

Transport Committee

6 January 2010

Transcript of Item 6: Upgrading the London Underground

Caroline Pidgeon (Chair): Let us move on to Item 6 then, our main item, upgrading the London Underground. We are very pleased today to have before us Richard Parry, who is Interim Managing Director of London Underground, Chris Bolt, who is the Public-Private Partnership (PPP) Arbiter, and Dean Finch, Chief Executive of Tube Lines. Thank you very much indeed for coming in today and I think, given everything in the media this week, this is of huge interest to Londoners.

I will kick off the questioning today with what has been reported in the last few days. We have seen an item today that said that Tube Lines has asked for 131 full days' closure on the Northern line, including 21 entire line weekend closures, 14 weekend closures north of Stockwell and 28 weekend closures south of Kennington. We also saw yesterday rumours that the Tube could close starting from 8.30pm and we also have read that, Dean [Finch], you pledged that you want to avoid regular weekend closures of the Northern line. So what is the true situation, Dean?

Dean Finch (Chief Executive, Tube Lines Limited): We have, as part of the normal planning process, submitted applications for weekend closures. We had originally asked for, I think, 40 full weekends and then --

Caroline Pidgeon (Chair): 40. Four zero?

Dean Finch (Chief Executive, Tube Lines Limited): Four zero. And then 12 months of early closures/engineering hours for the Northern line, from Sunday through to Friday, starting at 10pm.

We are in a process of iteration with London Underground. We have got teams working together on this and, as part of that process, it became apparent that it would not be sensible or possible to use engineering hours philosophy for the Morden branch so we have moved to weekend closures for that. So we are now in a position where we think we need something like 82 weekends of closures plus engineering hours.

Where we are on engineering hours; we have got something like, I think, 16 months that we are talking about from Sunday night to Thursday night starting at 11.30pm. I should say that, as far as I am concerned, the position is not finalised. The internal teams working on this, both at London Underground, at Tube Lines and at Thales, our contractor, are due to report back to me in a week or so's time and that will present a position that I would then be looking to discuss with Richard [Parry] and to consult more widely on that. It would also be our intention to get an independent assessment of whether the closures we have asked for are fair and reasonable.

Caroline Pidgeon (Chair): You are saying 82 weekends of closures is what you are currently looking for on the Northern line?

Dean Finch (Chief Executive, Tube Lines Limited): Yes.

Caroline Pidgeon (Chair): Did you actually learn anything from our report on the passenger experience where we suggested you started from a point of no closures?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, we did. We looked at it extensively and we worked in great detail with both London Underground and with Thales, our contractors, and, unfortunately, we cannot get to a position of no closures, we believe, but if we were to take the same methodology as we were applying for the Jubilee line, for example, we would need something like over 140 weekends of closures, so from moving to 140 weekends of closures down to 40 weekends of closures, which was our original request, I think that does demonstrate that we listened very carefully and very seriously to what you suggested.

I should also say that we are pushing our contractor very hard still to improve the amount of offsite simulation that can be done, which will have the impact of minimising weekend closures, and so the position is not yet finalised and I would hope to improve on the position that I have just described to you.

Caroline Pidgeon (Chair): I am not sure it is that clear. You said you had originally asked for 40, or you were looking at 40. You are now saying you need 82 weekend closures but it is better than the 140 it could have been. I do not think passengers are going to be that satisfied with that, are they?

Dean Finch (Chief Executive, Tube Lines Limited): Unfortunately I do believe that we cannot upgrade the Northern line without closures. I wish that was the case but, given the position we are starting from, closures are necessary.

Valerie Shawcross (Deputy Chair): Can I come in on the Northern line because, of course, it is a constituency issue for me, and a very serious one. When does the public get to know? I have heard speculation that work is going to be starting in March. It is only eight weeks away. If you are running a business or planning a wedding or doing anything else we would like to know when the Northern line is going to be available and when it is not, so when will the public get to know?

Dean Finch (Chief Executive, Tube Lines Limited): Well evidently they know now because it has been --

Valerie Shawcross (Deputy Chair): No, when are the specific dates of the full and the partial closures going to be published so people can plan the year ahead?

Dean Finch (Chief Executive, Tube Lines Limited): We need to finish the work internally first. I think there are some dates in March. The normal position is that --

Valerie Shawcross (Deputy Chair): So when will the public be told the dates you are working on?

