

# Johnson's "bailout" of Transport for London: a windfall for asset-strippers

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The Conservative government's "bailout" of Transport for London (TfL), agreed by Labour Mayor of London Sadiq Khan, is a brutal shake-down operation. The threat of bankruptcy is being used to force through a fire-sale of public assets, the gutting of transport workers' pay and pensions, the introduction of driverless trains and the hiking of fares in what is already one of the most expensive passenger transport systems in the world.

Last May, as passenger revenue collapsed in response to the coronavirus pandemic, TfL came within days of being unable to meet its financial obligations. London's transport authority relies on fare revenue to fund a staggering 72 percent of its operations, compared to 38 percent for New York's Metropolitan Transit Authority, 38 percent for Paris's Île-de-France Mobilités, and 37 percent for Hong Kong's Mass Transit Railway.

"The situation is now critical", Khan wrote to Chancellor Rishi Sunak on May 10, 2020. "TfL can't provide their staff, suppliers or lenders certainty that it can pay them beyond the next payment run."

Documents obtained under Freedom of Information show that TfL's pleas for financial assistance were repeatedly ignored. On May 14, 2020, the transport authority came within hours of issuing a Section 114 notice under the Local Government Act, declaring its inability to meet its expenditures. In scenes reminiscent of a failed state or banana republic, frantic phone calls by the Mayor to the Chancellor went unanswered, with Khan finally sending a written appeal to Prime Minister Boris Johnson warning of, "the closure of London Underground and most of the capital's bus network, as we will not have the funds to continue."

Johnson, the former Mayor of London, responded with deliberate brinkmanship. Transport Secretary Grant Shapps issued a reply to Khan at the eleventh hour, setting out the terms of an "Extraordinary Funding and Financing Agreement". It provided £1.6 billion in place of lost fare revenue between April and October 2020. Bankruptcy was averted on the basis of savage cuts across the transport network agreed by Khan and the TfL board. Extraordinary powers were handed to newly installed Special Representatives who would enjoy complete oversight over all TfL decisions by the Mayor and TfL's board, reporting directly to Number 10 Downing Street. A further £1.8 billion bailout was signed in November.

## What's in the "bailout"?

The latest bailout agreement signed on June 1 is the most draconian yet. Emboldened by the complicity of Labour's mayor and the transport unions with bailout agreements over the preceding year—including a TfL-commissioned review that called for swingeing cuts—the Conservative government has gone for the jugular, setting in place an "efficiencies programme to achieve financial sustainability (i.e., free of government emergency support) by April 2023."

In return for £1.8 billion to replace lost fare revenue to December 11, 2021, Khan and the TfL board have agreed to make "rapid progress on longer term reforms which are likely to be implemented beyond 2023". Khan has approved a free-marketeer's shopping list reportedly overseen personally by Johnson, Sunak and Shapps. They speak for a generation of Tory leaders intent on completing Prime Minister Margaret Thatcher's drive to "roll back the frontiers of the state", regarding any form of state support for the NHS, education and transport as anathema.

TfL is viewed in these circles as a socialistic quango beholden to the unions whose reliance on government funding must be ended. That billions of pounds have been handed to private rail and bus companies during the pandemic poses no contradiction, it merely confirms that socialism for the rich is alive and well, and that, contrary to Thatcher's paeans to the "free market", capitalism could not survive for one second without constant state support and intervention.

Under the banner of "self-reliance", the bailout gives prominence to TfL "growing its commercial development income", calling for the creation of "a dedicated commercial property company". It sets the pace for a fire-sale of property assets, with TfL required to submit a "housing development plan" to Shapps by June 11.

TfL is one of the largest landholders in London, with an estate of 5,700 acres, worth billions. In 2015, an already cash-strapped TfL announced the development of 50 sites, but around 600 more are ripe for the picking. The vultures are already swooping. Dozens of business leaders published a letter to Shapps and Khan last month, ordering them to fix London's transport system and demanding "now is the time for action". The majority of its CEO signatories were from property and investment firms which stand to profit from the sale and development of TfL land and property assets.

The bailout establishes stringent delivery timescales for "further operating efficiencies of at least £300m in 2021/22" along with "identification and consultation on new/increased income sources of between £0.5-£1.0bn p/a from 2023". Khan and the TfL board have also agreed to "accelerating TfL's existing modernisation programme to implement the full £730m of recurring savings delivered by April 2023".

Khan has sought to distance himself and Labour Deputy Mayor for Transport Heidi Alexander from these slash-and-burn measures, telling the press, "This is not the deal we wanted". But he is beholden to the same financial interests. Indeed, Khan boasted of his own role in slashing costs since 2016: "as Mayor I reduced TfL's deficit by 71 per cent and increased its cash balances by 13 per cent." In July 2020, in response to the collapse in TfL finances, Khan commissioned an independent review "to investigate options for providing TfL with long-term financial sustainability".

Led by bankers, its recommendations included: gutting pensions on the London Underground to save £100 million per year; a 25 percent increase in all fares that include Zone 1 travel; continued suspension of the Freedom Pass during morning peak times for people aged 66+ and the

disabled; axing the 60+ pass to save £156 million; and extension of the central London congestion charge to outer London to raise £500 million each year.

Shapps' Emergency Funding Agreement rubbed these proposals in Khan's face, declaring that TfL would be "required to demonstrate how they have taken into account the findings and recommendations of its own Independent Review".

