations to allow for PCN notification, adjudication and enforcement and application of scheme income	(Assumes procurement start date of Oct 2021)
4	**Hybrid distance-based charge**	• Ca. 4 per cent decrease in London-wide & 15 per cent decrease in inner London car trips • Associated reductions in emissions • Increased uptake of sustainable travel • Increased cost of driving in inner London for businesses esp. high mileage such as PHV drivers or couriers	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Additional cost of driving may particularly impact those on low incomes and those less likely or able to switch modes	Income p.a. £1,000m £270m *This has been modelled on an average inner London charge of £3.56 (with a £5 daily cap) and an*	• Very challenging to implement as it requires extension of area-based charge to inner London as pre-requisite and need for new technology. • May be difficult to implement the option (including potential interface into existing fleet data) with required high level of accuracy and	Autumn 2025

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
		• Local improvements to freight and bus speeds on key routes	• However, those on low incomes are less likely to drive, and more likely to use the bus / other PT, so as a group would benefit. • Some impact on PHV trade, which has a high level of racial and ethnic diversity • Distance based element provides additional level of fairness, as road users pay in proportion to the distance travelled	*average central London charge of £10.68 (with a £15 daily cap).*	reliability necessary to generate customer confidence • Introduction of a Distance-based charge in the central zone will suppress the existing income forecast for the congestion charge. This has been reflected in the estimated income • MTS revision may be required	
5	**Expand ULEZ for vans to outer London**	• Small decrease in van traffic • Reduction in the number of the most polluting vehicles will reductions in emissions • Increased cost of driving for businesses	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Additional cost of driving may particularly impact those on low incomes • However, those on low incomes are less likely to drive, and more likely to use the bus / other PT, so as a group would benefit.	Income p.a. £5m • Income will fall in line with improved compliance (91 per cent by March-26 Implementation cost £195m	• High implementation costs and long implementation time if additional / dedicated camera enforcement is required • Low level of difficulty if current level of enforcement on LEZ is accepted • MTS revision may be required	Autumn 2023

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest 'go live' date
6	London-wide ULEZ	• Small decrease in traffic • Improved air quality and lower emissions due to reduction most polluting vehicles • Small shift to sustainable travel • Local improvements to freight and bus speeds on key routes	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Additional cost of driving may particularly impact those on low incomes and those less likely or able to switch modes • However, those on low incomes are less likely to drive, and more likely to use the bus / other PT, so as a group would benefit.	Income p.a. £300m • Income will fall in line with improved compliance (97 per cent by March-26) Implementation cost £260m	• Medium level of complexity as option requires a new charging scheme to be set up separate to existing schemes. and will need additional camera infrastructure for in-zone area in the outer London area as well as signage • MTS revision may be required	October 2023
7	London-wide carbon charge	• Ca. 3 per cent decrease in London wide car trips • Associated reductions in emissions • Increased uptake of sustainable travel • Marginal increased costs of driving for businesses • Would include discounts for electric vehicles and residents • Local improvements to freight and bus speeds on key routes • This would be most effective as a bolt on (for this reason, lower PCN levels have been assumed)	• Older and younger people and BAME groups are likely to disproportionately benefit from lower levels of emissions. • Additional cost of driving may particularly impact those on low incomes and those less likely or able to switch modes • However, those on low incomes are less likely to drive, and more likely to	Income p.a. £550m Implementation cost £325m	• New scheme and would require significant new camera and signage infrastructure • Significant increase in vehicle/ANPR images captured and related processes to identify qualifying vehicles, driving both implementation and operational costs • MTS revision may be required	Spring 2024

Ref	Option	OUTCOMES		FINANCE	FEASIBLITY	
		Major MTS / economic outcome and impact	Equality impacts	Costs and income	Key risk and issues	Earliest ‘go live’ date
			use the bus / other PT, so as a group would benefit.			

4. Recommendations

The analysis and assessment set out as part of the appraisal process described in Section 3 has enabled TfL to significantly narrow down the options that merit further development work.

This section presents three overarching recommendations, which each have options for further exploration. These recommendations focus on the options from the assessment that meet the criteria. With the exception of changes to the fares system, many of the options presented here require specific action or commitment from Government to enable implementation.

Optimising the fares system with a focus on consistency

Passenger income is already TfL's predominant source of revenue and is set to grow further with a fare rise of RPI+1 per cent planned in January 2022. The FSP also contained a planning assumption RPI+1 in each subsequent year up to 2024/25. Further increases beyond this level are not recommended due to the risks this creates to economic recovery and keeping the network accessible to all users – particularly for services.

However, fares and ticketing is a system which can always be improved on, especially to bring about greater consistency. The following options are recommended for further consideration:

Restrict 60+ concession for use only after 09:00

This restriction is already in place temporarily and could be made permanent subject to full impact assessment and a decision by the Mayor supported by appropriate justification. The restriction of the concession will increase the barrier to travel at the relevant times for persons over 60 who are not eligible for a Freedom Pass. However, as the restriction is only in the morning peak, it would predominantly impact people still in employment – noting that 60 to 65 year olds will still have access to other concessions available to working age adults in receipt of various benefits, such as Jobseeker's Allowance, to mitigate the effect of withdrawing the pass on those with lower incomes.

Changes to zoning / pricing

TfL's zoning system is easily understandable by customers; however, its simplicity means it does not perfectly reflect the shape of the network. Some changes can be made to this:

- Stratford and associated stations reverting from the boundary Zones 2/3 to Zone 3 (income £10m - £15m p.a.), to reflect changes in London geography and Stratford's continued growth as a travel hub. This change would make similar distances travelled cost the same.
- Applying an all-day peak fare for LU journeys between Zone 1 and Heathrow (income £10m p.a.), to reflect that demand to Heathrow do not conform to the usual peak periods

Charge £7 for Oyster card

TfL currently charges £5 for an Oyster card, increasing this would raise £5m a year. The charge has not been revised since 2009. The main purpose is cost recovery, and this could also provide an incentive for customers to retain and use the card, however currently c.80 per cent of cards are used for less than a week. Contactless payment offers a viable alternative in these cases. For nearly all of them, contactless is an alternative.

The deposit is designed to cover the difference between the entry threshold (the minimum balance on the card that allows you to start a journey) and the maximum fare (around £8 in most cases) to cover TfL for customers going into negative balance. However, fare changes since 2009 means there is now a significant gap.