Dean Finch (Chief Executive, Tube Lines Limited): Well, London Underground normally take responsibility for providing that information so I cannot answer that question.

Valerie Shawcross (Deputy Chair): When will the public be told? Perhaps somebody else can help me with that.

Dean Finch (Chief Executive, Tube Lines Limited): London Underground would normally publicise that.

Caroline Pidgeon (Chair): Richard, could you perhaps answer Val's question?

Richard Parry (Managing Director, London Underground Limited): We are very concerned at the extent of the closure programme. We do think it is unnecessarily disruptive, both in terms of the number but also the scale of the closures that are talked about. What Dean [Finch] said is true; that there has been dialogue about whether a less disruptive programme can be agreed. That is something that has to come from Tube Lines. I have asked some of my people to help it with their thinking and we are waiting

to see whether that comes out with anything, but I am extremely concerned about your point, Val [Shawcross], about the urgency for this.

I want to go out and tell the public - the customers, the businesses - but, frankly, if I come out with something that is still in a fluid state because Tube Lines has not resolved what its final position is, I run the risk of giving people information that I very quickly, or maybe not, have to reverse. So my message really is that we have to get clarity and there has to be, in my view, a much less disruptive programme. We do think - and we have obviously reviewed the experience of others and the material in your report - that it is possible to have a less disruptive programme and that is what I am still urging Tube Lines to do, but I take your point, Val, that we have to get out and communicate what is in front of us.

Valerie Shawcross (Deputy Chair): People need to know the specific dates and the specific sections of the Tube are going to be closed when. If you have to publish a larger programme and then you burn that back and are able to release some weekends, that is better than what was happening on the Jubilee line, which was when there were short term unexpected closures and we were being told that there had been closures when effective use had not been made of the time when closure had happened. So we really seriously need Tube Lines - and London Underground - but Tube Lines, to get its act together on this because there is not an alternative to the Northern line in certain areas of south London. Are there going to be any last minute closures in this programme, do you think? Once we know the programme, is that going to be the programme?

Dean Finch (Chief Executive, Tube Lines Limited): I would hope that once we have agreed the programme that is it.

Valerie Shawcross (Deputy Chair): On a scale of one to ten how much do you hope that that is it?

Dean Finch (Chief Executive, Tube Lines Limited): Ten out of ten, Val.

Caroline Pidgeon (Chair): So basically it is fixed. Once you have got the programme you are saying it is fixed?

Dean Finch (Chief Executive, Tube Lines Limited): [nodded]

Caroline Pidgeon (Chair): For the record that is a yes.

Valerie Shawcross (Deputy Chair): You talked about the methodology. I have heard it said - and I am not an engineer - that it would be better to use the signalling overlay methodology so that the systems would be easier to switch from one to the other and you would not have to have such extended periods of closures. I think it may have been Chris Bolt who said that to the Select Committee. Are you using the same methodology that you used on the Jubilee line?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, we are.

Valerie Shawcross (Deputy Chair): Did you look at any alternative methodologies?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, we did. We looked at it extensively but Tube Lines' view is that the approach we have taken is the best and most appropriate method to get the job done.

Valerie Shawcross (Deputy Chair): The best in what sense; technically, efficiency, safety?

Dean Finch (Chief Executive, Tube Lines Limited): Given the position we are in, all of those, Val, yes. Given the position we have started from, yes.

Caroline Pidgeon (Chair): What about in terms of disruption to passengers though? Would the other system not have been far better for passengers?

Dean Finch (Chief Executive, Tube Lines Limited): I think that is a case that is unproven, in our view.

Caroline Pidgeon (Chair): That is what Madrid told us was a good way to do it¹. I think that is what the Victoria line has used.

Dean Finch (Chief Executive, Tube Lines Limited): I think what I remember from Madrid is we were starting from an entirely different starting point so I do not think we are comparing apples with apples.

Jenny Jones (AM): Just let me clarify for a moment and make sure I have completely understood this. You are going to close for 82 complete weekends over the next 18 months. Is that right?

Dean Finch (Chief Executive, Tube Lines Limited): That is what we requested, yes.

Jenny Jones (AM): So that is virtually every single weekend?

Dean Finch (Chief Executive, Tube Lines Limited): Whether it is over the next 18 months is a matter for Richard [Parry] and I to discuss to figure out how best we can get that job done in view of the demands on the system. I think we have got something like 22 weekends of closures currently agreed. As to when the end date of this programme is, that is still something that we need to discuss with London Underground. My instinct would be that it will not be 82 weekends over 18 months.

