

London Under Livingstone
An evaluation of Labour's Mayor

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Contents

Contents.....	2
Executive Summary.....	3
Introduction: What does the Mayor do?.....	4
The GLA precept - what Londoners pay.....	6
Transport:	8
General introduction.....	8
TFL Corporate overview.....	9
London Underground	11
The bus network.....	13
The Congestion Charge	16
The Congestion Charge's finances.....	19
The Metropolitan Police	22
The London Development Agency	24
The Greater London Authority.....	26
Conclusions	27
Appendix	28

Executive Summary

This report sets out to examine the track record of the current Labour Mayor of London – Ken Livingstone. We look at all his key responsibilities to see what London is paying, and what it is getting in return.

Key findings of the report:

Tax: The Mayor both collects and spends an unprecedented level of Londoner's money with the GLA precept up 147% and government grants up 41% in real terms.

Due to the increase in the precept Londoners are now paying £289 more in council tax than other city dwellers in the UK. This is despite the GLA now receiving tax payer grants worth £2,000 per household.

London Underground: While the population growth makes for record passenger levels individual Londoners are starting to use the Tube less. This is caused by increased delays (up 14%), more overcrowding (up 8%) and higher fares (up 17% on average) since Ken took control.

London Bus network: Bus speeds have declined despite fewer vehicles being on London's roads. Meanwhile the subsidy for the bus network has grown to £212 per London household, up 71% over the last five years.

Transport for London: As wages have spiralled the operating loss of Transport for London has worsened. Losses now eat a bigger part of the annual subsidy, meaning a 30% cut in funds left for capital investment.

The growing wage bill has added £300m to TfL's bottom line over the last five years. TfL employs 232 people paid more than £100k per year. By contrast the Home Office had 43 people paid this much. The Treasury has just 7 such earners.

The congestion charge: The congestion charge has failed to reduce congestion. 99% of its revenues have gone on costs so far. It has cost London £930m so far – and raised only £10m for investment in public transport.

The Metropolitan Police: While the budget is up 81% since Ken took over, police numbers are up only 20%. Violent crime is on the increase too, up 17% since the Mayor took over. Meanwhile the Met compares operationally very poorly to a peer group of similar forces.

The GLA itself. Staff numbers are up 83% since the first full year of the GLA, with the fastest growth in the marketing department. Including TfL and the other bodies Livingstone controls, 173 press officers now work for the Mayor.

The key theme is of unprecedented level of spending but minimal or patchy results. While the Mayor cannot be faulted for excellent PR the track record on delivery is very poor indeed.

Introduction: What does the Mayor do?

"The Mayor of London will be the most important politician outside Westminster"
 Tony Blair, 1998¹

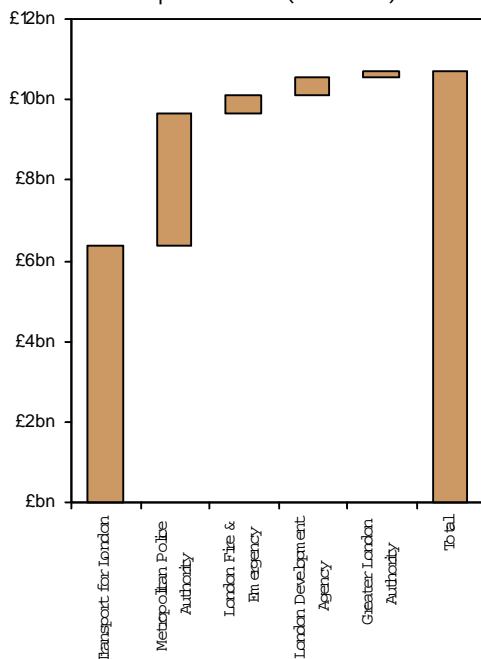
Perhaps even Tony Blair would be surprised by the success he has had in this regard. The office of the Mayor of London has been referred to as the second most important politician in the UK². A ranking seemingly confirmed by Google. "Mayor of London" gets some 6.9m matches on the search engine - almost 5 times the hit rate of "Chancellor of The Exchequer". Either way this is a job that comes with the equivalent of a cabinet minister's salary, some £137k a year.

Yet few people really understand the extent of the Mayor's powers. The role, created in 2000, was the first directly-elected mayor in the United Kingdom. He has control over a vast swath of government across a city of some 7.5 million people. Amongst the areas under his remit are transport, the police, fire and emergency services, cultural strategy and economic development.

The plans of the mayor are scrutinised by the London Assembly and actioned by the Greater London Authority. And though the London Assembly provides some check on his powers, in reality the power is largely centred in one individual. This is the office of the London Mayor - currently occupied by Ken Livingstone.

The Mayor directly controls a budget of £10.6bn. Figure 1.1³ shows how this is broken out:

Figure 1.1: GLA Gross expenditure (2007/08)



- Transport for London (£6.4bn), responsible for London's buses and the Underground, manages river services and some light rail services, maintains London's main roads and regulates London's taxis
- The Metropolitan Police (£3.3bn), who provide policing in the capital, under the oversight of the Metropolitan Police Authority
- London Fire Brigade (£440m), which responds to fires and promotes fire prevention, under the oversight of London Fire and Emergency Planning Authority.
- The London Development Agency (416m), which aims to improve London's as a business centre, while increasing economic opportunity for all.
- The Greater London Authority (£154m including £58m for the 2012 Olympics)

¹ BBC news online May 1998

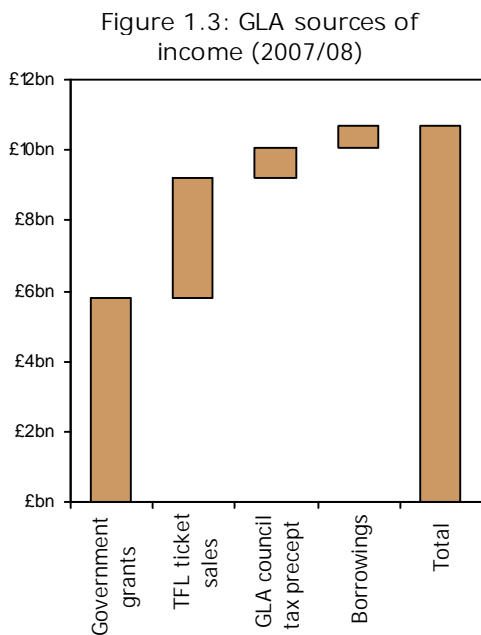
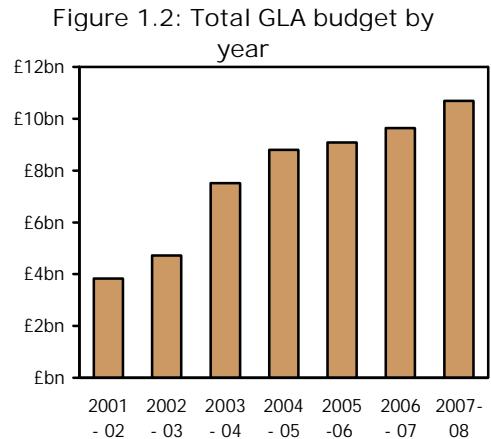
² BBC news November 1999

³ GLA Budget 2007-08

It is also a role that has been growing in its powers since it was introduced. Crucially in 2003/04 control of London Underground was transferred into the remit of Transport of London. And for the 2012 Olympic Games the Mayor will also have a key role. Not only is part of the funding for the games coming from the precept but the body charged with delivering the games and time and on budget is the Olympic Delivery Authority, which reports to the GLA and the Mayor (as well as to Department for Culture, Media & Sport).

And the Mayor's position is set to grow in scope still further. Currently making its way through Parliament is the Greater London Authority Bill. Its proposals include transferring more powers to the Mayor that is currently held by central government. The most important concern Housing and Planning. And there will be additional powers in culture, health, climate change and in managing London's waste.

The budget has also seen tremendous growth (Figure 1.2⁴). When he was first elected the Mayor's gross budgetary expenditure equalled some £3.8bn. Since then the Mayor's spending has grown to nearly £10.6bn. While part of this is explained by the transfer of responsibility for London Underground in 2003/04, even since this date the size of the budget has grown by 42%, over 3 times inflation over the same period (13.6%).



