Mr Tom Bousfield
Head of Local and International Transport
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

17 March 2021

Dear Mr Bousfield,

Re: The risk of public transport service cuts inducing a cycle of decline

London is an engine of economic activity, a substantial net contributor to the Treasury, and utterly reliant on public transport. One of the quickest ways to constrain the social and economic recovery from the pandemic is to make it more difficult for people to return to the people and activities that they have missed. This threat is particularly acute in the capital which accounts for nearly a quarter of national GVA and 17% of all UK jobs, whilst being twice as reliant on public transport as the rest of the country.

Following our recent meeting regarding the future funding of transport in London, we write to you alongside other representatives of businesses, passengers, and workers with two key concerns. The first is that, with the passing this week of TfL's last scheduled Board meeting before the current funding deal expires, the negotiations regarding short-term funding are once again going down to the wire. This needs to be resolved before the time the stay-at-home rule ends on 29 March.

The second is the persistent rumour that some within government favour significant cuts to services in order to patch up a funding model that has been fundamentally broken by the pandemic. We believe this would be short-sighted, hold back the recovery, and could ultimately prevent the UK from hitting our net zero targets by inducing a cycle of decline on our public transport network. The risk is particularly acute when it comes to 'turn up and go' metro services due to passenger expectations. The choices we make as we reopen the economy will affect passenger behaviour, and those choices will be the basis of new long-term habits. The recovery of public transport ridership is highly unpredictable but every effort should be made to ensure that it is not artificially suppressed due to insufficient service levels.

A deal that requires significant cuts to services would be unlikely to yield significant savings. This is due to the **high fixed costs**, particularly on the Underground services in inner London. Estimates from US metro systems suggest that a 4% reduction in services would at best yield a 1% reduction in operating costs. These are the services that facilitate some of the highest value economic activity in the UK – London's Central Activity Zone accounts for nearly 8% of all UK GVA – and some of the businesses hardest hit by the pandemic (retail, tourism, culture, hospitality). So even if there were significant savings to be found, service cuts would risk suppressing the economic recovery where it is most needed.

Turning to wider services and those with lower fixed costs, such as buses, much literature exists on the nature of **ridership-frequency elasticities**. In the short-run and on high-frequency urban services, a 1% increase in service levels is found to increase ridership by 0.17-0.3%. This rises on less frequent services and in some cases has been found to exceed 1%[1]. These impacts also increase over time. Whilst studies have tended to focus on the benefits of expanding public transport services, it is fair to assume that similar numbers will hold in reverse. As such, the damage done to public transport ridership by cutting off-peak and less frequent services would be expected to be most significant.

Layered on top of this are the unknowns of **post-Covid passenger behaviour**. Fundamentally, it is too soon to know when, where, and how people will want to return to public transport. The evidence base for

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[1] https://scholarcommons.usf.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1487&context=jpt

rational service cuts does not yet exist. In addition, research from Transport Focus shows that up to two thirds of those who are not currently using public transport would feel unsafe doing so if they needed to. But those who have taken public transport in the last year are more likely to have a positive opinion with, for example, 88% of current rail users and 84% of current bus users feeling safe (in relation to Covid)[2]. As passengers return it is likely that maintaining this favourability will require a continued ability to socially distance on public transport services, and in order to have space to do so service levels need to be maintained. As we unlock in the coming weeks we need positive messages about the safety of public transport rather than creating uncertainty about whether it will be there when passengers want to return.

These decisions must also be viewed within the context of mode shift targets designed to meet **net zero, air quality, and wider policy objectives**. Before the pandemic, London was aiming to ensure that 80% of journeys were taken by public or active transport by 2041. This is an ambitious target and a critical part of the national decarbonisation and air quality agendas. The congestion that has been seen on London's roads at certain points in the last year demonstrates the very real risk of a car-led recovery. Cuts to public transport service levels will only fuel the temptation to return to private vehicles, increasing congestion and pollution, and further undermining the economic recovery.

Putting all of this together paints a concerning picture. It points to the very real prospect of short-term cost savings inducing a cycle of decline in which today's low passenger numbers are used to justify funding and service level cuts which in turn make services less appealing so fewer people use them and further cuts are made. **This is not a hypothetical risk**. When New York suburbanised in the 1970s, this is what happened. Rather than enabling the public transport that was now required, the private car was relied upon to facilitate these new patterns of mobility. Arguably, the city's public transport has never fully recovered – not just from the service cuts, but from the cuts to renewals across the network which has led to chronic difficulties in maintaining a state of good repair. To allow history to repeat itself on this side of the Atlantic would undermine the immediate economic recovery, the UK's medium-term net zero targets, and our long-term global competitiveness.

Instead, TfL needs a funding model that enables the next stage in the life of London's integrated transport authority. This will enable flexibility and responsiveness to potentially significant shifts in the nature of demand, whilst also driving towards mode share and environmental targets. It is most likely to be delivered by an empowered integrated agency with experience of the local geography and the network, provided they are able to access adequate resources.

Yours sincerely,

Jasmine Whitbread
Chief Executive, London First

Emma Gibson
Director, London TravelWatch

Richard Burge
Chief Executive, London Chamber of Commerce and Industry

Manuel Cortes
General Secretary, TSSA

Sam Gurney
Regional Secretary London, East and South East, TUC

Ros Morgan
Chief Executive, Heart of London Business Alliance

Simon Pitkeathley
Chief Executive, Camden Town Unlimited

Jace Tyrell
CEO, New West End Company

cc: Rt Hon. Rishi Sunak MP, Chancellor of the Exchequer
Rt Hon. Grant Shapps MP, Secretary of State for Transport
Andrew Gilligan, Special Advisor to the Prime Minister

[2]https://transportfocusdatahub.org.uk