Jenny Jones (AM): You are saying you have got 22 weekends agreed but you have not got the dates of those?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, those dates are now set.

Victoria Borwick (AM): But are they published?

Valerie Shawcross (Deputy Chair): They are not in the public domain.

Jenny Jones (AM): You cannot tell us now when those dates are?

Dean Finch (Chief Executive, Tube Lines Limited): I do not have the detail with me, but I take your point; we can get that detail out to everybody.

Jenny Jones (AM): I feel we are trying to scrape some mud away and clarify things and you are not helping us very well. So you have got 22 dates you can give us, today, of when it is going to close?

Dean Finch (Chief Executive, Tube Lines Limited): Yes.

Jenny Jones (AM): And we can publicise those?

Dean Finch (Chief Executive, Tube Lines Limited): Yes.

Jenny Jones (AM): Thank you. One other question to you and that is at what point are you going to decide how to compensate people who have got season tickets? Not everybody works Monday to Friday; there will be people who are working Saturday or Sunday who have got season tickets.

¹ Transport Committee meeting on 3 September 2009 with guests from Metro de Madrid

Dean Finch (Chief Executive, Tube Lines Limited): I do not think that is a matter for Tube Lines. I think that is a matter for London Underground.

Jenny Jones (AM): Don't you think? It is not a matter for you to give compensation or refunds?

Dean Finch (Chief Executive, Tube Lines Limited): No, that is not how our contract works, no. Our compensation is to London Underground.

Victoria Borwick (AM): It is Transport for London (TfL) isn't it?

Richard Parry (Managing Director, London Underground Limited): Let me just go back half a step if I can and then come to your question, Jenny. We have not announced the closures because, despite them being applied for in the specific contractual process that we have to govern access, which is a very tight and prescriptive process about, really, my responsibility for administering access, rather than passing any judgement upon it. We have had applications. We are obliged to process those applications and approve those applications, so when we say 22 have been approved they have been through the formal system and we have acknowledged that there is no fundamental reason why that particular weekend cannot accommodate a closure.

However, we have also had a very clear message from Tube Lines that this process is under review and they do not believe that these closure applications that they have made are necessarily the final position. I find that very frustrating because I want to get those closures announced so we are very clear with people but, equally, I want to ensure, as far as I can - I have very little contractual pressure to do this - that no more disruption is created than is absolutely necessary, hence we have been engaging in a dialogue with Tube Lines to try to help them - maybe I should say drive them towards - coming up with a less disruptive programme.

I take the point though that time is very short and we do have to announce what is going on for this next period of time. To clarify, I know of 65 weekends that have been requested. Some of them have only been requested in the last few days. Not 82.

Caroline Pidgeon (Chair): Sorry, 65 weekends. We were told it was 82.

Richard Parry (Managing Director, London Underground Limited): I am clarifying, Chair. I know of 65. Dean [Finch] has obviously got a further set that have not been into the process and those closures are all in the next 21 months, because the Northern line upgrade is due to be delivered in January 2012, so we are talking about the very tight timescale.

In terms of compensation - let me come to that - we have a policy of not giving compensation for planned weekend closures in general. The reason for that is that we do announce them as far in advance as we can, often it is six months or more in advance. Obviously in this case, like we saw on the Jubilee line, it is not possible to do that if we do not get that information ourselves early enough, but we certainly give, at the minimum, several weeks' notice. Our policy is that it is much better for customers, when we are spending a lot of money on upgrading the Underground and a lot of money providing alternatives so people can continue to move around the city that, if we, on top of that, started to pay money in forms of compensation, that is heading in the wrong direction in terms of the investment that we can afford.

It is also true to say that in general, in terms of season tickets, they are priced on the basis of a Monday to Friday package and the weekend - I know the weekend is when people travel - but, in terms of the cost of the ticket, it represents pretty good value even for Monday to Friday. To give people compensation for the weekend, at a time at which we are looking to put together funding to continue to afford the investment programme would, I believe, not be in Londoners' or anyone's interest.

Jenny Jones (AM): This is something I have asked you about before and that is that lessening the pain slightly by, for example, giving people information on alternative routing. The one thing I did ask you before was about cycling. I do not want you to spend TfL's smarter travel budget. Are you, London Underground, spending some money on promoting other ways of getting up and down the Northern line? For example, one of the Mayor's cycling superhighways virtually goes along the route of the Northern line south.