Where does this money come from? The bulk of the funding, 54%, comes from grants from central government. This huge level of grants works out at over £2,000 a household a year.

Ticket sales from London Underground and the bus network account for a further 32%. A further 8.2% is picked up through the GLA precept charged to London households as part of their council tax. And the remaining 5.6% comes from borrowings – borrowings that will one day be need to be paid off.

In this way Londoners come to feel the cost of any largesse from the Mayor. Either they have to pay higher taxes, pay more on the bus or Tube, or pay more in their council tax precept.

The current mayor has been in power since 2000. He has had seven years to carry out his ideas and implement his reforms. And so this paper has a simple aim. We will set out to explore both the cost and effectiveness of Ken Livingstone as Mayor. And we will answer the question of whether London has got what it has paid for.

⁴ GLA budgets 2002 to 2008. Note there is no formal budget in the first year of the GLA's operation.

The GLA precept - what Londoners pay

The difference between what the GLA receives from tickets fares and government subsidy is paid through the GLA precept. This is an amount that is added to every council tax bill. Though it is itemised separately it is collected by the local councils on the GLA's behalf as they collect the council tax.

Figure 1.4⁵ shows how this precept has nearly tripled under Mayor Livingstone. In his first year 2000/01 the typical (Band D) property paid some £123. Now the same property is charged £304. This is an increase of 147%. By contrast inflation over the same period is some 21%.

As the GLA precept is collected as part of the council tax bill, the increase in the GLA precept has fed through to an increase in council tax. Council tax in general has of course gone up significantly under the government. But because of the near trebling of the council tax precept, it is in London that the council tax has gone up the most.

Figure 1.4: GLA precept charged to a band D property

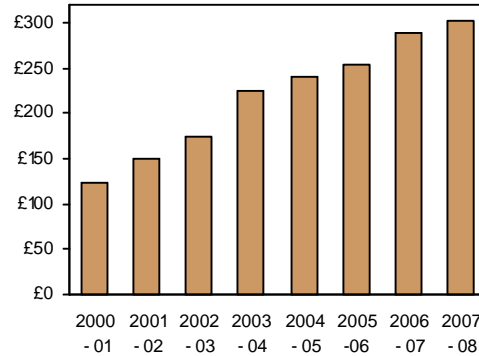


Figure 1.5: Comparison of council tax rates by area

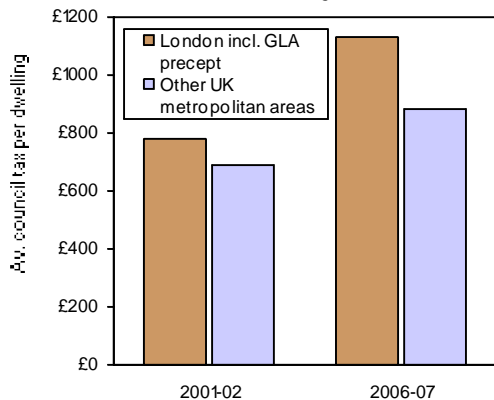


Figure 1.5⁶ shows how in 2001/02 Londoners on average paid £89 more than their equivalents elsewhere in a metropolitan area in the UK. As the GLA precept accelerated, the extra expense charged to Londoners rose to £289 in 2006/07. In fact, if it was not for the GLA precept, the underlying difference between London council tax rates and other areas would have by now vanished.

Government grants to the GLA are typically earmarked for a particular purpose (e.g. transport or police). So extra spending

beyond the grant amount that the Mayor wishes to allocate to a particular area feeds directly through to the GLA precept. So the precept is a rough guide to the decisions of the London Mayor on where to spend resources. In this way Table 1 shows how the GLA precept is spent. The bulk goes on the Metropolitan police force, whose costs account for £223 out of the £304 typical band D precept.

However movements in the other areas over time highlight a shift in the Mayor's priorities for the GLA precept. Table 1⁷ over the page shows how this has changed.

⁵ GLA budgets

⁶ Department for Communities and Local Government.

⁷ GLA budgets

In 2003 - 04 (the earliest period for which this is available) the GLA's own running cost added an extra £7 to the precept. By 2007/8 this had increased to £10.05. Meanwhile the amount being invested into London's transport via the TfL portion of the precept had fallen from £20.72 per council taxpayer to £4.13. It seems for Mayor Livingstone

growing London's bureaucracy is more important than improving London's transport.

Table 1: Changes in where the precept goes

	2003 - 04	2007 - 08	% change
Met. Police	159	223	41%
London Fire & emergency	40	47	19%
GLA running cost	7	10	40%
TfL	21	4	-80%
Olympics	0	20	n/a
<i>Less borrowings</i>	<i>(2.3)</i>	<i>(1.0)</i>	
Total Band D precept	224	304	35%

Beyond the increase in the GLA precept the Mayor has also been helped by the increase in the grants given by central government have also increased significantly.

This year grants will total £5.8bn or over £2,000 per London household. On a like for like basis, this has increased 41% in real terms since 2000/01. This figure strips out the effects of the transfer of London Underground into the Mayor's remit in 2003.

This fact combined with the staggering increase in the precept itself means that the Mayor must show significant improvement in the underlying areas under his control. Otherwise it will be the same story repeated in many areas of the Government – lots of money in, but little of value out.

Transport: General introduction

“Transport will be the real test of my mayoralty”

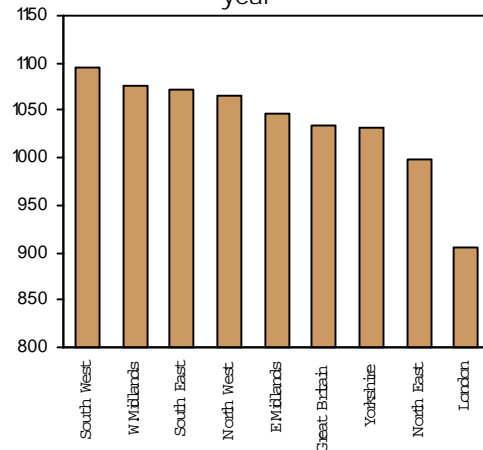
Ken Livingstone, July 2000⁸

The organisation in charge of London’s transport is Transport for London (TfL). TfL is controlled by a board whose members are appointed by the Mayor of London, who also chairs the Board. Thus improvements or failures in London’s transport are the Mayor’s business, so it is right that we examine TfL’s record as his own.

Is London moving again? The most telling evidence is buried in a remote statistical release from the Department of Transport. In their National Transport Survey they reveal the startling fact that Londoners make fewer journeys than people in any other region. This is across all modes of transport, including walking, bicycling, cars, buses Tubes and trains. As shown in figure 2.1⁹ whether it is drop by friends, go to the theatre, pop out to play sports or nip to the shops Londoners simply choose to move from point A to point B less. As such it is a frightening indication of how much of a headache it is to move around the city.

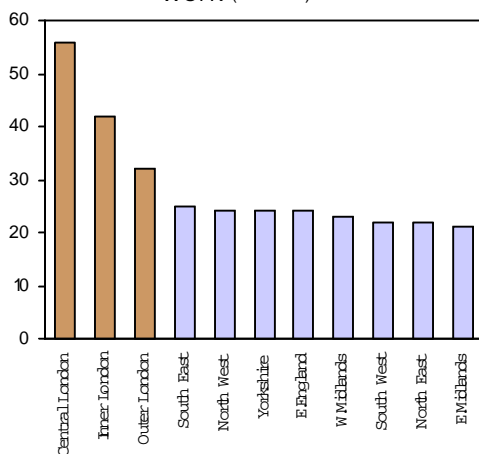
There are many reasons why people might choose to avoid leaving their house and going across town. Congestion, poor public transport and perceptions of safety all align to make it relatively burdensome to move across the city.

Figure 2.1: Trips per person per year



Further evidence of the strain that transport imposes on people’s lives comes from commuting times. Figure 2.2 shows the usual time taken to work¹⁰. Within London, even outer London, these commuting times are far higher than elsewhere in the country.

Figure 2.2: Usual time taken to work (Minutes)



In inner London people spend 56mins on a typical commute. In outer London it is 32minutes. Both these times are significantly higher than the nearest region - the South East (25minutes).

