
Secretariat memorandum

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Agenda item: 9

CAC017

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Consultation on proposed changes to penalty fares on Transport for London services

1 Purpose of report

- 1.1. To advise members of the current consultation by the Mayor (attached as Appendix A) on amendments to Penalty Fares on Transport for London (TfL) services and to recommend a response.

2 Recommendation

- 2.1. Members are recommended to respond to the Mayor, with the recommendation that the proposal should not proceed until the outcome of the National Rail Penalty Fares review is known, in the interests of consistency and passenger comprehension. However, in the meantime TfL should pursue other identified means of reducing the amount of revenue that is lost to fares evasion. These are set out in paragraph 4.8 below.

3 The proposal

- 3.1. The Mayor is proposing to increase the amount of the Penalty Fare imposed on TfL services from the current £50 (or £25 if paid within 21 days) to £80 (or £40 if paid within 21 days) with effect from 2 January 2012.
- 3.2. The justification for this change is to increase the proportion of revenue recovered from the estimated £63 million a year lost to fare evasion. Of this £2 million is recovered by London Buses of the estimated £39 million that is attributable to the bus network.
- 3.3. The Mayor gives a number of comparisons with other cities which shows that London by comparison does not charge the highest penalty. However, most of these comparisons are with foreign cities, with whom the majority of London travellers would have no knowledge or experience. The most obvious comparator is therefore with the National Rail network within London.
- 3.4. Penalty Fares on the National Rail network are currently subject to a review by the Department for Transport (DfT), and a ministerial announcement has been awaited for some time. This consultation seems therefore to be a bit premature, given that it would be desirable to ensure that there is an alignment between TfL and National Rail practices and procedures.

3.5. TfL's current estimates of fare evasion are set out in the table below, which was given by the Mayor as an answer to a question from Caroline Pidgeon AM (<http://mqt.london.gov.uk/mqt/public/question.do?id=36629>):

Year	London Buses ^[2]		Tube		London Rail ^[1]						TfL Total	
	Revenue Loss (m) ^[6]	Evasion Rate ^[7]	Revenue Loss (m) ^[8]	Evasion Rate	London Overground ^[3]		Docklands Light Railway (DLR) ^[4]		Tramlink ^[5]		Revenue Loss (m)	Evasion Rate ^[9]
2004			£43.6	3.8%								
2005	£30.9	2.4%	£40.1	3.5%							£71.0	2.8%
2006	£37.3	3.2%	£29.1	2.7%							£66.4	3.0%
2007	£38.8	3.5%	£23.9	2.4%	£4.0	9.6%	£1.3	2.1%			£68.0	3.2%
2008	£30.8	2.3%	£20.0	2.0%	£1.5	2.4%	£1.0	1.6%	£0.2	2.2%	£53.5	2.2%
2009	£32.4	1.9%	£22.3	2.2%	£0.7	1.3%	£1.3	1.7%	£0.4	2.1%	£57.1	2.0%
2010	£39.5	2.1%	£19.6	2.4%	£2.5	1.7%	£1.4	1.7%	£0.2	1.1%	£63.2	2.2%

4 Alternative strategies

- 4.1. TfL estimate that an additional £500,000 per year would be generated in Penalty Fares revenue and a further unknown amount as a result of greater compliance.
- 4.2. TfL estimate that on the bus network the removal of articulated buses from service by the end of 2011 will reduce fare evasion on the bus network by £7 million per annum of the £14 million per annum in fares evasion that was attributable to these

^[1] London Rail revenue protection activities are undertaken by the service provider, for example SERCO in the case of the DLR.

^[2] London Buses data of fare evasion has only been collected under the current methodology since 2005.

^[3] TfL took over the London Overground network part way through 2007.

^[4] Figures for DLR prior to 2007 are not available.

^[5] TfL took over the TramLink network part way through 2008.

^[6] Estimated revenue loss is based on the assumption that all evaders would still travel if they had to pay and that they would not choose a cheaper ticket option (such as a season ticket), for this reason actual revenue recovered by reductions in evasion rates may be lower than the estimated revenue loss.

^[7] The evasion rate equates to the estimated % of passengers travelling without a valid ticket for their journey.

^[8] LU report revenue loss net of recoveries including Penalty Fare revenue and maximum fares recovered from unstarted journeys.

^[9] TfL evasion rate calculated from provided figures and passenger journey data. Passenger journey data published in financial years, so this can only be considered an estimate.

routes. An unknown consequence is likely to be the transfer of some journeys from these routes to other bus routes and parallel rail routes (e.g. route 73 passengers to the Victoria Line).