Richard Parry (Managing Director, London Underground Limited): We will be spending significant sums of money promoting alternative ways of travelling in the areas that are affected by closures, yes.

Jenny Jones (AM): Including walking and cycling?

Richard Parry (Managing Director, London Underground Limited): Yes.

Caroline Pidgeon (Chair): It was a recommendation from our report which we hope to get a response to.

Jenny Jones (AM): I want to clarify the walking and cycling, that is all, because I think that gets left out.

Richard Parry (Managing Director, London Underground Limited): That will be included as part of it. To stress though, Jenny, it will be done in partnership with TfL because TfL is clearly doing an overall programme and it would daft for me to invent a separate London Underground programme.

Jenny Jones (AM): But you will be giving some funding?

Richard Parry (Managing Director, London Underground Limited): We will be funding that amount of the communication that is brought together to support the closure programme that ultimately is needed.

Richard Tracey (AM): In common with Val [Shawcross] I have a very serious constituency interest in this, because my constituents are all the way from Clapham South through Balham and Tooting right down to Morden, so you will understand why I am extremely concerned by what we are hearing about by rumour really at the moment, not facts. To start with, surely it is madness to start trying to do this and starting closures in March, is it not? It is very clear that the liaison between Tube Lines and London Underground is not really sufficiently advanced on the Northern line planning, from what Richard Parry has been saying. You must, surely, delay it beyond the middle of March?

Dean Finch (Chief Executive, Tube Lines Limited): Richard, I understand your concern and this is a very significant impact to users of the Northern line. We have been discussing with London Underground since June of last year how we will go about the upgrade on the Northern line, in some considerable detail. Tube Lines is flexible as to the start date of that programme, entirely flexible, and Tube Lines is also entirely flexible how best to get the job done, which is why we have got a process running at the moment where my engineers are in dialogue, extensive dialogue, with the Head of Projects at London Underground and his team, and that team is due to report back to me in a week's time. So the position, as far as I am concerned, is not finalised and Tube Lines is flexible as to the start date.

Richard Tracey (AM): So a delay beyond the middle of March is perfectly feasible?

Dean Finch (Chief Executive, Tube Lines Limited): Yes.

Richard Tracey (AM): It sounds to me as though you need probably two or three months' delay beyond that point, actually, before you start. Honestly, when I talk about hearing rumour, we get stuff

from *The Guardian* and stuff from the *Financial Times*. In the *Financial Times* you are reported as saying, "No weekend closures". Were you misreported?

Dean Finch (Chief Executive, Tube Lines Limited): I think I was misreported.

Richard Tracey (AM): Is that speculation?

Dean Finch (Chief Executive, Tube Lines Limited): I certainly did not say no weekend closures.

Richard Tracey (AM): It has come up again in a piece in the newspapers from Andrew Gilligan [London editor, *Daily Telegraph*] this morning, that that was in the *Financial Times*, something that you are supposed to have said.

Dean Finch (Chief Executive, Tube Lines Limited): I certainly did not say no weekend closures.

Richard Tracey (AM): Surely part of the whole thing is whether you are proposing the right sort of closures. What sort of study have you done into whether you even go in for a complete block closure? I know some of my colleagues in the Assembly have mentioned why not close the Northern line and give really good advance notice to the public, close it through the whole of August, when obviously usage in the normal way is down?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, I agree. Certainly that has been looked at.

Richard Tracey (AM): But is it still being looked at?

Dean Finch (Chief Executive, Tube Lines Limited): For installation work, from an engineering point of view, block closures would be very efficient. They would not be efficient for the testing work which comes towards the end of the project. That has been the subject of this study but the conclusion has been that would, on balance, be more disruptive to users of the Northern line, and that is something which we have discussed in detail with London Underground and I am told that is their view.

Richard Tracey (AM): You mentioned earlier on in one of your answers that you were going towards extensive consultation and communication. What do you mean by that? Are you going to talk to borough leaders and their transport engineers for example, as well as talking to London Underground (LU) because, believe me, we are getting it in the ear from our borough leaders along the line. They are extremely worried about the disruption to their residents, who are of course also my residents. They are significant areas of government that ought to be consulted. Are you going to consult with the travelling public themselves in some meaningful way?