Of course some of the underlying reasons for London’s poor transport are structural in nature. London is a huge metropolis that dominates the nation. Not only do 7.5m people live in the city but more commute in during the day.

In such a city there is always going to be a

⁸ BBC news online July 2000

⁹ Department for Transport: National Travel Survey

¹⁰ Labour Force Survey

certain amount of strain on the transport system that no Mayor can change. Yet what ever the starting point it is his job to improve the situation. As the Mayor himself has admitted: it is the real test of his mayoralty.

Transport: TFL Corporate overview

Money has not been an issue for Transport for London. It has been able to put fares up ever higher. And it has received record grants from the treasury. If money were the solution, London would be moving.

The Mayor certainly boasts about the resources pouring into TfL. Like many a Labour politician he has announced a five year plan for transport – involving “£10bn of investment”¹¹. And he has been allowed by the Treasury to borrow on the capital markets to fund big projects.

Most of the money actually comes from central government. But despite the claims, very little of the grant is used for capital investment. Table 2¹² sets out the financial picture.

Table 2: TfL finances

All figures are £m's

	2002 - 03	2003 - 04	2004 - 05	2005 -06	2006 - 07	% Change (2003-07)
Revenues	1,941	2,321	2,555	2,738	2,966	53%
<i>Less</i>						
Operating costs	3,191	3,953	4,212	4,457	4,682	47%
Interest & similar payments	55	52	141	196	270	393%
Operating loss	(1,304)	(1,685)	(1,798)	(1,915)	(1,986)	52%
Total tax payer subsidy	2,174	2,752	2,401	2,374	2,599	20%
<i>Of which</i>						
-Used to fund operating loss	1,304	1,685	1,798	1,915	1,986	52%
-Remains to fund capital spending	870	1,068	603	459	612	-30%

Despite a 53% increase in revenue over the last five years the operating loss made by the Tube has widened by some £682m a year. Meanwhile the hand-out from the taxpayer has gone up by 20%, but because of the deteriorating underlying financial position, the investment in capital projects has been cut by £257m. In other words despite the subsidy rising over time, less money is available for structural improvements. The rest has been eaten by the day to day operations of TfL.

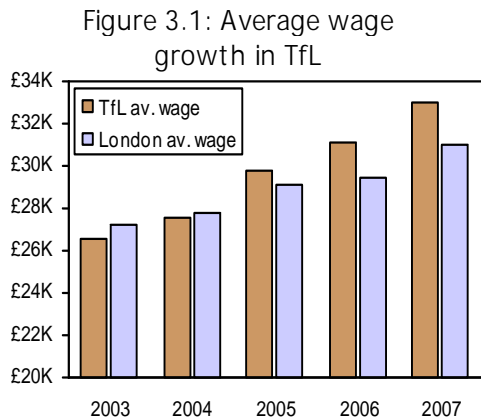
Think about it: the taxpayer subsidy has gone up – but *less* is being used for investment. Clearly the Mayor's announcement on “record investment” is highly misleading.

What is going wrong? The answer is that the operating costs have gone up far too fast. They have risen by 47%, far more than inflation over the same time. Most organisations strive for year on year efficiency increases. In reality TfL has none to show. And so slowly the money left over from the taxpayer handouts for actually improving the network has become smaller.

¹¹ GLA press release, 12 October 2004.

¹² TfL annual reports. A reconciliation is provided in the appendix.

Put another way – if over the period costs had risen in line with the total number of kilometres operated (14%¹³), there would be an additional £734m available for capital spending. That would double the amount currently truly being invested on the network.



Why has TfL lost control of its costs? Probably because money has been so easy to access financial discipline has been cast aside.

The strongest example of this is in the wage growth of the organisation. Figure 3.1^{14, 15} shows how since 2002, the year before Mayor gained full powers over London's transport, TfL's average wage has outstripped London's average over the same period. TfL average wage bill has gone up by 24%. London average wages by contrast have increased only 14%. The effect of this wage growth has been compounded by the increase in staff

numbers up by 2,600 over the period. Altogether this means an impact of £300m on TfL's bottom line.

The long and the short of it is that Tube workers are now some of the best paid public sector employees as the following table on starting salaries makes clear:

Table 3: Average starting salaries

	Starting Salary	Paid Holiday Allowance (Days)	Hourly Cost to Employer
London Underground Train Driver	£ 38,311	43	£ 22.80
Virgin Trains Driver	£ 32,193	30	£ 18.05
SWT Train Driver	£ 31,232	30	£ 17.51
Civil Service Fast Stream	£ 24,500	26	£ 13.49
Average UK Graduate	£ 23,024	25	£ 12.62

If TfL's idea was to spend their way out of strike action it hasn't worked. In the words of a recent TfL committee report on industrial relations, "it seems that no sooner than the Christmas lights go up, the ballot papers are dispatched." A common theme is the annual Christmas time altercations between the Tube management and the unions. There is certainly a systemic failure on the part of the LU management to deal with the unions effectively and this has cost London dear. Indeed since Livingstone came to power, strikes have lost London an estimated £800m in fares and lost production.

But it is at the top of TfL that the wage growth is most extraordinary:

- *TfL employs 232 people paid more than £100k per year.* By contrast the Home Office had 43 people earning similar amounts. The Treasury has just 7 people earning six figures¹⁶

¹³ TfL annual report

¹⁴ TfL annual reports

¹⁵ Labour Force Survey

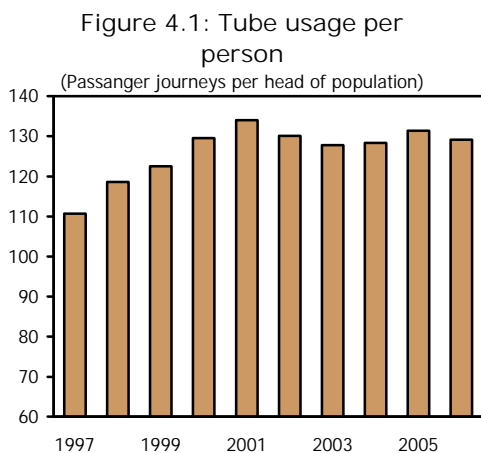
¹⁶ TfL, Home Office and HM Treasury annual reports

- *Bob Kiley, admitted he does “not much” for his £737,000 salary, for 90 days a year, as a consultant to TfL¹⁷. This was after the former Commissioner for Transport for London negotiated a £2m severance deal after his original £4m contract ended.*

It seems that TfL are willing to spend Londoner’s money on things very different than improving transport. Wages are ballooning, losses are rising and the amount left over for investing for the future is getting smaller and smaller.

Transport: London Underground

London Underground operates in a very favourable environment: it has a naturally growing customer base. A growing economy has attracted more people to London. The population has expanded. Now a record 3m journeys are being made each day on the Tube.

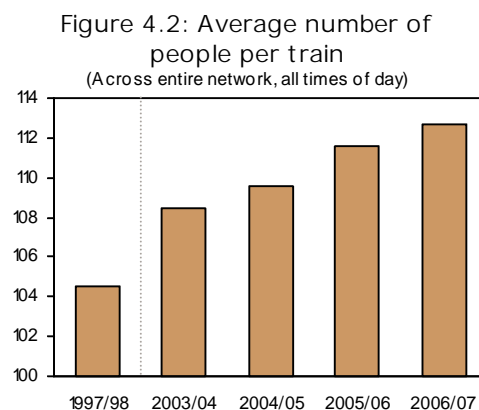


On closer inspection the increase in Tube journeys is only driven by the population growth. Since 2001 as individuals our propensity to use the Tube has gradually declined. Individual Londoners avoid the Underground more now than before the Mayor came to power. This surprising finding is shown in Figure 4.1. After a strong growth in usage through out the late 90’s our willingness to use the Tube seems to be slowly getting less. Considering the fact that during this time the Tube was extended to areas previously un-served by the network (most significantly on the Jubilee line) this represents a significant change in behaviour.