- 4.3. The numbers of revenue protection staff employed on the bus network has reduced by around 10-15% since 2009. The numbers on London Underground have largely remained static. London Rail revenue enforcement is the responsibility of concessionaires of each route
- 4.4. Overall, on the bus network and London Underground there will be approximately 500 revenue protection staff directly employed by TfL in January 2012.
- 4.5. Fare evasion on the bus network largely relates to the use of fraudulently produced paper tickets, stolen Oystercards and Freedom Passes or use of discounted tickets or free fares to which people have no entitlement.
- 4.6. Fare evasion on the rail based modes except Tramlink, which seems to have a very low evasion rate, is largely related to 'opportunity' fraud associated with the ability to access the different systems by ungated stations, especially on the National Rail network, and at the few London Underground stations such as Finsbury Park, which are also ungated.
- 4.7. Both on London Underground and the bus network there has been a tendency to concentrate revenue protection activities in recent years into large scale high visibility operations such as on articulated bus routes. The current proposed strategy, post removal of articulated buses is to move to a more intelligence based approach targeting known 'hot spots' such as areas with high levels of other crime, and also to increase the number of inspections where inspectors operate singly or in pairs.
- 4.8. Whilst the above changes are welcome, taking into consideration our casework appeals, there are a number of areas where TfL, its concessionaires and contractors and the National Rail operators could take further action to ensure that passengers have the ability to purchase tickets or the right ticket before or as they travel. These include:
 - Implementation of the recommendations of our research on 'incomplete Oyster Pay As You Go' journeys.
 - Implementation of a London-wide gating strategy for National Rail stations in London in line with the recommendations of our response to the McNulty review.
 - Introduction of additional Ticket Vending Machines at National Rail stations in the Travelcard area which currently have no such facilities e.g. Brixton (Southeastern).
 - Withdrawal of the Central London pay before you board area, and reintroducing the ability for bus passengers to pay the driver.
 - Replacing bus roadside ticket machines with ones that can top up or issue Oyster cards.
 - Seeking additional Oyster ticket agents in areas and at times of day when a lack of the ability to top-up cards is associated with increased fare evasion.

- 4.9. TfL say that the purpose of this increase is to reduce the amount of revenue that is lost to estimated fares evasion, and that the current level of Penalty Fare has been eroded over time due to increases in fares over the rate of inflation. However, as noted above there are other means by which the level of fares evasion could be potentially be reduced, by enabling passengers to more easily purchase a ticket or the correct ticket before they travel.
- 4.10. In view of this, and the level of increase proposed and the fact that the system would be becoming out of alignment with arrangements on the National Rail network, it would seem inappropriate for TfL to contemplate a change to their current levels of Penalty Fares. However, once the outcome of the Penalty Fares review on the National Rail network is known, then it might be appropriate to consider changes to the TfL scheme.

5 Equalities and inclusion implications

- 5.1. There are no specific equality or inclusion implications arising from this report.

6 Legal powers

- 6.1. Section 248 of the Greater London Authority Act 1999 places upon London TravelWatch (as the London Transport Users Committee) a duty to consider - and where it appears to the Committee to be desirable, to make recommendations with respect to - any matter affecting the functions of the Greater London Authority or Transport for London which relate to transport (other than of freight). Section 252A of the same Act (as amended by Schedule 6 of the Railways Act 2005) places a similar duty upon the Committee to keep under review matters affecting the interests of the public in relation to railway passenger and station services provided wholly or partly within the London railway area, and to make representations about them to such persons as it thinks appropriate.

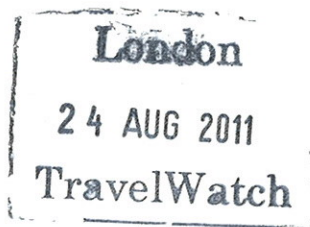
7 Financial implications

- 7.1. There are no financial implications for London TravelWatch arising from this report.



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Janet Cooke
Chief Executive
London TravelWatch
6 Middle Street
London EC1A 7JA



Date:
23 AUG 2011

Dear Janet

Consultation on proposed changes to penalty fares on Transport for London services

Currently, penalty fares may be imposed by Transport for London for non-payment of fares on London Underground, London Overground, London Buses, the Docklands Light Railway and Croydon Tramlink ("TfL services"). The current amount of the penalty fare imposed is £50 which is reduced to £25 if paid within 21 days.

I am considering whether to increase the amount of the penalty fare imposed on TfL services to £80 reduced to £40 if paid within 21 days. If such a change was made, it is proposed that it would take effect from 2 January 2012. Further details of the proposal are contained in the enclosed brief.

To amend the amount of the penalty fare, the Greater London Authority Act 1999 requires that I make an Order to do so after undertaking consultation with a number of bodies including yourself. Consequently, can you please consider the above proposal and send any comments you have to John Conway at Transport for London, Palestra (9G3), 197 Blackfriars Road, London SE1 8NJ by Friday 21 October 2011. Comments may also be submitted by email to: john.conway@tfl.gov.uk

I look forward to hearing your views. Please do not hesitate to contact John Conway at john.conway@tfl.gov.uk or on 020 3054 3588 if you require clarification or have any questions about the consultation.