Dean Finch (Chief Executive, Tube Lines Limited): We certainly will try to talk to all of the boroughs affected and we will try to talk to passenger groups --

Richard Tracey (AM): Try? You have got to succeed.

Dean Finch (Chief Executive, Tube Lines Limited): No, we will. We will talk to the boroughs affected and we will talk to passenger groups and consult with those.

Richard Tracey (AM): It is possible these days, with all the technology, to do an online consultation with the travelling public. What about that? It does seem to me that they have got a real stake in this and it is all very well for experts to get together but, at the end of the day, the travelling public really do need to have their say and need to know where they are going.

Dean Finch (Chief Executive, Tube Lines Limited): I completely agree.

Richard Tracey (AM): What about the alternatives? I suppose this is really more one for Richard Parry. If you are talking either about weekends or, indeed, there is the talk about evening closures and even earlier in the evening than we had first of all been led to believe, if you do close for these periods are you going to make sure that there are alternative bus services, really extensive alternative bus services? Jenny [Jones] is talking about cycling but I frankly think that the public are probably going to need the buses as an alternative, especially down the corridor that I represent.

Richard Parry (Managing Director, London Underground Limited): Just to answer that specifically, yes, London Underground will continue to invest very significantly in providing alternative services where we have to. You are absolutely right that the volumes of people who are affected on some of the sections of the Northern line are very considerable and there is no alternative that will be anything like as effective as the Northern line, but we certainly are as committed as we will need to be and we will spend serious money in providing alternative services.

The key point for me to stress in this is we do think that the scale of what is proposed on the Northern line is well beyond what we think is needed to do this work. I am concerned - and that is why we have not been out there talking about this closure programme - that the extent of this programme is beyond what is needed and so, for me, where this needs to start is, are the lessons being learned from the Jubilee line? Notwithstanding what Dean [Finch] says, I am concerned that, within his project team, his sub-contractors tell us that is not the case. We are going to see the same failed approach that was taken to the Jubilee line brought across to the Northern and, again with respect to Dean I do not think he can give us any confidence that this is a programme that will only last two years because, actually, we have still got another, at least, nine months until the Jubilee line may be complete and there is absolutely no way of being confident at all that the Northern line will not also overrun, particularly when the timescale for people to work on the Northern has been dramatically reduced by the progress, or lack of it, on the Jubilee.

So we are very concerned at this approach that is being taken. I have got to plan alternatives but, for me, the first place to start with this is why is the scale of this what is proposed? The Northern line is a long line with complex branches. To close the whole line to the extent to which it is proposed, the number of times that will happen, the whole line even north of Stockwell, is a massive area to be inflicting pain on London and we are very concerned at that.

Richard Tracey (AM): This is a very significant difference of opinion it sounds to me, what you are saying, that you believe there are far too many closures - which we all seem to believe too - and yet obviously Tube Lines is arguing exactly the opposite. So how are we going to go forward on that?

Richard Parry (Managing Director, London Underground Limited): Under the contract I am obliged to facilitate the access that Tube Lines says it needs. That is the way the contract works. There is an allowance for closures across the whole of the Tube Lines part of the railway but the whole presumption in the PPP - which I think we talked about last time - was a mindset change that we believe we need to take, is that access is some sort of free issue that you can use up to get the work done, rather than to see it in the way that I think we are going to see it when we approach new projects like the sub-surface upgrade, as a very precious resource that you do not want to use any more of than you absolutely have to, and you have to come up with every possible innovation to avoid this sort of access.

Again, without trying to score points, it is a concern to me that, in our discussions with Tube Lines, they are pushing to increase the amount of access that they have for their second seven and a half year period. They are looking to double the amount of closures that they are permitted to have under the PPP from that that they have had in the first seven and a half years. I struggle to see how that is something that we can contemplate and I struggle to see why it is necessary. I do think that is something that we have to bear down on and do what we can but, ultimately, within this PPP framework, I am very constrained as to what I can control.

Richard Tracey (AM): It has been suggested to some of us in conversations around the industry that there may be problems with the type of signalling that is being put into the Jubilee line and maybe that has caused extra delays, and that could be avoided. Do you completely --

Dean Finch (Chief Executive, Tube Lines Limited): No. I do not share that view at all.

Richard Tracey (AM): -- refute that? Are you an expert on signalling? I suppose you have got some experts obviously.