Withdrawing from the Travelcard Agreement

Travelcards are a range of tickets which are valid for use on National Rail services in London, as well as TfL services. Travelcard users are now a minority as customers gain many of the same benefits from other ticket types due to the introduction of Contactless and Oyster Pay As You Go. With the offer of daily and weekly capping, these products offer more flexibility to most customers. Moving customers to PAYG and retiring all magnetic tickets will simplify retailing, while reducing costs (by c.£20m p.a.) mainly due to a reduction in commission payments. Income would also increase by c.£35m p.a., due to a reduction in fraud associated with magnetic tickets and the end of special discounts for annual tickets.

The Travelcard Agreement allows TfL to withdraw with 13 months' notice.

Incremental options on taxation

Council tax

The 2021 Mayor's budget included an average of £15 extra on council tax that supported funding TfL; specifically contributing to the cost of free travel for those under 18 and those between 60 and the current Freedom Pass eligibility (66 as of today). This is expected to raise around £43m in 2021/22; this could be repeated in subsequent years provided it:

- Aligned to clear mayoral policy aims (as it did in 2021)
- Was a reasonable increase that was manageable by households

If, for example, this was repeated in the 2022 and 2023 Budgets then in 2023/24 the cumulative additional funding would be around £130m over the 2020 levels. However, it has to be recognised that council tax is a regressive tax that particularly impacts those on low incomes. It has increased significantly in recent years to fund police and social care; as such any significant increase or series of increases may not be politically acceptable without being delivered as part of wider reforms and devolution of the council tax system in London, which would require legislation.

Online delivery tax

This is a policy-consistent option that builds on the Government's Digital Services Tax and with the Treasury's review of an Online Sales Tax. Here a small levy (we have modelled 1.5 per cent) would be added to deliveries to London addresses (this could be avoided by collecting from a store). This responds to the congestion and emissions impact of many small deliveries being made to individual houses, while encouraging collection points and providing a competitive benefit to physical premises. It requires new legislation to enact and could be a useful opportunity for HMT to trial a tax in this area, providing funding to local authorities.

Vehicle Excise Duty

We recognise opposition to the devolution of VED funding, but we do need to find a practical solution to the fact that Londoners pay VED like any other citizen in the country, but almost none of this funding is provided to London while we are being asked to raise further income to fund the maintenance of major roads. There are alternatives to simply devolving VED; an equal quantum of business rates (currently held by MHCLG) could be transferred to the GLA or mechanisms with National Highways (formally Highways England) could be explored. The proposal requires legislation.

Changing the way we charge for road use

If the required level of new income cannot be raised through relatively minor adjustments to public transport fares and taxation, increased charges for road use could have a role to play. Road user charging has formed part of TfL's income since 2003. Future schemes, developed to deliver policy outcomes (e.g. policies for managing traffic demand, reducing congestion or traffic pollution), could also provide new revenue streams to invest in transport in London.

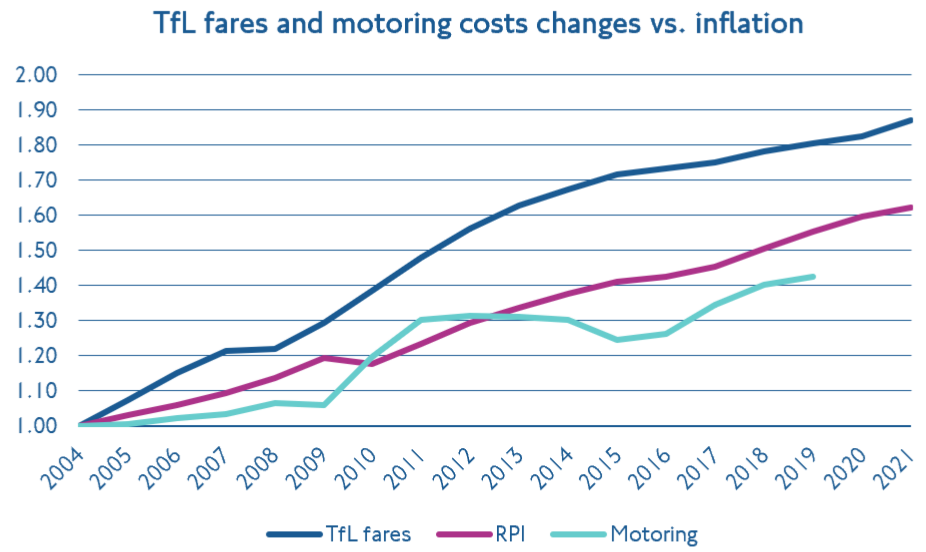
Traffic levels in London are increasingly impeding our ability to deliver the Mayor's Transport Strategy. We are seeking to deliver more efficient use of street space including new and better infrastructure for walking and cycling; safer and cleaner roads during simultaneous climate and public health (air quality) crises, and a public transport network which is fit for the 21st century; all underpinned by sustainable economic growth which benefits the UK more widely. Traffic reduction is the key to unlocking these benefits. Road user charging is one of the most effective ways of achieving meaningful traffic reduction, as well as generating vital income.

Mode shift and traffic reduction ambitions align well with the DfT's Decarbonisation Plan and its goal for a zero carbon transport network by 2050. Transport is responsible for a quarter of London's carbon emissions and private vehicles (including taxis and private hire vehicles) are the primary source of these at around 60% of this[1]. Roads options encourage behaviour change away from private car use and thereby deliver associated reductions in emissions.

The per km cost of travelling by motor vehicle has been decreasing and is already significantly lower than public transport cost in London, as shown in Figure 9. A significant increase in fares is likely to shift more people to using cars and onto an already congested road network as that becomes a relatively cheaper option. This also has the effect of making active travel less attractive, compounding the shift away from sustainable modes. Conversely an increase in road user costs is likely to shift more people to using sustainable modes of transport.

[1] London Atmospheric Emission Inventory (https://data.london.gov.uk/dataset/london-atmospheric-emissions-inventory--laei--2016)

Figure 3: TfL fares and motoring costs changes vs. inflation



London's economy is heavily dependent on accessibility, starting with its location as the major trading centre for the UK. London is a densely populated city, which has witnessed significant growth in recent decades and the population is expected to continue to grow. A shift away from private car use onto public transport must continue, not only for environmental reasons, but also to be able to accommodate demand for travel within a finite amount of road space.

There are some viable options following our initial analysis, which are described below, each of which is subject to applicable statutory procedures, impact assessment and the outcome of public/ stakeholder consultation before any could be implemented. They are recommended for further investigation and discussion with Government. Variants and combinations of these options are also possible.

