

Ken Livingstone's Tube promises would cripple London

His plan to cut Tube fares by 7 per cent is business madness.



Ken Livingstone: his fares cut would derail the multi-billion-pound investment in Transport for London Photo: David Rose

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9:04PM GMT 08 Mar 2012

Love London or hate it, one should never attempt to play down its importance to the British economy. The capital is remarkably vulnerable to global economic attacks from cities aggressively recruiting our finest professionals and their businesses. And how do they do that? Through infrastructure.

This is why we must all pay more attention to the mayoral election. Let's face it, the mayor of London alone cannot make the capital greater – that is a task for its people. But a bad mayor could reduce this great city to the status of a historical footnote.

Small-business innovators require a reasonable tax rate. That much is already in place. But to help companies succeed, it is also essential to provide the facilities that make business easy to administrate – a good transport system, for one thing. London has not always been competent at delivering these essential requirements.

A business run in London has access to 12 per cent of the nation's population: eight million people live within an hour's commute, while 12 million live with two hours. This means a London-based firm has access to the greatest intellectual workforce on the planet.

The mayoral election in May is not a choice of political parties; it's a choice between two men and

their competence. When Ken Livingstone talks about reducing Tube fares by 7 per cent, one has to question his understanding of basic mathematics and of how business is dependent on cost-effective services.

Of course, a 7 per cent rate cut sounds very attractive, but what does it really mean? Transport for London received £3.3 billion from central government in 2011-12. But this isn't guaranteed money each year – TfL has to deliver something in return, such as the Tube upgrades. Failure to deliver on these commitments puts this money at risk.

Its other primary sources of funds are fares and borrowing. Mr Livingstone's 7 per cent fares cut would cause a drop of about £1.12 billion in revenue for TfL, which means £1.12 billion less to repair signals and tracks, or £1.12 billion less for Tube upgrades – the very commitments it has to deliver to receive the full grant from the Government.

So that leaves borrowing. TfL has a AA+ credit rating. This good rating is based on a healthy income stream from its government grant and fares, which gives the markets the confidence that TfL is a relatively safe bet. But if that amount – from government grant or fares – goes down, then the markets will soon become nervous.

Critically, an erratic income stream also threatens a credit-rating downgrade. And as we have just witnessed in Greece, a downgrade means crippling borrowing costs, resulting in even less money to repair a 100-year-old system. And never has a system been more in need of upgrading than the Tube.

If Mr Livingstone were to win this election and implement these fare reductions, superficially appealing though they may be, then we could look forward to an outdated Tube system falling into a further vortex of decay, delays and frustration. His action would encourage international business to take advantage of the Paris Metro or New York subway instead.

A cut would derail the current multi-billion-pound investment in transport and risk London being mocked as the only major city on the planet that operates a five-day week. They don't close the subway systems in Tokyo or Hong Kong over the weekend. But without investment, weekend closures for repairs will continue in London. Without investment, organising weekend meetings or conferences in London will be inadvisable – it is impractical to work around temporary Tube closures. Working late is also not a sensible option, since missing the last train may result in a costly taxi ride.

It is vital to modernise the antiquated Tube network so that it works to at least the same level as Japanese trains. The mayoral candidates must be held to account on this subject. Ken Livingstone's plans do not stack up. He is not fit for purpose.