Why are Londoners avoiding the Tube? Three answers spring to mind:

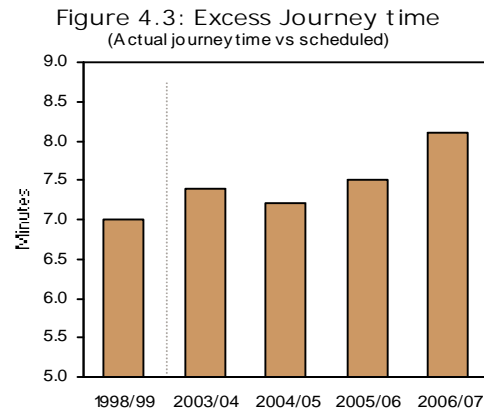
- **Overcrowding.** Overcrowding is one of the most commonly cited reasons for people disliking using the Underground. Yet despite it being one of key customer metrics, TfL does not publish any figures relating to it. However we can get a rough gauge on the “squash factor” by looking at the average number of people per train across the entire network – published here for the first time.

Overcrowding of course is particularly concerned with demand versus capacity at key times of days at key points rather than averages. Nonetheless in lieu of more precise information these figures suggests the situation has got very much worse in recent years. Figure 4.2 tells the story. In 1997/98 typically there were an average of 104 people squeezing on each train. By 2006/07 this had risen to over 112. It is highly likely that overcrowding at key demand times has deteriorated in a similar fashion, if not faster.



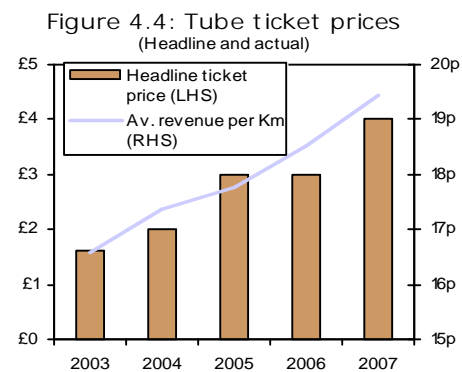
¹⁷ Interview with *The Evening Standard*, March 2007

- Delays. Another obvious reason why people might choose to avoid the Tube is if it has become less reliable. TfL's own statistics on this suggest delays have worsened over the time the Mayor has been in charge. Figure 4.3 shows the typical excess journey time experienced by a service. These figures again show a clear degradation in performance, especially in the last year. The story is pretty clear. In 1998/99, the first year for which the figures are available, the typical service experienced a delay of a little over seven minutes. By 2006/07 delays had worsened to over eight minutes. An extra minutes delay every time a commuter gets on a train means an extra ten minutes a week spent inside the Tube network. It all adds up to a less appealing service.



- Price. The Mayor has pushed through enormous headline fare increases on the Tube. These have increased from £1.60 to £4 (or up 150%) since the Tube was transferred into his remit. While the introduction of Oyster cards means that not all Londoners pay the full amount, the headline level is highly likely to dissuade infrequent Londoners from using the Tube.

Even in aggregate taking into account the Oyster card, the cost to go one kilometre on the Tube has risen 46% faster than inflation. Average revenues – the amount customers pay – per kilometre are up has 17.3% over the period, with retail prices increasing only 11.8%. With the Tube already the most expensive subway system in the world this can only act to dissuade usage.



Further evidence of operational cracks in the Tube management comes from the safety record. Since the Mayor took over the running of the Tube the number of derailments in a year has increased from 4 to 9. Likewise the number of broken rails has increased from 29 to 55¹⁸. While the Mayor tries to pass the blame to the PPP contractors this is of little consequence to commuters.

It all adds up to why Londoners are using the Tube less. Because it has got more crowded, more delayed and more expensive and arguably less safe. The Mayor promised he would sort the Tube out. Instead it has got worse while he charges more.

The Underground is at the heart of the London transport infrastructure. Yet slowly but surely Londoners are each turning their backs on this vital service. It is time that London got the Underground it deserved. Not a cramped, delayed service that costs ever more. But a service fit for the 21st century. London certainly needs it.

¹⁸ House of Commons Transport Select Committee

Transport: The bus network

The Mayor and TfL claim great success for the bus network. Some of this is indeed fair. The network operated has been expanded, and passenger numbers have grown too.

Perhaps this is not surprising. In contrast to London Underground the operational difficulties of running the bus network are fairly simple. There are no signalling complexities, junction bottlenecks or capacity issues to worry about. Money can simply buy more buses in a way that it cannot buy more Tubes. And cash has certainly been thrown at the network. Table 4 sets the scene.

Table 4: London's bus network

	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	% Change (2003-07)
Revenues (£m)	643	786	893	961	1,027	60%
Direct operating costs (£m)	1,003	1,286	1,442	1,558	1,643	64%
Operating loss i.e. subsidy required (£m)	(360)	(500)	(549)	(597)	(617)	71%
Passenger journeys (m)	1,534	1,702	1,793	1,816	1,880	23%
Kilometres operated (m)	397	437	450	454	458	15%
Revenue per journey	0.42	0.46	0.50	0.53	0.55	30%
Direct costs per Km	2.53	2.94	3.20	3.43	3.59	42%
Subsidy per Km	(0.91)	(1.14)	(1.22)	(1.32)	(1.35)	49%

The key line is the growth in operating loss of the bus network over the period to £617m. This works out at £212 subsidy per London household. The bill being picked up by the taxpayer has nearly doubled in five years. With this sort of money being thrown around it is hardly surprising that the bus network has increased.

But something is amiss. The network operated has indeed expanded - but by only 15%. Costs have gone up 64%. And the subsidy has jumped by 71%. The resources being pumped in by the taxpayer are not being matched by the expansion in the network. The finances of this operation seem to be getting systematically worse.

To put the scale of the financial deterioration in perspective, if the network "only" lost as much per kilometre operated as at the start of the period, there would be enough money for an extra 191m bus kilometres. That would more than triple the increase in the network size that the Mayor has been able to provide.

Part of the soaring costs is due to the scrapping at significant cost of the old Routemaster bus. This has meant both a significant capital outlay and a higher operating cost (see box for details). What is worse is that this hasn't delivered the better operating performance promised.

"Only some ghastly dehumanised moron would want to get rid of the Routemaster."

Ken Livingstone, Mayor of London, 2001¹⁹

Surely the sentiments of a man totally opposed to scrapping the Routemaster? Not so, apparently. You are now more likely to see the most of iconic London buses in a novelty Eastern European theme park or forgotten British seaside resort than swinging round Hyde Park Corner, conductor hanging off the back step, resplendent in red as a symbol of all things London.

The Transport Commissioner at the time, Peter Hendy, admitted that they were not scrapped for cost reasons. This makes sense, considering that between 2000 and 2005, TfL bought 49 second hand RMs, claiming they were the most cost-effective way to improve service. In fact buying the new buses to replace the 2,500 Routemaster's cost around £390m²⁰ and has added around £50m to the fuel bill each year (Routemasters boast 8mpg efficiency compared to 5.5mpg for modern double-deckers). And the new buses only last eight years. Phil Margrave, director of engineering for one of the main London bus operators, says the RM could have remained in frontline passenger service without difficulty for another decade²¹, as most had already had their engines replaced and their interiors revamped.

The reasons for scrapping the Routemaster were not only flawed in themselves but symptomatic of Livingstone's weakness in dealing for the best interests of Londoners. The disability lobby for instance, pressured him heavily for the introduction of more modern buses. Yet out of 6m daily trips on London public transport, just 1000 of these are undertaken by a person with disabilities. What's more provisions for the disabled already exist in the form of Dial-a-ride and Taxicard. TfL cited the Disability Act as a legal basis for scrapping the buses (incidentally absolving them of conducting any kind of value-for-money assessment) yet there was no pressure on any public body to introduce changes in the light of this act until 2016.

So why did the Mayor do it? A Policy Exchange pamphlet gives an idea. Quoting TfL "Any bus which is quirky and old is iconic, especially in a country which is obsessed with history and Empire and has no real idea of its place in the modern world and its place in Europe...you have to ask the serious question why the good old double decker only exists in Britain and not in the rest of Europe?" In short, the buses were unfashionable and not "European."²² . Ultimately TfL's view was unsupervised boarding is the European way, the modern way. Becoming a Euro city seems the priority.