The MTS may require formal revision in accordance with statutory procedures before any new or varied RUC or WPL schemes can be implemented.

Many of the options outlined below require Government support to progress. For TfL to raise income in the order of magnitude outlined and within the timeframes specified by Government, the Government would need to agree to take no action that would frustrate the successful implementation of the options.

In the absence of explicit Government support for such a charge, it is recommended that ministerial/mayoral discussion takes place to determine whether further work on a full implementation plan should be undertaken.

Changes to the Central London Congestion Charge

To address the transport challenges arising from the COVID-19 pandemic, a package of temporary changes to the Congestion Charge came into effect on 22 June 2020. The temporary changes were introduced following a funding package being agreed with the Department for Transport, with one aspect being to urgently bring forward proposals to widen the scope and levels of road user charging schemes.

On 28 July we launched a consultation on proposals for making permanent changes to the Congestion Charge. The new proposals are part of the commitment by the Mayor and TfL to reduce traffic and congestion in central London. This would improve London's air quality and encourage more journeys to be made by walking, cycling or public transport. Subject to the outcome of the consultation, if implemented, the new proposals could raise a net income of £70m a year.

Greater London Boundary Charge

Traffic coming into London from outside the city has continued to increase, representing a significant risk to progress against national and regional outcomes, as well as contributing to traffic, congestion and emissions challenges in London. Cordon count data shows that since 2000 the number of motor vehicles crossing the strategic central and inner London cordons has fallen but this is not the case at the London boundary where traffic crossing the cordon has increased by more than five per cent between 2010 and 2019. At the same time, car trips and cross-boundary trips made by Londoners have been declining. Every weekday 1.3 million vehicle trips are made from outside London into the capital.

A £3.50 London Boundary Charge for non-Londoners with £2 emissions surcharge for non-residents could raise up to £700m a year. A feasibility study will be completed in Autumn 2021 and further consideration needs to be given to the proper legal basis for such a proposal.

London-wide Ultra Low Emission Zone (ULEZ)

Building on the success of the central London ULEZ and its imminent roll out to inner London in October, expanding the ULEZ to the whole of London could benefit the environment and improve the health of all Londoners. As compliance with the standards increases over time the income generated would diminish, but the air quality and public health benefits would remain. If public transport demand is slow to return then this option provides an upfront revenue source until compliance plateaus. The capital spent on upgrading and expanding infrastructure could continue to be of value for potential future schemes, or opportunities to integrate charges. This could raise net income of around £300m a year.

London-wide Carbon Charge

A £3 daily charge applied to the whole of London with the objective of incentivising mode shift to reduce carbon emissions from road transport. Discounts and exemptions, including, for example, for residents and electric vehicles, would need to be considered in the development of such a scheme. High level impacts below include an indicative 90 per cent residents' discount

Times and days of operation could be developed to complement other schemes in place at the time. For example, a Carbon Charge in operation alongside a ULEZ could mirror those charging hours. For the purposes of this assessment, we have assumed charging hours aligned to proposed Greater London Boundary Charge hours.

London-wide Workplace Parking Levy

A Workplace Parking Levy (WPL) is a charge on employers and education organisations for the number of parking places they provide that are regularly used by employees, students or others (but not customers). A similar scheme is already in place in Nottingham. A WPL reduces traffic by creating a disincentive to driving from the increased cost of car use and potential longer term parking reduction at workplaces as well as through the public transport and active travel improvements it funds. A London-wide levy set at £500 per space could raise a net income of £100m a year, while a higher charge of £1,200 a space could raise £300m a year.

Inner and central London distance-based charge (hybrid)

The Mayor's Transport Strategy includes a proposal to investigate next generation road user charging schemes, linked to technology that could better reflect distance, time, emissions, road danger and other factors in an integrated way. TfL has initially investigated a combination of an area-based charge with a distance-based opt-in. TfL could potentially develop the technology and trial its use for further roll-out in the rest of the UK.

London could be a pilot for such a scheme; roll-out in the rest of the UK could mitigate the significant loss of fuel duty income expected in the future – effectively replacing the charge users pay through fuel duty with a distance-based charge. This avoids users being taxed twice and would give people time to adopt electric vehicles.

Distance-based charging to manage congestion could generate significant income for London but implementation is complex and could not be delivered until at least 2025. As such, other options as outlined above would need to be progressed to meet the 2023 target.

Progressing these options through further work and discussions

The review has allowed us to reduce a long list of options to several deliverable, credible themes and packages of options. The next steps depend on further modelling, cooperation between central and local Government and considering what service and capital options need to go alongside these options to make them coherent. Additionally:

- To progress this review within the time allocated we have not, for example, completed the detailed transport modelling needed to understand the complementary measures and mitigations for each road user charging option. This is a key next step for any preferred options following discussions with Government.
- The new income workstream has significant interdependencies with other workstreams, notably the service levels and capital investment review. For example, the introduction of any additional road user charges would be designed to reduce congestion and encourage people to walk, cycle and use public transport. If such a charge is not accompanied with the appropriate investment in public transport, or if service levels are significantly reduced, then the policy benefits, including the economic impact of the charge will be undermined.

Having recommended clear avenues for progress, all parties (central Government, GLA and TfL) can work collaboratively to identify the best way forward on the highlighted options to ensure that the Mayor's Transport Strategy outcomes of any scheme are protected while also maximising London's contribution to the relevant national priorities we share.

In order to meet an autumn 2023 delivery date for any of the roads options, we need to arrive at a decision on options with a degree of urgency. For example, for many of the options we expect a statutory public consultation would need to take place in May 2022. In order to develop proposals for consultation including scheme design and full integrated impact assessments, work would need to commence this Autumn. Direct engagement and consultation with stakeholders could happen before statutory public consultation.

Implementation plans

Implementation plans can be broken down into four stages:

- Policy development and impact assessment
- Consultation and engagement
- Finalising consultation and approvals
- Design, procurement and delivery

Many of these features are common between different options. For example, all roads options have very similar activity in the first three stages; only the design, procurement and delivery stages are substantially variable on the specific option. The same applies for fare options. Taxation options are less common, although in some cases (such as transfer of London's share of VED) are very straightforward subject to the necessary legislation being passed.