Dean Finch (Chief Executive, Tube Lines Limited): The signalling on the Jubilee line is installed. It worked very well over Christmas and continues to work very well as it is going through its testing phase at the moment so, I am afraid, I do not know what you are talking about.

Caroline Pidgeon (Chair): Can we move on to the Jubilee line, as we seem to have moved the discussion on. Have we got a clear idea of the programme of closures for the Jubilee line post-Easter and what is the actual expected date for completion of the upgrade of the Jubilee line now?

Dean Finch (Chief Executive, Tube Lines Limited): As I said, we had a good performance of the system over the Christmas period; trains were working. If I am being frank, I think the system exceeded our expectations in terms of its performance. The next key date for us is going to be in February where we have got a weekend closure coming up and, building on that, I am expecting that, through Easter and through May, we will make substantial progress which could see the service running in passenger mode at weekends towards the end of May.

Caroline Pidgeon (Chair): What do you mean by that?

Dean Finch (Chief Executive, Tube Lines Limited): What we will do is introduce the system gradually on to the railway. So rather than have it working, we will have the Transmission Based Train Control (TBTC) system operating, our new signalling system, working at weekends and carrying passengers towards the end of May.

Caroline Pidgeon (Chair): When will all the completion of the upgrade be completed on the whole line?

Dean Finch (Chief Executive, Tube Lines Limited): I am expecting it will be fully into service by the end of October and, if we continue the progress at the rate we are delivering at the moment, we will beat that deadline. I am putting a degree of caution in that because a new signalling system has always got problems with it. I have never seen a new signalling system anywhere in the world being introduced without some sort of early issues that need ironing out but, as I said, so far the signalling system is proving to be pretty good.

Caroline Pidgeon (Chair): What are the financial penalties that Tube Lines has had to incur because of this late delivery?

Dean Finch (Chief Executive, Tube Lines Limited): They will be substantial.

Caroline Pidgeon (Chair): What sort of figure are you talking at, say, the end of October?

Dean Finch (Chief Executive, Tube Lines Limited): I would expect Tube Lines is looking at in the order of £40 million to £50 million.

Caroline Pidgeon (Chair): So you are having to pay out £40 million to £50 million?

Dean Finch (Chief Executive, Tube Lines Limited): Yes.

Caroline Pidgeon (Chair): Because of the delays to this. What about then moving on to the Northern line upgrade. Will that be completed by the deadline of January 2012?

Dean Finch (Chief Executive, Tube Lines Limited): That comes back to chicken and egg. It depends on how we agree the final picture of the closure programme and so on. If we can drive our contractor to a more efficient method of installing and offsite simulation then we may be able to get to the 2012 date. At this stage though I cannot comment because until we reach the end view of what the overall picture looks like, we know at this stage what the quantity, the quantum of access we need looks like, but it will depend on working with London Underground as to how we get the dates, when we get the dates and when we will get the job done.

Caroline Pidgeon (Chair): I have to say it does sound to me there is an awful lot of blame going on here and if you have been in discussions since last June to try to agree your closure dates on the Northern line, it seems like you need someone in to mediate between you, quite honestly, because seven months on you have not got a programme and you are talking about closing the lines in a few weeks' time. I think it is really quite unacceptable.

Dean Finch (Chief Executive, Tube Lines Limited): Absolutely.

Valerie Shawcross (Deputy Chair): Just a follow on question from that and then I would like to talk to Chris [Bolt]. Mr Finch, I read somewhere there is something like £500 million worth of claims being made between Tube Lines and London Underground Limited (LUL) and one of the most recent ones, a very major one, was found against, very flatly, by the independent arbitrator. Are you going to pay for the overrunning on the Jubilee line or is Tube Lines intending to dispute that one as well?

Dean Finch (Chief Executive, Tube Lines Limited): The contract is very clear. Tube Lines will suffer those liquidated damages, so that is the position.

Valerie Shawcross (Deputy Chair): That is very helpful because I am sure we are bleeding a lot of money to lawyers at the moment probably as well.

Richard Parry (Managing Director, London Underground Limited): Can I just clarify there that it is not clear to me, despite what Dean [Finch] says, that they are saying that they are accepting the outcome of the adjudication, so I just want to be clear that I am still concerned that, notwithstanding the utter vindication in the verdict of London Underground --

Valerie Shawcross (Deputy Chair): Perhaps we will ask some more questions about that in a minute, Richard. That was just specifically about the current overrun period that we are suffering on the Jubilee line.