The biggest disappointment on the bus network has been their speeds. Buses have always been slow - they move at less than half the speed of the Tube. Yet as the new buses, both bendies and ordinary double deckers, have been rolled out bus speeds have actually declined. Figure 5.1²³ shows how TfL's own measurements of this. In 2002 bus speeds averaged around 13.2Km/h. By 2006 buses were moving at an average of 12.8km/h.

This fall in bus speeds cannot be blamed on an increase in traffic levels. Because traffic levels are down. Contrary to popular belief there are now less vehicles on London's roads

¹⁹ Evening Standard, June 2005

²⁰ New bus costs from Busandcoach.com

²¹ Buses Focus, issue 31, Summer 2004

²² Quoted in "The Bus We Loved," Travis Elborough, Granta, 2005, pp156-7

²³ Simple average of bus speeds on all routes given. Sourced from Congestion charging: Fifth Annual Impacts Monitoring report (2007), published by TfL & the Mayor.

than before. (In fact as we'll discuss in the congestion charge, the number of cars and other vehicles entering London has actually been declining for a long time).

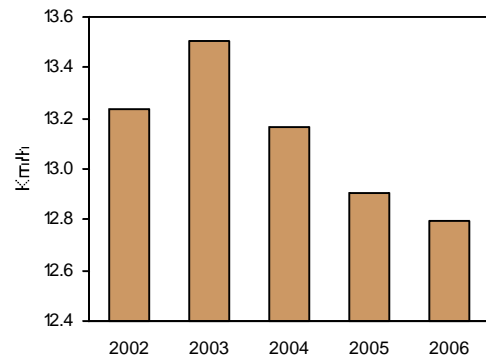
More likely to account for the bus slowdown is the replacement for the Routemaster - the "bendy" bus - not being designed for London's narrow streets. Its vast length clogs up the roads, frequently seen jamming up junctions and bus stops, and making other buses wait.

Even TfL's claims that the bendies have faster boarding times – a key reason for their introduction - have been rejected by an independent review. The Advertising Standards Agency ruled that due to longer dwell times (required as the bus must lower its kerbside edge to open its doors) boarding actually takes longer. And as bus stops are still the same size, these bendy buses simply hold each other up as they wait for each other to depart.

Could it be that what has slowed down bus speeds are other buses, less suited to London itself?

In summary the Mayor can take some credit for expanding the bus network. But Londoner's should be concerned at the £212 household bill that each of them are implicitly paying to prop up the finances of this operation. They decry the destruction of their beloved Routemaster. And they should blame the Mayor for what they have got in return: slower buses that slow each other down.

Figure 5.1: London bus speeds



Transport: The Congestion Charge

"From today something is being done. If we want London to continue to be a success story for business and jobs, then we must enable people to move around the heart of London more efficiently."

Ken Livingstone, February 2003²⁴

And for the avoidance of doubt:

"The essential aim is to reduce congestion"

Transport for London, February 2007²⁵

It might seem an obvious point to make, but the congestion charge is about congestion. So it is fair to judge the success of the scheme on whether it has indeed allowed people to go about their business more easily.

It is usually said that congestion did fall shortly after the introduction of the scheme. It also usually added that congestion is creeping back. As an example the Mayor admits there has recently been a "growth in congestion" but still claims that without the congestion charge "London would be at gridlock"²⁶. In his and TfL's view any recent degradation in the scheme is due to "an increase in roadworks in the latter half of 2006"²⁷.

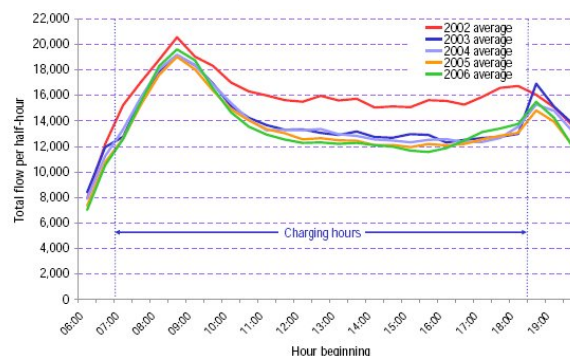
We disagree with both these commonly stated arguments. There are problems with the scheme that are fundamental in nature. And the recent degradation in performance can not be so easily dismissed. A wide body of evidence supports this view:

- 1) The congestion charge has never made much of an impact on rush hour traffic. Even in the period immediately following the introduction of the charge, traffic volumes were only very slightly down for the morning rush hour. This is of course the time of day in which congestion is at its worst and when any benefits of the congestion charge are most needed.

By contrast the people who are most deterred from entering the congestion charging zone are those entering later, after 11 am. This is when congestion is far less burdensome. And of course these are the people not arriving as part of their commute

and so are more likely to be the shoppers, museum goers and the like. These are visitors that should be encouraged, not deterred from coming to town. Small

Figure 6.1 : Traffic Entering Central London by Time of Day



²⁴ GLA Press Release Feb 2003

²⁵ TfL. Letter from Kevin Austin, Head of Transport at TfL to Ealing Councillor Phil Talyor

²⁶ Ken Livingstone, writing in the Guardian, 16th February 2007

²⁷ Congestion charging: Fifth Annual Impacts Monitoring report, published by TfL & the Mayor

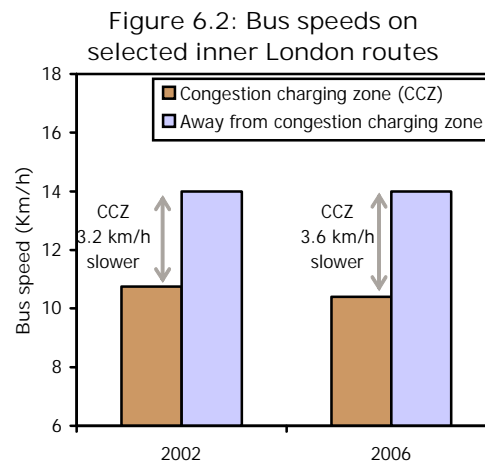
wonder then that 62% of businesses blame the congestion charge for falls in their takings and customer numbers²⁸.

- 2) Bus speeds have slowed down far more in the congestion zone than they have outside it. In fact buses are now slower in the CCZ than they were before the charge was introduced.

Figure 6.2²⁹ shows how speeds of buses within the congestion charge zone have degraded versus a control group of other inner London routes.

The control group are those routes away from the congestion zone (so not effected by any traffic displacement) but still within the North and South Circular.

The results are revealing. In 2002, before the charge was introduced, average bus speeds on routes that are now inside the zone was 10.8Kph. This was some 3.2Kph slower than the control. After an initial apparent increase in speed, bus speeds have slipped back. They now average 10.4Kph, some 3.6Kph slower than other routes and slower still than before the charge was introduced.

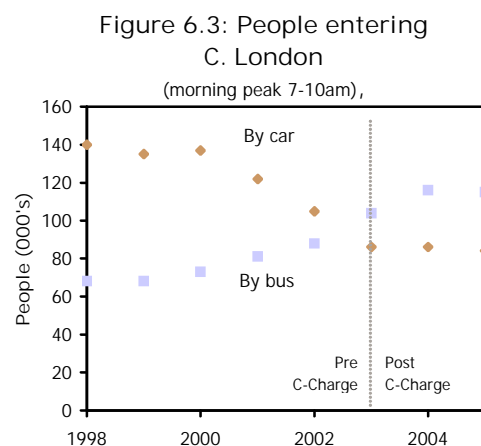


- 3) Journey times inside the congestion charge zone have not improved. As the most recent TfL Impacts Monitoring Report concedes, the excess journey time (defined as any time spent beyond the night-time, uncongested travel rate) has now risen back to pre-charging levels. In November/December 2002, the excess delay was around 2.6 minutes/km. For the same period in 2006, the excess delay was exactly the same.

These points mean that it is very difficult to see a direct improvement in the Mayor's key aim of "enabling people to move around London more easily". The scheme is failing to deliver.

TfL instead point to the reduction in cars entering London as a measure of success. This in itself is not an objective, only a possible means of achieving the aim of making it easier to get from A to B.