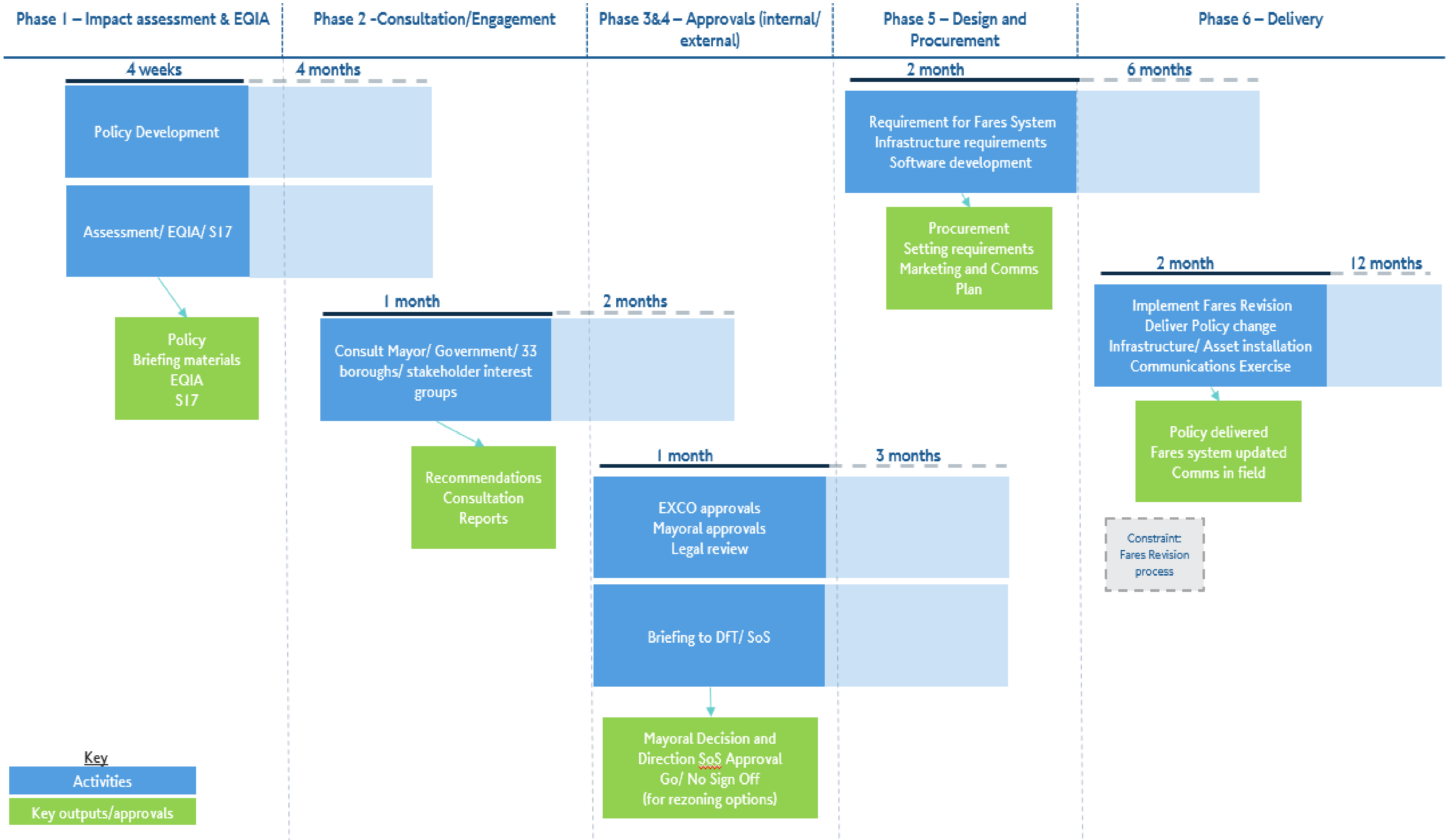
To support this, we have presented common implementation plans for each of the three categories of options (fares, roads, taxation), and then noted where scheme specifics would affect these general plans.

How we implement these options is also dependant on how discussions evolve with Government – the design and delivery stage is particularly dependent on this, including where legislation is required. There is great value in us working collaboratively on this; we share the same need to decarbonise transport (as the Transport Decarbonisation Plan notes we need to "use our cars differently and less often"), create a more stable funding stream for TfL and support London's recovery. As we progress these discussions, we can fill in some of the specific activity under the delivery stage.

This collaborative approach, alongside the requirements set out in the implementation plans, means for many of these options it will not be possible to have make a decision by 12th November – the deadline set out in the funding agreement.

For each category we have considered an illustrated plan which highlights dependencies and overlap, followed by a more comprehensive table which outlines key activities, outputs and key variations, where known.

Fares options high-level implementation plan (note: fares changes are not normally consulted publicly)