Yours ever,

Boris Johnson
Mayor of London

MAYORAL CONSULTATION ON A TFL PROSPOSAL TO INCREASE PENALTY FARES

BRIEFING PAPER – AUGUST 2011

The proposed changes

From 2nd January 2012 it is proposed to increase the penalty fares on all Transport for London services to £80 (reduced to £40 if paid within 21 days). The rationale for the change is based on the deterrent value of the PF and the revenue recovered.

Background

It is estimated that fare evasion currently costs TfL over £63m per annum.

Penalty fares are currently £50 (reduced to £25 if paid within 21 days) on all TfL Services including Docklands Light Railway, London Buses, London Rail, London Trams and London Underground.

Any change to the level of the penalty fare can only be introduced following a Mayoral consultation process and the level of the penalty fare remains a Mayoral decision (Paragraph 5 (2) of Schedule 17 to the Greater London Authority Act 1999).

Table 1 - Current penalty fare levels in London

Operational Unit	Penalty Fare	Date Introduced	Previous Penalty Fare	Date Introduced
TfL services	£50*	Jan 2009	£20	June 2005
National Rail	£20**	May 2005	£10	April 1994

*TfL PF reduces to £25 if paid within 21 days

**On National Rail the penalty is £20 or twice the full single fare from the station where the passenger boarded the train to the next station at which the train stops, whichever is the greater. If the passenger wants to travel beyond the next station, they must also pay the relevant fare from that station to their final destination.

Deterrent value

It is accepted that the decision to evade a fare is a value judgement at the time of the offence primarily based on the perceived chance of getting caught, and the penalty accruing should this happen. The current deterrent value of the PF has been eroded over time as a result of the

increase in the level of fares on the network. For example in January 2010 the average level of fare on the bus network increased by 12.7%, with the Pay As You Go fare increasing by 20%. There is no automatic increase in the penalty fares value associated with a general fare increase, and as a result the penalty fares have not increased since January 2009. A further revision was implemented in January 2011, further eroding the deterrent value of the current penalty fares.

By way of comparison, Table 2 below details the level of penalty fares on a number of comparable transport networks. It is clear that, especially when compared to other world cities, the TfL penalty fares remains amongst the lowest, despite cash fares on the network being higher than many of the other cities.

Revenue recovery

Revenue received from payment of penalty fares should be considered to be a recovery of lost network income. It is estimated that fare evasion on the TfL network costs over £63m per annum. A relatively small proportion of this is recovered through revenue protection activity at present (for example, London Buses recovers some £2m of an estimated £39m per annum through revenue protection activity). By increasing the penalty fares, TfL is provided with the opportunity of recovering a higher proportion of this lost revenue.

Proposed Implementation Strategy

It is proposed that the penalty fares change be implemented at the same time as the annual fares revision on the 2nd Jan 2012 and can therefore be done in line with the annual refresh of on-system signage (including statutory notices) to help limit costs of publicity and changes to statutory notices.

**Table 2 – Penalty Fare levels on comparable transport networks
Conversion rates as at 07/10/2010 - rounded to nearest pound.**

UK Cities	Tyne & Wear Metro: £20 Manchester Metrolink: Standard Fare £100
Train Operating companies	At least £20 but they are requesting an increase to at least £50 consultation outcome still pending)
Major foreign cities ***	Berlin – €40 (£35) Los Angeles - PF US\$225 (£142) Milan – PF €100 (£87) Montreal – PF C\$150 (£93) + C\$64 (£40) court charge New York - US\$100 (£63) Paris – PF €40 (£35) (rises to €180 (£157) if paid late). Rome – PF €52 (£45) Sydney – A\$100 (£61) (rises to A\$150 (£92) if paid late) Vancouver – C\$173 (£107)

***Data obtained from the Imperial College London Case Study Report on Fare Evasion and Inspection on behalf of the International Bus Benchmarking Group – September 2010 and from other research.

Crime and Disorder

- Implementing a higher level of PF supports the strategy of making fare evasion less attractive thereby increasing the deterrent effect and reducing reoffending behaviour.

Health & Safety

- The increased PF may result in increased cash being taken by Revenue Officials however this should be mitigated by the additional payment options available e.g. automated payment line or Web for debit/credit card payments, paying in facilities at LUL stations and HSBC bank branches. A revised risk assessment would be carried out prior to implementation to identify any risks and ensure adequate controls are in place to ensure the safety of staff.

Equality & Inclusion

- There are no identified equality and inclusion issues.