A key recommendation of Khan's review was pension reform. It argued that "TfL's current pension model is expensive... The scheme is generous to employees when benchmarked against the Network Rail and Civil Service schemes, which have been reformed." The current "outdated" scheme should be replaced by "a career average model rather than the current final salary scheme" and be "closed to new entrants". Shapps merely walked through Khan's open door, his Funding Agreement citing "the Mayor's Independent Review" which had agreed "to carry out a review of their pension scheme and reform options with the explicit aim of moving TfL's Pension Fund into a financially sustainable position." TfL must present its final recommendations for pension reform by 31 March 2022.

TfL's support for driverless trains on the London Underground is also a precondition for the latest round of bailout funds. It is considered a pet project of Johnson. Earlier this month, the *Telegraph* recalled Johnson's visit last year to a site in Goole, East Yorkshire where Siemens will open a rail manufacturing facility in 2022 to construct a new fleet of Underground trains fitted with driverless technology. Clambering on board a digger at the site, Johnson had told reporters, "let's not be the prisoners of the unions anymore, let's go to driverless trains and let's make that a condition of the funding settlement for Transport for London this autumn."

The *Telegraph's* chief business correspondent Oliver Gill observed, "Driverless trains are as much about ideology as they are about dragging the world's oldest underground railway into the 21st century. Johnson's desire to weaponise driverless trains to defeat the unions can be traced back to his days as London mayor between 2008 and 2016."

During this time, Johnson clashed repeatedly with London transport workers on pay and privatisation. While the Rail, Maritime and Transport workers union (RMT) is portrayed as the Tories' bête noire, Johnson relied on the RMT leadership to wind down strikes against the mass closure of ticket offices, enforcing the destruction of hundreds of jobs. He said the RMT's then leader Bob Crow was the man he would go to "if the deal was to be done."

During the next six months, TfL must show "sufficient progress towards the conversion of at least one Underground line to Grade-of-Automation 3 (driverless, but with an on-board attendant, as on the Docklands Light Railway)" and a "Full Business Case for the Waterloo & City Line within 12 months and for the Piccadilly Line within 18 months."

A KPMG report into driverless trains commissioned last year by TfL concluded it would cost £7 billion, and that "the financial payback is negative". Others have placed the cost at closer to £10 billion, with engineers and other experts warning the system is not suited to the speed of trains on the London Underground, nor to the curved design of its criss-crossing network of tunnels. Still, Shapps' bailout commits TfL to "Market engagement into alternative platform edge protection technology, to be led by TfL and completed by 30 November 2021", "Design work on rolling stock specification, new signalling, and Platform Edge Doors (PEDs)" and "a full review of the potential for the implementation of GoA3 on the rest of the network. The review will conclude within the next twelve months. DfT's assessment of progress made towards conversion will factor into agreeing any longer-term funding settlement in the future."

Elsewhere, the bailout agreement makes clear that the safe introduction of driverless technology cannot be entrusted to a ruling class whose every decision is premised on protecting profits. With the coronavirus pandemic

having killed more than 65 rail, bus and London Underground workers over the past year, and with hundreds left with debilitating long-COVID symptoms, the bailout stipulates that "TfL will take all practicable steps to manage absence levels to support the delivery of services."

The government has also secured Khan's agreement that TfL will "take all reasonable steps to avoid industrial action during the funding period, and if necessary, will be expected to take all reasonable steps to mitigate the impact of any industrial action." It states, "We expect TfL to freeze pay in line with the public sector pay pause". The deal includes the especially punitive clause that travel concessions for school children and the elderly in London "will not be met by HMG [Her Majesty's Government] funding" and that TfL must fund these concessions "by maintaining the Congestion Charging changes implemented in June 2020" and by increasing council tax.

It is telling that the government's own report into TfL, conducted by KPMG, has remained secret. Even the TfL's new commissioner Andy Byford was forced to read the report under lock and key in an office at the Department for Transport, according to the *Telegraph*. Meanwhile, the bailout agreement sets a chilling precedent, with Khan's powers as a twice-elected Mayor effectively overturned and subsumed by unelected Special Representatives who must approve each staged release of funding based on progress in slashing costs.

The RMT has responded with denunciations of the TfL bailout as a "disgraceful stitch up of a deal". RMT General Secretary Mick Lynch declared, "Attacks on workers' pensions are wholly unacceptable while driverless trains are unwanted, unaffordable and unsafe." But the RMT is currently participating in the government's Rail Recovery Group that has pledged to gut pensions and slash costs across the rail network nationally.

While indicating the RMT will not seek reaffiliation to the Labour Party, Lynch told the *Morning Star*, "Clearly it is in the interests of everyone in the working class to have a strong and powerful Labour Party, even if we don't support everything it does." It is therefore no surprise that the RMT has sought to whitewash Labour's role in the TfL bailout. A May 27 press release cited Khan's recent election pledge: "I'll fearlessly stand up for the city, oppose further austerity, argue for the investment London needs and face down shameful attacks on our values." The union's call for a "long term TFL financial package that secures the future of jobs and services" is framed to echo Labour's own meaningless appeals to the Johnson government.

The Shapps-Khan bailout is an act of social vandalism against the working class. A safe, efficient and affordable mass transportation system can only be achieved through a frontal assault by workers on the wealth and power of the financial oligarchy. The transport companies, property developers and banks must be expropriated, their enormous wealth seized, and the knowledge of engineers, scientists and transport workers harnessed to meet society's needs. This task requires a struggle to build a socialist leadership in the working class.



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