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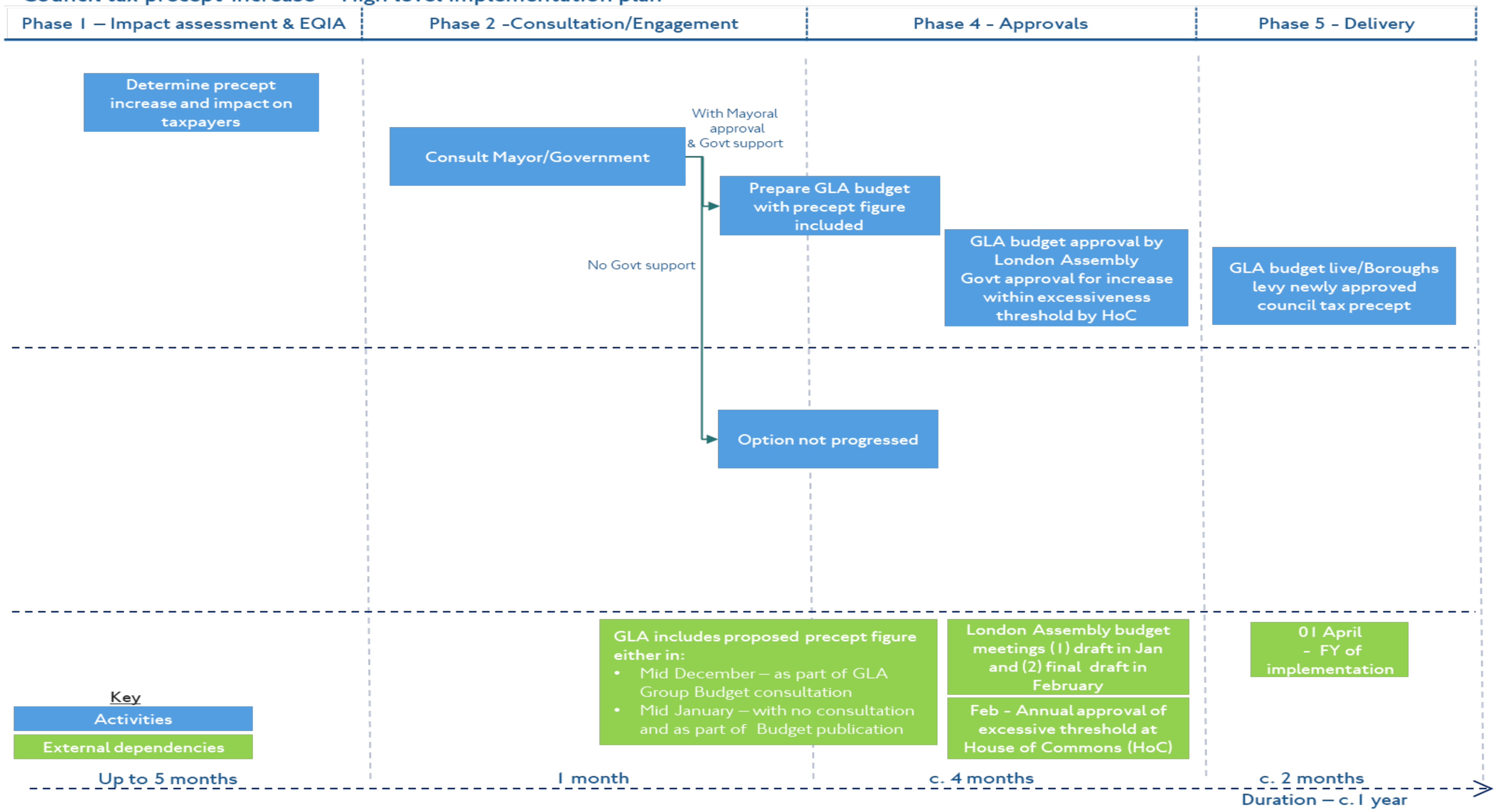
Fares option – High-level implementation plan

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)
Impact assessment & EQIA	• Identify objectives • Carry out feasibility study • Impact assessment • EQIA • SI7 Crime and Social Disorder Act assessment • Data Protection Impact Assessment • Preparation of consultation materials • Legal review • Internal and City Hall review and sign off materials	• Feasibility report • Briefing materials on option • EQIA • DPIA • SI7	4 weeks – 4 months
Consultation/Engagement	• Develop stakeholder engagement plan – internal/external • Carry out internal and external engagement • Identify actions	• Stakeholder engagement plan • Consultation report • Key recommendations	1 – 2 months
Internal Approvals	• Engage with TfL Executive Committee • Engage with City Hall • Report to Mayor • Mayoral Decision Form • Legal review • Materials signed off by TfL EXCO • MD submitted to Mayor	• EXCO Paper • Report to Mayor • Mayoral Decision Form • Go/No go decision	1 – 3 months
External Approvals (applicable to certain options)	• Engage with DfT/ SoS • Briefing to DfT/ SoS	• Approval letter/ SoS decision (would be required for rezoning options) • Go/ No go decision Final Sign-off	1 -3 months

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)
Design and Procurement	• Marketing activity • Software development • Fares System changes	• Design/procurement process • Functional requirements • Messaging and collateral • Agreed delivery date • Marketing and Communications plan	2 -6 months
Delivery	• Deliver Policy change option • Implement Fares Revision • Staff Comms • Infrastructure changes/ renewals • Communications Exercise	• Implementation of option • Marketing/ Communications activity • Staff Communications • Implementation and asset installation • Software deployment	3 – 12 months

Taxation options

Council tax precept increase – High level implementation plan



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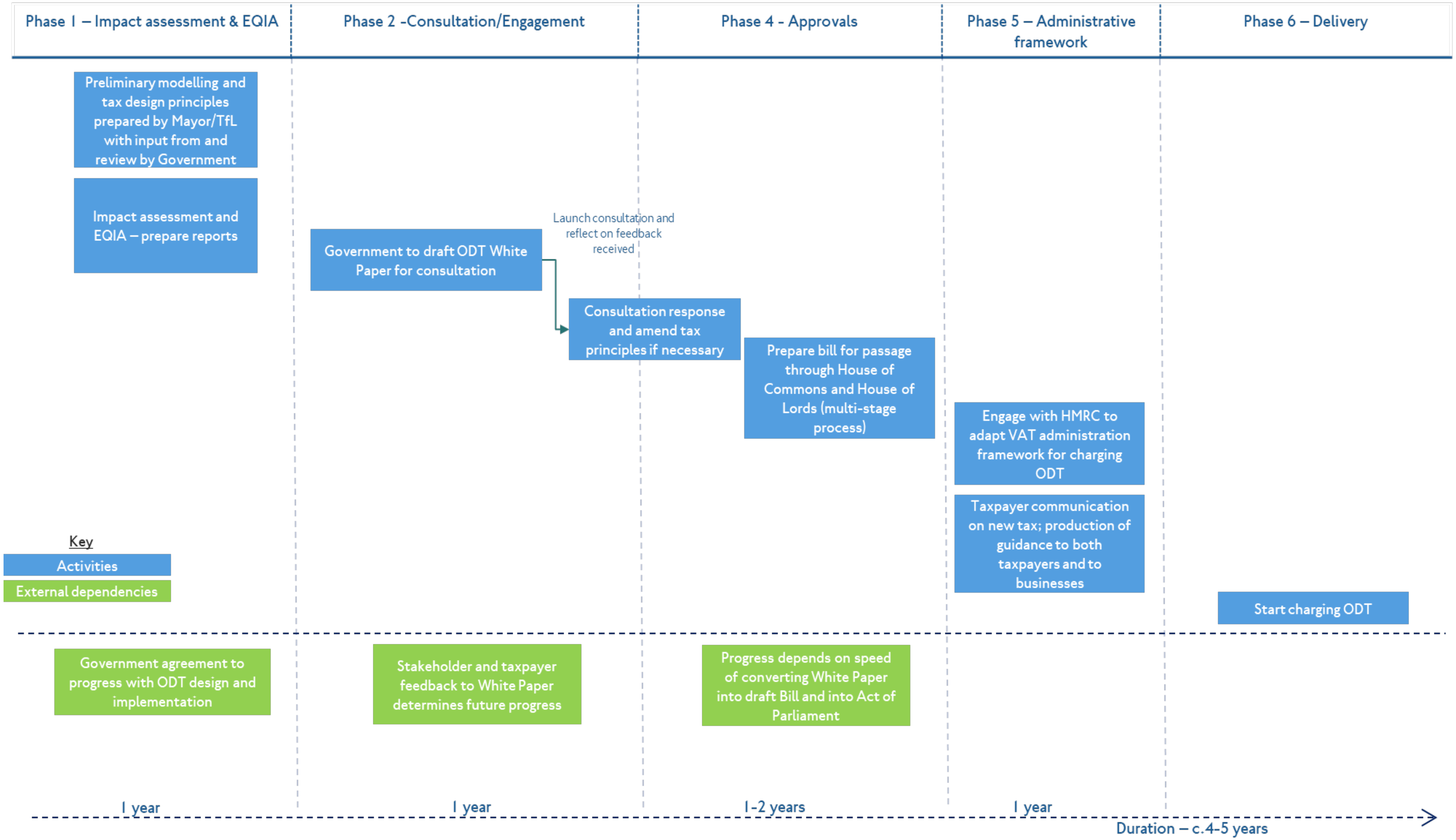
Online Delivery Tax – High level implementation plan