At any rate we would point out as long run data from the department of transport shows in figure 6.3, this should be seen as part of a longer term trend. In 1998 140,000 cars entered London a day between 7 am – 10am. In 2002, the year before the C-charge, it was 105,000 – a



²⁸ London Chamber of Commerce & Industry 3rd Retail Survey – Impact of Congestion Charging, January 2005

²⁹ Congestion charging: Fifth Annual Impacts Monitoring report (2007), published by TfL & the Mayor

reduction of 9,000 vehicles a year. In 2005 at the peak of the C-charge's success it was 84,000 – a reduction of only 7,000 vehicles a year.

Possibly the long run decline is due to the increasing general car unfriendliness (e.g. parking), and not to do with the congestion charge itself. We also note in this long run data that we know from figure 6.1 most of the fall in traffic volume happens after the rush reaches its peak, probably in the 9.30-10am part of figure 6.3's data. I.e. if you looked at just true peak hours the decline in figure 6.3 would be even less.

Figure 6.3 also questions the claim that the rise in bus usage is a direct result of the congestion charge. Again, most of this increase occurred before the charge was introduced. Either commuters were switching modes in *anticipation* of the congestion charge (which seems unlikely two years beforehand). Or more likely this was due to other effects such as the price of bus tickets being lowered. Again it seems unlikely that the congestion charge was the dominant effect here.

Of course all these arguments assume the data is correct. It is worth noting third party measurements of the traffic speeds paints a picture worse still. A Trafficmaster survey for The Times³⁰ at the end of 2003 showed that 7 out of 12 key routes through central London were actually taking longer than before the charge was introduced counter to claims at the time that congestion had fallen by 33%³¹. A RAC survey for the Evening Standard suggested that on nine key routes, traffic volume was down by only a third of the 18% TfL claimed at the time³².

But let's assume TfL's numbers are right. Even then why have the results been so disappointing? Despite London's economic growth it is not to do with more and more people wishing to enter London. Demand for people wishing to enter the charging zone has in fact been steady. TfL admits that "volumes of travel to the charging zone by Underground in 2006 were only slightly higher than those that prevailed in 2002."³³ And the excuse of heavy roadworks seems further stretched still. The renewal of London's Victorian water mains by Thames Water is held up as a culprit by the Mayor³⁴ – but this project is London wide, and should effect non congestion charge routes as much as congestion charges routes.

There are three probable reasons why the congestion charge has failed. Firstly because cars only ever accounted for about half the total vehicles in the zone, the rest being commercial (e.g. delivery vans, lorries and coaches). Business necessity meant they simply had to bear the extra cost. Commercial vehicles cause much more of the congestion through slow manoeuvring and being parked at the kerb while they offload their goods or passengers. An effect compounded by the introduction of the bendy bus.

Secondly because the price of public transport has remained stubbornly high there has been no carrot for people to switch from using their cars. Even with the price of entry to the congestion charge zone raised to £8 it is still the same as two singles on the Tube. And as we saw the performance of the Tube continues to worsen.

Thirdly TfL in pursuing other Mayoral objectives have steadily removed the road space for general traffic by installing more bus lanes and rephasing the traffic lights in favour of pedestrians.

³⁰ The Times March 2003, The Evening Standard June 2003

³¹ Congestion charging: Second Annual Impacts Monitoring report (2004), published by TfL & the Mayor

³² Ibid

³³ Congestion charging: Fifth Annual Impacts Monitoring report (2007), published by TfL & the Mayor

³⁴ Ken Livingstone, writing in the Guardian, 16th February 2007

In short the Mayor promised us that the scheme would reduce congestion by 20-30% and improve journey times by 25%.³⁵ It has not. And therefore on the most important measure, that of allowing Londoners to across their city easier, the scheme has failed.

The Western Extension

While many agreed in principle with the introduction of Congestion Charging into central London, the fundamental reasons for the Western Extension were bizarre and hotly disputed. There was simply no case for an extension. West London is a residential area where just 170,000 people work, compared to 1.7m in the Central zone. Congestion has never been an acknowledged problem, 176 studies by local councils showed that the average speed on residential roads within the Western extension was 25mph.

The economic forecast was bleak; the Centre for Business and Economic Research predicted 6000 job losses and £236m p.a. of lost business, while anecdotal evidence continues to build up of smaller shops not being able to cope with the decline in footfall, unlike the bigger chain stores in the centre. 60,000 car owners in the extension were now entitled to a 90% drop in the charge, and so have surely worsened the congestion in the original zone. Finally, two public consultations showed overwhelming opposition to the Extension.

Theories abound as to why Livingstone introduced it; perhaps a dig at the wealthier boroughs of London, perhaps just another part of his overarching campaign against the car, perhaps just a foolhardy attempt to try and squeeze some more revenue out of the system. Whether you were a fan of congestion charging in it's original form, it is difficult to agree with or understand the reasons behind the Western Extension.

Transport: The Congestion Charge's finances

"Congestion charging...is not primarily concerned with the development of new revenue streams"

Transport for London, February 2007³⁶

Which is fortunate. Because the financial returns on this project have been miniscule. Of course Transport for London disputes this. For example they claim that "the scheme generated net revenues of £123 million in 2006/2007 to be spent on transport improvements across London"³⁷. But as shown in table 4³⁸, the truth is somewhat more disappointing.

³⁵ Mayor Press Release Feb 2003, Transport 2000 Activist Briefing

³⁶ TfL Letter to Phil Taylor, February 2007

³⁷ Congestion Charge: The Fifth Annual Impacts monitoring report (2007), produced by TfL.

³⁸ All figures from TfL annual report, with the exception of capital costs. Capital costs are taken from a letter from TfL to Phil Talyor, which confirm the fairness of their treatment in table 4.

Table 4: The finances of the Congestion Charge

All figures are £m's

	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	Total to date
Revenue		18.5	186.7	218.1	254.1	252.4	929.8
Operating costs							
Toll Facilities		58.2	120.9	120.8	143.5	130.1	573.5
Traffic Management		4.2	2.0	0.6	0.4	0.3	7.5
Other costs	4	14.4	18.5	0.3	3.9	32.9	74.0
Net operating income	(4)	(58)	45.3	96.4	106.3	89	275
Capital costs		(162)				(103)	(265)
Cumulative profit							10

In reality the scheme has proven hugely expensive. First there is the very generous contract with Capita. "Toll facilities", of which the bulk is the Capita contract, has taken 62% of the total revenue of the scheme. Secondly there is significant TfL overhead, which takes another 9% of the revenue. And finally there is the significant capital outlay representing 28% of the revenue so far. This final part TfL is notoriously reluctant to admit, but the truth has recently emerged in a letter to Ealing councillor Phil Taylor

All in all the net profit since inception is just £10m.

Why the difference to the Mayor's claims of £123m profit in one year alone?

- The Mayor's claims omit the capital costs. With a capital intensive project like the Congestion Charge it is hugely misleading to quote figures excluding the initial outlay. This reflects either reflects very poorly on the probity of the Mayor or on his understanding of the operation.
- The Mayor's claims omit the full extent of the overheads. Much of the overheads for the project are charged to the TfL general account, such as marketing. In the Mayor's figures the profit is quoted without picking these figures up. Again this smacks of creative accounting and the Mayor not being straight with Londoners.

In total this means that while the total takings of the scheme has been some £930m, taking all the costs into account, TfL's net profit over 5 years has been £10m. That is just 1% of the total that Londoners have paid TfL over that time. In short his is probably the most inefficient tax ever devised.

Using the wrong technology

Livingstone made a key error in his procurement of the right technologies for the job. The camera based APNR system currently used has a track-record of misreading number plates and is hugely expensive to run. Instead, they could have paid a visit to Singapore, where congestion charging has been operating very successfully since 1998 with the use of the tag and beacon technology. These electronic tags fitted to the car are much more cost-effective and flexible, and allow for charging by time spent in the zone or distance travelled. Some 30m of these tags are in use worldwide. TfL performed an abrupt U-turn 18 months after the scheme started by saying that camera technology would be replaced by 2009 with tag and beacon, but not before wasting millions in taxpayer money.