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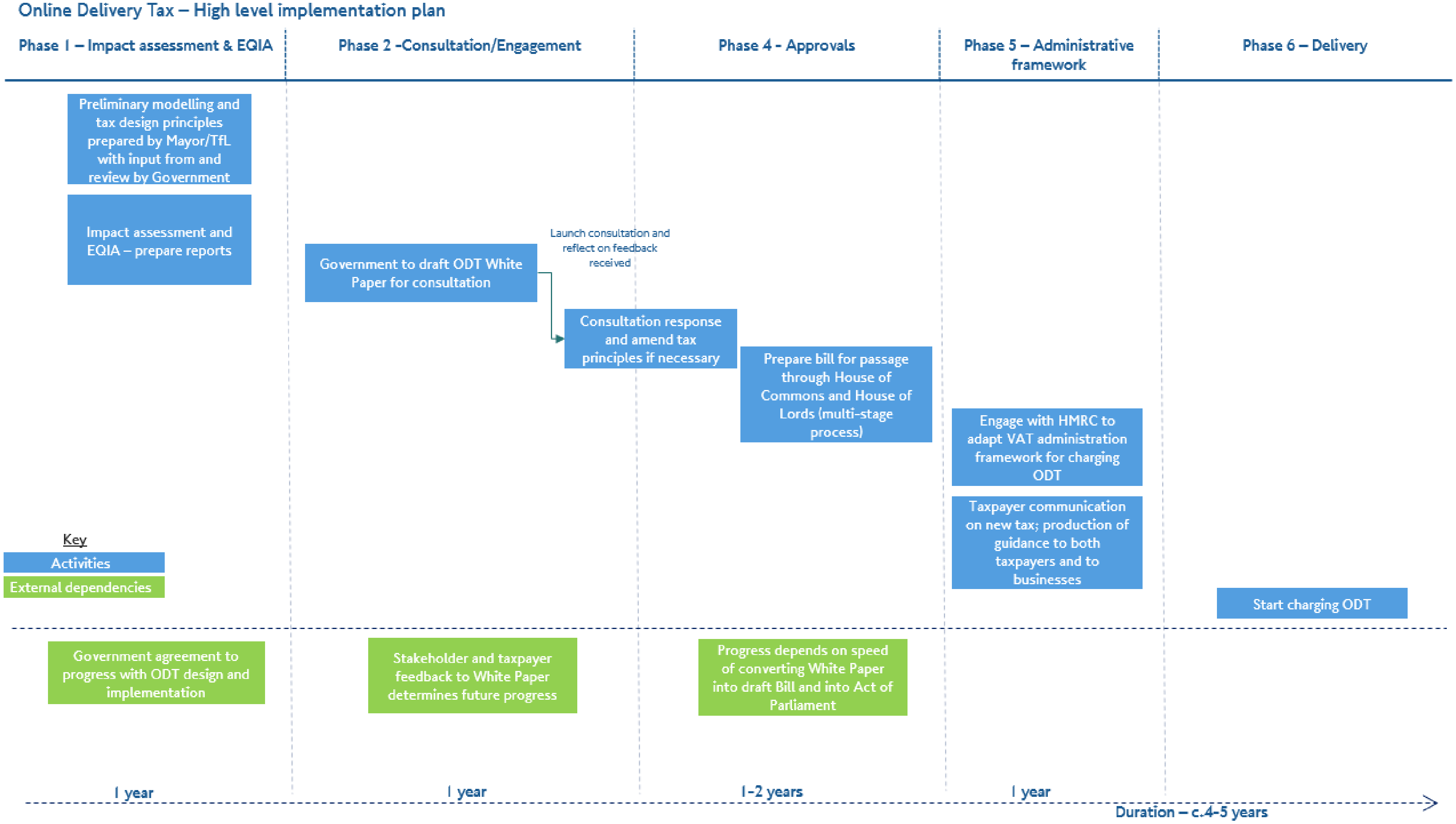
Council tax precept increase – High level implementation plan

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)	Comments
Impact assessment & EQIA	• Model precept charges for each council tax band that would be required to raise target funding sum • Incorporate into Mayor's budget guidance to component bodies for budget preparation purposes for the FY it is to apply • Prepare full impact assessment report • Prepare EQIA	• Reports on proposed increase in council tax precept levels and impact on taxpayers	• Up to 1 year for all stages	
Consultation/Engagement	• Consult with the Mayor on acceptability of the increase in light of impact assessment • Consult with Government on excessiveness thresholds that accommodate the proposals. • Determine if Government will be prepared to allow proposed increase within the council tax excessiveness thresholds for the new financial year. Include precept figure in GLA budget	• Decision from the Mayor on precept increase acceptability	• Up to 1 year for all stages • If precept increase is covered by the excessiveness principles, engagement with the Mayor and the Government needs to be completed by the time the first Assembly draft budget meeting is held (mid-to	

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)	Comments
			end January) if precept is to be introduced from start of FY in April. (House of Commons usually approves MHCLG's council tax excessiveness principles each year in February and GLA Group draft budget needs to be compliant with these)	
Approvals	• Seek formal approval through Sch 6 GLA Act Assembly budget approval process • Seek formal approval within CT excessiveness thresholds	• House of Commons approval of excessiveness thresholds for the GLA	• Up to 1 year for all stages	
Design and Procurement	• n/a	• n/a	• n/a	
Delivery	• Mayor to instruct collecting authorities to levy newly approved council tax precept	• Instruction issued to collecting authorities	• Instruct by start of new financial year with view to charge from April	

Online delivery tax – High level implementation plan



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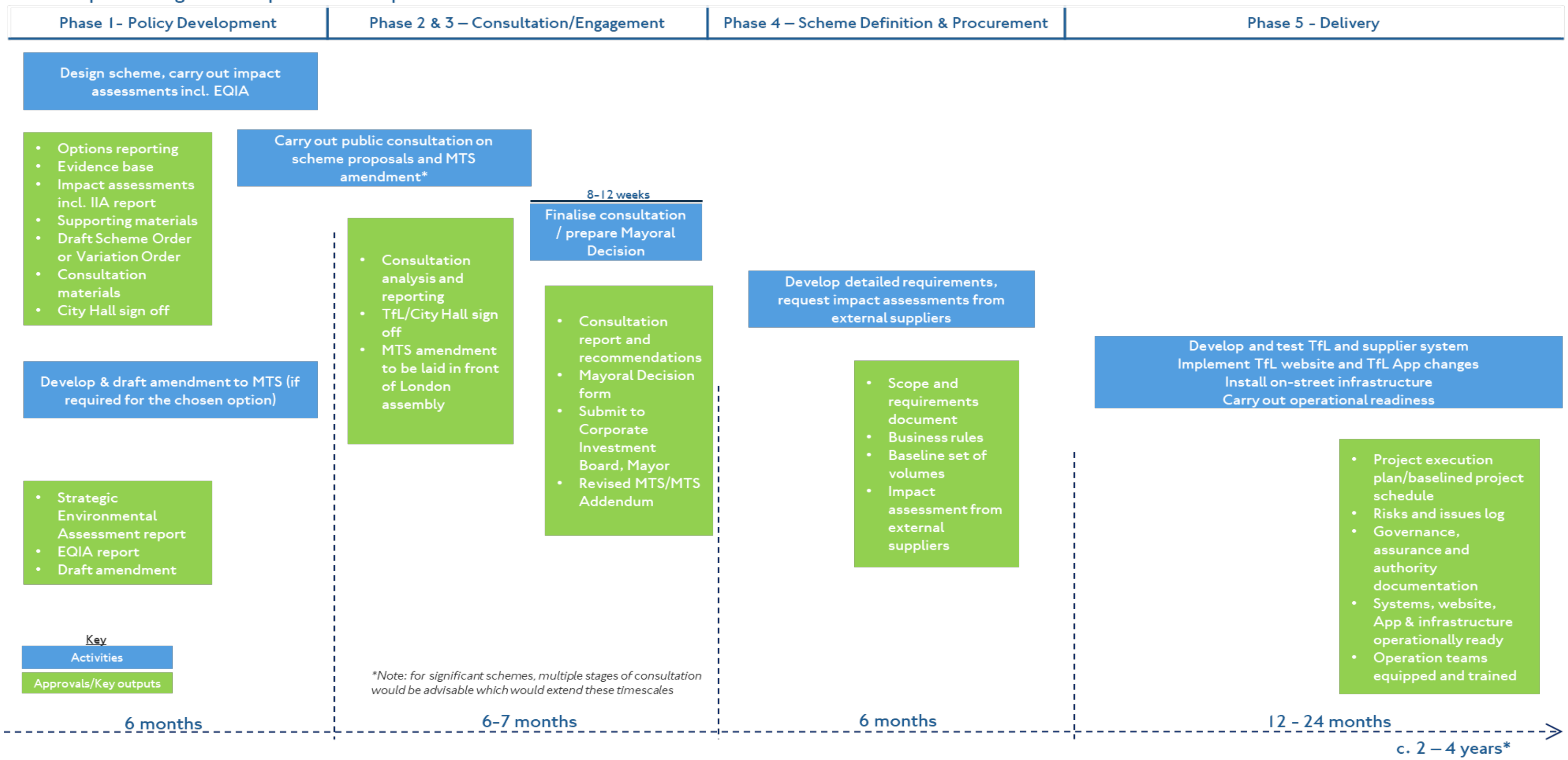
Approach assumes Government passes legislation enabling the Mayor of London to levy the ODT charge within Greater London)

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)	Comments
Impact assessment & EQIA	• Preliminary modelling and tax design principles prepared by Mayor/TfL with input from and review by Government • Carry out impact assessment and EQIA	• Report into tax principles and indication of next steps in tax design and implementation • Government agreement to progress tax implementation	c.1 year	
Consultation/Engagement	• Government to draft a White Paper with ODT proposals for consultation and discussion with interested or affected groups • Launch consultation (can invite written responses only or also allow for oral sessions)	• White Paper • Consultation • Consultation response • Any amendments to tax design on the back of feedback received	c. 1 year	
Approvals	• Prepare bill for passage through House of Commons and House of Lords (multi-stage process)	• Draft bill turned into Act of Parliament	c. 1-2 years	
Design and Procurement	• Engage with HMRC to adapt VAT administration framework for charging ODT • Communicate introduction of new tax with taxpayers and prepare clear guidance to both taxpayers and to businesses who will collect and pass on the tax to HMRC	• Necessary adjustments to VAT collection system made to accommodate ODT • New tax publicity documents and communication with public goes 'live'	c. 1 year	
Delivery	• Start charging ODT	• Charge applies to purchases made online	N/A	

Phase (per high-level assessment)	Key activities	Output(s)	Expected duration (per high-level assessment)	Comments
		and delivered to a London address		

Roads options

Roads option – High level implementation plan



* The full process could take between two and four years, depending on the complexity of the scheme and how much feasibility work has been done to date.