Indeed the financial position of the scheme is deteriorating further. The 2006 – 07 figures include two months of operation of the Western extension. Yet revenues of the scheme actually fell last year from £254m in 2005-06 to £252m in 2006-07. Operating profit (before the capital costs) fell 16% to £89m. Why? Because the scheme made around 20% of its money from fines. But now Londoners have learnt their lesson and have started to pay promptly – reducing one of the key revenue streams.

In summary there have always been traffic jams in London. The Mayor cannot be blamed for this. Except that now Londoners have to pay £8 to sit in one.

The Metropolitan Police

"The Met's number one priority must be to crack down on violent robbery"

Ken Livingstone, April 2000³⁹

Opinion polls prior to his election suggested that Londoners perceived the Mayor as soft on crime. And so Livingstone responded, with the help of increased Home Office grants and the higher council tax precept, to expand police numbers to neutralise this criticism. Indeed the Mayor now boasts of "record police numbers in the capital"⁴⁰. Figure 7.1⁴¹ puts this in perspective.

Since 2000 when he was elected the size of the Met has increased by some 12,000 people. No doubt Londoners would broadly approve of this. Yet the headline figures disguise movements within the different areas that may not be aligned with the public's desires for 'more bobbies on the beat'.

The growth in other categories of staff far outstrips the growth in Police Officers. In fact of the increase in staff only 40% has been on Police Officers. The bulk of the increase is on Police Staff and Police Community Support Officers.

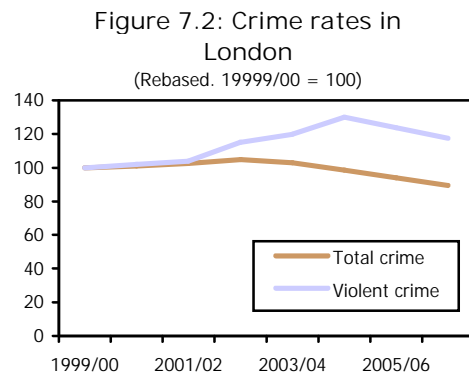
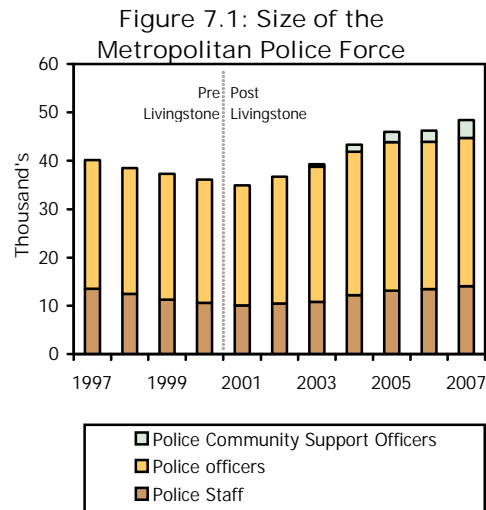
Yet this is a quibble compared to a bigger question – how much money has gone in, and how many extra boots are there on the ground?

Money has certainly poured in – thanks to the rapid increase in the GLA precept and the enlargement of the Home Office grant. The budget of the Met has increased from £1.8bn in 2000 to £3.3bn this year⁴². That's an increase of 81%.

So if the money has gone up by 81% why has that only bought an extra 20% more Police Officers? Or being more generous to the Force, 34% more staff of any type?

Figure 7.2 shows how crime rates have varied on Livingstone's watch. The level of crime has slowly started to decline by about 10% - from 103,000 incidents a year to 920,000. This is well short of the 81% increase in the Met's budget.

But the level of violent crime is up 17% - to 182,000 cases a year. This disguises the fact that this category rose even higher the preceding year to 200,000 incidents.



³⁹ BBC news online, April 2000

⁴⁰ BBC news online, April 2000

⁴¹ Home Office data

⁴² GLA budgets

It is of course this violent crime that worries Londoners the most. And it is this category that Ken promised to crack down upon seven years ago.

Again we have to ask ourselves why Londoners are not seeing the bang for their buck. Why the budget can almost double without a commensurate improvement in performance?

The answer is unclear but points to a failure of the Mayor to get to grips with the operations of the Force. No genuine attempt has been made to reform the Met in any way. For instance the Met demands more paperwork of its officers than other Forces, and reports suggests that the direct bill for this is now some £150m⁴³ - excluding the time spent by Officers (rather than civilian staff) on this activity.

The view that the Met is in real need of reform is born out by operational comparisons versus other forces.

Firstly the Met comes off badly in recent review of similar forces. In the Home Office's Police Performance Assessment⁴⁴ for 2006 the Met had only 4 areas scoring 'good' or 'excellent' out of a total of 7. This puts the Met second from bottom versus other similar large urban forces city forces in the UK (the peer group is selected by the Home Office).

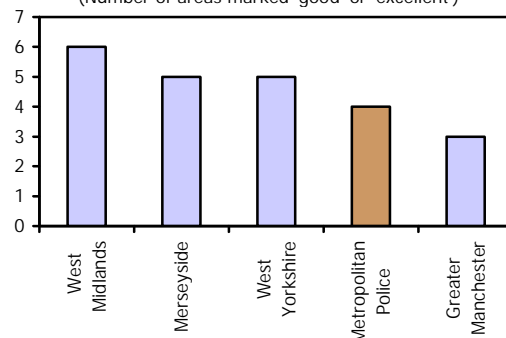
Secondly it is a relatively inefficient at converting its resources into police constables out on patrol. For example, to get an idea of how large their overheads are in 2005/6, only 45% of expenditure went on police pay. In comparison, Greater Manchester police force, managed to get 65% of its spending to the front line in the form of police pay.

Figure 7.4: Where the forces spend their money
(Police pay as % of total spend)



Other peer group data unavailable

Figure 7.3: Performance: Peer group comparisons
(Number of areas marked 'good' or 'excellent')



This all adds up to a picture we have seen elsewhere in this report. The operational efficiency of the force has degraded under the Mayor. Because access to money is not a problem for the Met. But getting results is.

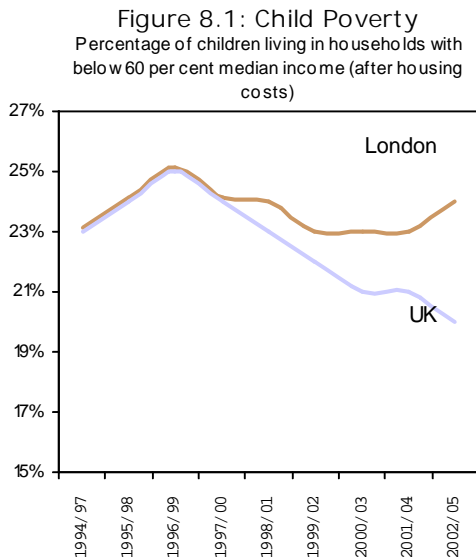
Until London has a Mayor willing to focus on performance, not just resources, don't expect this to change.

⁴³ MPA, April 2006

⁴⁴ Home Office

The London Development Agency

London is a city of contrasts between rich and poor. Look beyond the bright lights of the City and the soaring towers of Canary Wharf and there is a different London. While a quarter of households earn over £1,000 per week, 14 per cent have a weekly income of less than £150. Twice as many wards as the national average are classified as the most severely deprived. And the UK's unemployment rate at 5.5% is far better than London's



7.7%. A figure which in turn reaches over 10% in some London boroughs. And jobs aren't distributed evenly either. While 79 per cent of working-age white people in London had jobs in 2005, for the Pakistani and Bangladeshi group the rate was just 50 per cent.

Perhaps the most heart stopping fact belongs to child poverty. 24% of children live in households with below 60% median income, compared to 20% nationally. This in the capital of the UK.

The Mayor is legally bound to produce a strategy which will address these and related issues. This so called 'London Plan' is executed by The London Development Authority, whose Board and Chair are

appointed by the Mayor. As with the other functional bodies we have looked at ultimately it is the Mayor who is largely responsible for the LDA's successes and failures.

Certainly the LDA has received an unprecedented level of funding. The annual gross expenditure is up 37% since 2002 alone to £423m.