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Roads option – key activities and outputs of each stage

Phase	Key activities	Output(s)	Expected duration	Comments
Policy development and Impact assessment	• Identify objectives / case for scheme • Optioneering • Scheme design / development (including area, days, hours, charge level, discounts and exemptions, complementary measures etc) • Identify if MTS revision required • Integrated Impact Assessment (IIA)including Strategic Environmental Assessment & Equalities Impact Assessment) informed by data analysis and stakeholder workshops etc. This would include a Data Protection Impact Assessment (DPIA) • Preparation of consultation materials (MTS revision/ detailed Scheme proposal) • Legal review • 10 year revenue plan • Draft Scheme Order or Variation Order • Volume desktop exercise • Internal and City Hall review and sign off materials	• Evidence base • Options reporting • Briefing materials on scheme design • IIA report including DPIA • Consultation document including detailed scheme proposals together with IIA report etc • Scheme Order or Variation Order • Strategic Environmental Assessment of MTS change • Deposited Plans and Maps • **Legal** • Draft Scheme Order or Variation Order • 10 year revenue plan Potential deliverability • Costs • Risk log • Potential timeline / activities	Approximately 6 months (Inner CC and GLBC are better understood already and could potentially be done more quickly. London-wide and distance-based schemes would require more development work).	A distance-based scheme which would **replace** existing schemes would require significant additional work. A distance-based scheme as an option alongside area based schemes could be developed more quickly and would allow for better management of risks around public acceptability and customer offer. London-wide schemes would need to carefully consider volume of charge payers, design of scheme and discounts and exemptions and scale of enforcement /

Phase	Key activities	Output(s)	Expected duration	Comments
				contravention rates. The majority of (or possibly all) options would require an update to the MTS. This can run in parallel to scheme consultation.
Consultation / Engagement	<u>Scheme</u> • Consultation web portal • Design consultation questionnaire • 10-12 week public consultation • Marketing campaign • Stakeholder engagement throughout consultation period • Consultation report • Legal review • TfL and City Hall review and sign off <u>MTS revision</u> • Statutory consultees for scope of Strategic Environmental Assessment • Public consultation • Must be laid in front of London Assembly (who may reject)	• Web landing page • Summary of proposals • FAQs • Supplementary Information • IIA • Easy Read and sign language versions • Press ad, leaflets, radio scripts • Stakeholder engagement plan • Consultation report including responses to issues raised • Legal Gazette notice • MTS consultation materials	Around 6 months. It will involve a full statutory consultation process from preparation to reporting and decision.	For more significant schemes, multiple stages of consultation may be advisable.
Finalising consultation and approvals	• Draft Report to Mayor • Draft Mayoral Decision Form • Legal review • Materials signed off by TfL	• Report to Mayor • Mayoral Decision Form • Revised MTS / MTS addendum	8-12 weeks public consultation (included in the 6 month timescale above).	Scheme design will have some impact on volume and

Phase	Key activities	Output(s)	Expected duration	Comments
	• MD submitted to Corporate Investment Board • MD submitted to Mayor			complexity of responses, which is why there is a range.
Design and procurement	• Review scope and develop detailed requirements • Full volume exercise which will inform the scaling of the project and the procurement • Raise Change Requests to external suppliers (where appropriate) to produce Impact Assessments outlining effort expected, costs, timeline and key issues and risks	• Scope and requirements document • Business rules • Baseline set of volumes • Impact Assessments returned from external suppliers	Up to 6 months Scope of works, deliverables and interfaces need to be defined for each supplier, suppliers have contractual timetables to respond to change requests. Contractual dates and prices can take some time to agree	The detailed scope of work for a potential area charge is dependent on scheme design variables being known such as days, hours, discounts and exemptions, scheme volumes etc. Risk that both scope and requirements may need to be baselined ahead of consultation to support delivery timelines. Changes to one or both of these impacts on delivery and costs. It is important volumes are

Phase	Key activities	Output(s)	Expected duration	Comments
				baselined as they will impact on suppliers' ability to accurately forecast change specification, effort and costs as this will impact on their scope and deliverables. Existing RUC suppliers contracted until 2026. No procurement required within this period. The work place levy will however require a new procurement as no existing supplier is in place to deliver this option. Distance-based options require further design review and significant analysis.

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Phase	Key activities	Output(s)	Expected duration	Comments
Delivery	Key Delivery Activities: • Manage and develop schedule, cost and risk management • Manage project governance and authorities • System Development • System Testing (both TfL and Capita) • TfL Website content update / changes • TfL App content update / changes • Operational readiness – recruitment, training • On Street – signage and camera installations • Potential scheme may require in-station capacity to be increased depending on volumes	Delivery Outputs: • Project Execution Plan • Baselined Project Schedule • Project Costs • Risks and Issue Log • Governance, assurance and authority documentation • Upgraded, extended and scaled back office systems • Operational teams expanded, equipped and trained to operate the new scheme • Updated TfL Website and App • Signage and cameras installed on site	From 12-24 months depending on the complexity of the option. This is based on the need to commence delivery and work and commit sizeable spend at risk. For Distance-based options, implementation timelines are circa. 18-30 months (again commence and spend at risk as above). Delivery of a Distance-based solution can only be commenced in parallel with the internal delivery of BOPs system and requires a TfL BOPs system to be operational sometime prior to DB launch. Therefore, launch of a Distance-based solution is likely to be 2025 at the earliest Project outputs are produced ahead of any implementation of which most are change controlled throughout delivery and can take up to 4 months	The delivery model would be to use TfL's currently contracted Road User Charging system suppliers and operator, implementing appropriate changes to camera systems, business and enforcement operations systems and operational resourcing. The potential volumes of relevant vehicle movements, charges, enforcement effort and customer interaction associated with the GLBC are very large in relation to TfL's existing schemes. Where scheme volumes are high,

Phase	Key activities	Output(s)	Expected duration	Comments
				it drives significant impacts on both the required back office system capacities and the associated capital costs of scaling up the resources needed to operate the scheme. New area charges will require new signage. In some instances, existing camera infrastructure can be utilised. However, for schemes such as GLBC – new cameras would be required. For distance-based options, additional cameras required to support existing infrastructure. Potential discounts can drive cost and

Phase	Key activities	Output(s)	Expected duration	Comments
				add time. Introducing a residents' discount for a large group for example would likely require automation development but in any case would need to commence early, potentially at risk and well in advance of any scheme go live. Delivery for majority of options, with exception of both distance-based options, are for autumn 2023. This is dependent on some delivery activities commencing at risk substantially ahead of a formal decision to proceed in September 2022. Earlier delivery not possible in absence of

Phase	Key activities	Output(s)	Expected duration	Comments
				confirmed policy decisions. A mandatory distance-based scheme, which would replace existing schemes, would require significant additional work and a longer lead time for delivery and is dependent on TfL's internal BOPs system being in place. An opt-in distance-based solution alongside an existing area charge can be delivered in a shorter lead time. Both distance-based solutions dependent on the success of a technical solution that can accurately track vehicles.

Appendix: assessments

This appendix is contained within a separate document on the TfL website.