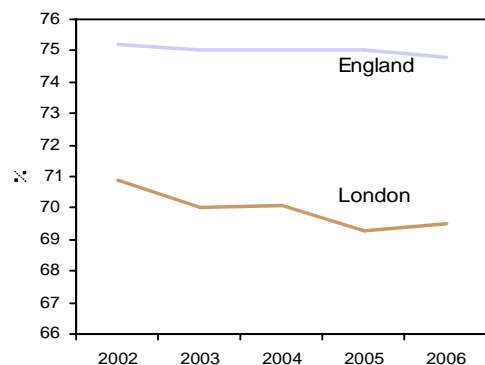
But can the LDA do anything about the social ills of London?

Bravely the LDA aims to ameliorate the situation. For example the Mayor hopes to "create or protect 636,000 new jobs between now and 2016". An impressive figure that dwarfs current claims of creating or protecting 78,000 thousand jobs over the last 4 years.

These targets look pretty meaningless if the goalposts shift. But that is exactly what has happened previously. In 2003 they missed the target Of 16,000 jobs created by around 700. The next year the target was halved to 8,000.

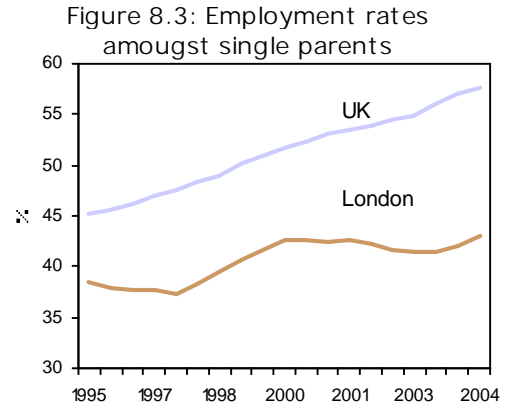
More worryingly the underlying claims themselves look pretty spurious. As figure 8.2 shows, employment rates have actually been declining since the Mayor came to power – not increasing as his jobs figures would have you believe. How can his claims be meaningful or his targets be sensible if they are not supported by real world data?

Figure 8.2: Employment rates



In assessing the LDA's performance, their claims and official statistics often just do not match. Two more examples drawn from where the two can be compared:

- The Mayor's plan highlights East London as a key target area for the LDA's operations with many claimed achievements in that part of London. However, unemployment there has worsened, not improved, even as the broad economic environment has got better. In 2002 East London unemployment rates averaged 5.1%. By 2006 this had almost doubled to 9.5% .
- Numbers of lone parents on income support is another key target, according to the London plan. But as figure 8.3 shows that employment rates for single parents have hugely lagged the rest of the country since the Mayor came to power. Given the fact that employment is required in order to come off benefits it suggests that despite this being a key target for the LDA the situation is worsening.



One might argue of course that the nature of Regional Development Agencies themselves can never fundamentally alter economic landscape around them. For instance, how could the LDA, with its budget of £400m, ever hope to have an effect on the vast economic powerhouse of the capital, valued at nearly £160bn annually?

None-the-less the Audit Commission in its most recent report on the LDA found "weaknesses out weighing strengths" by the in terms of key implementation skills of 'capacity' and 'performance management'. 'Vision' scored well – but that is not enough to change London.

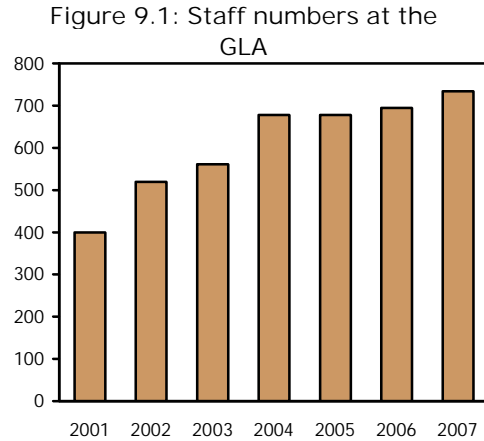
The deprivation in London cries out for solutions. But in reality the LDA fails to deliver. The London Plan, much of which is entirely admirable and intended to focus London on a brighter future, is being executed by a body tiny in comparison to the problems, and that has been criticised in independent reviews. While London's problems were never going to be solved overnight, the Mayor's strategy looks set for failure.

The Greater London Authority

The poor operational performance of the functional bodies reporting to the Mayor is exemplified in the performance of the GLA itself. Figure 9.1⁴⁵ shows how staff numbers have gone up 83% since the first year. And the gross budgetary amount that the GLA requires is up over 145% since the first full year of running, from £39m to £96m.

A key driver in this growth has been in Media and marketing personal. Over the Mayor's last term alone this area has grown some 42%. In 2003 there were 49 full time equivalent media marketing positions. By April 2007 this had grown to 69.6 FTE's⁴⁶.

Of course this is just the media and marketing effort for the GLA itself. Including the functional bodies there are an incredible 173 press and communications related staff⁴⁷. All these organisations receive their funding via the GLA and Mayor Livingstone's budget. They are unlikely to be publicising anything apart from the Mayor's "success".



Too many press officers is not the only example of budgetary indiscipline in the GLA. Other examples include:

- Offices in Brussels, Shanghai and Beijing at total annual cost of £1m
- The London Paper, sent to all London households with stories on what Ken is doing for London, costs London taxpayers a net £3m annually to produce and circulate. The true cost is likely to be higher as the only advertising featured in it is from GLA bodies.
- The cost of foreign travel by the Mayor's Office was £36,490 in 2004-05; £103,130 in 2005-06; and £229,942 in April-December 2006⁴⁸.

In summary the running of the GLA not only appears to reflect the Mayor's profligacy but his penchant for self promotion.

⁴⁵ GLA public data. GLA budgetary staffing figures (2004-2007); GLA council tax leaflets (2001-2003)

⁴⁶ GLA budgetary staffing figures

⁴⁷ Source: Questions to the Mayor, asked by Sally Hamwee, Question No's 2471 / 2006 & 2875/2006

⁴⁸ Mayor Press Release "Mayor's foreign travel must have clear benefits for London"14-3-2007

Conclusions

The strange thing about Mr Livingstone's time in office is how little attention has been given to his track record. The Press tends to be full of stories on how the Mayor will do this or do that. Perhaps this is not surprising, given the 173 press officers who work for him in one form or another.

Yet put under close scrutiny his track record looks extremely patchy indeed. There have been some undoubted improvements: more police and more buses are some. Yet compared with the resources that have been made available these achievements look paltry. And other areas have in fact got worse. The Tube is more delayed; buses move slower and the congestion charge has failed. Overall Livingstone has failed to deliver.

And this failure is costing Londoners dear. Not only has the precept gone up so quickly to a staggering £303 a year, but the Mayor has also squandered the huge increase in government grants over the same time. Grants that cost the average London household over £2,000 in tax.

London will never be perfect. It is a huge and growing city. And in any city there will always be problems. But London does deserve better. Better than a story of waste, spin, and mismanagement. For the office of London's Mayor – it is time for change.

Appendix

Appendix 1: Reconciliation of Table 2 (TfL's financial position) and TFL annual report

All figures are £m's

	2003/04	2005/04	2004/05	2005/06	2006/07
Revenues	1941	2320.9	2554.5	2737.6	2965.5
Total operating costs	3190.7	3953.3	4212	4456.7	4682.2
Operating costs	3178.1	3937.7	4189.9	4433.8	4634.7
Share of JV costs	12.6	15.6	22.1	22.9	47.5
Interest & similar payments	55	52	141	196	270
Finance lease charges	23.3	33.6	61.6		
Loss on sales		-19.9	5.5	15.8	23.6
Interest payable			4.1	114.2	199.4
Interest receivable	31.4	18.2	55.4	58.2	70.4
Pensions movements		20.5	13.9	7.9	-23.9
Operating loss	- 1,304	- 1,685	- 1,798	- 1,915	- 1,986
Total Subsidy	2174.1	2752.4	2400.7	2373.8	2598.6
Revenue grant	1791.1	2230.2	2121.3	1974.6	1979.8
Other grant	5.1	5.7	12.2	15.9	44.2
Precept	35.8	57.8	25.8	20	12
Capital grants	189.8	323.6	138.8	205.8	410.5
Third party contributions	152.3	135.1	102.6	157.5	152.1