Chris, you are the independent Arbiter, you pore through all the financial detail and you have a statutory role in this but I am sure you know more than your statutory role probably requires you to. Can I just start off by asking you what you think the lessons might be from the problems of the Jubilee line upgrade that could be applied to the Northern line? I noticed at the Select Committee you said you thought the Jubilee line could and should have been delivered on time so you have obviously got some views about what has gone wrong there, so we would like to know what your independent view is of the issue we are in at the moment.

Chris Bolt CB (PPP Arbiter): I should preface my remarks by saying what I published in December were draft directions. I received yesterday extensive representations from Tube Lines and London Underground so my comments are reflecting the position as at December rather than a full scrutiny of the additional points that I have been sent, and the final decisions will come out on 4 March.

The way the contract works is that I am asked to look at this hypothetical Notional infrastructure company (Infraco), the company that has the same contract as Tube Lines and the same financing as

Tube Lines but which operates from the date of transfer, in grand legal language, “in an overall efficient and economic manner and in accordance with Good Industry Practice”. What that means is that I have to take a view on how Tube Lines could have operated with all the contractual provisions in place and with good industry practice at the time it was taking decisions. So this is not using hindsight to say it could have done something differently if it had had a different call on what good industry practice was; it is saying what was realistic at the time.

The basis of the draft directions I issued in December was saying that it would have been possible, in my view, for the Notional Tube Lines Infraco to have approached the procurement of the signalling upgrades in a different way than it actually did. It no doubt could still have contracted with Thales and almost certainly adopted a TBTC technology, but to approach that procurement in a different way which would have allowed it to manage more effectively some of the risks and problems which have emerged, particularly with the Jubilee line, and would have delivered the Jubilee line by the end of December, the contractual date, probably at broadly the cost that Tube Lines originally contracted for. Then there would be lessons to learn from that in doing the Northern line and, particularly, the Piccadilly line in a rather different way.

On the specific issue of closures that you have been debating I was asked for guidance on the closure allowance that was appropriate for the Notional Infraco in the second review period and my guidance to the parties is that a closure allowance in line with the level originally proposed by London Underground in restated terms, 21.5 million lost customer hours, would be adequate for the Notional Infraco. That is obviously very different from saying, starting from where Tube Lines actually is, what it will need in the second review period. That issue has gone to contractual --

Valerie Shawcross (Deputy Chair): Is it possible for you to characterise then what the different approach in procurement would have been? How could it have been better?

Chris Bolt CB (PPP Arbiter): I would identify two key issues. One is that the timing of the contract with Thales meant that a number of the risks that were involved in taking the TBTC system as implemented on other lines and modifying it for the Jubilee line would have been better understood. That would then have fed into an ability to manage the contract with Thales in a more effective way and, potentially, deal with some of the problems that have arisen in a speedier way. Now that clearly is my view, advised by experts including people who have operated on the Docklands Light Railway (DLR) where a similar system works. I am saying a rather different approach to the procurement would have allowed more effective project management.

Valerie Shawcross (Deputy Chair): Do you think we are going to get more effective project management from Tube Lines on the Northern line project?

Chris Bolt CB (PPP Arbiter): I do not think there is any doubt - and it has been reflected in the discussion already - that Tube Lines will learn a lot of lessons from the experience of the Jubilee line which will be of value in delivering the Northern line upgrades. In a sense, with the draft direction I am proposing, if the final direction is broadly in line with that - which, as I say, is an assumption; I need to look at the representations - that would give Tube Lines a very great incentive to ensure that that was actually achieved.

Valerie Shawcross (Deputy Chair): You said, I think, that the closure programme that LUL originally suggested, that your original proposition for numbers of closures and periods of closures, was broadly right and workable, how far off that is what Tube Lines is asking for now? How much more is it asking for than LUL had originally proposed?

Chris Bolt CB (PPP Arbiter): In terms of lost customer hours which is the measure in the contract, I gave draft guidance that the figure in the restated terms from London Underground of 21.5 million lost customer hours would be adequate. Tube Lines' figure, I believe, was just over 35 million.

Valerie Shawcross (Deputy Chair): So why do you think they are getting it ten million plus wrong?

Chris Bolt CB (PPP Arbiter): I think part of it is difference between starting from where they are actually starting from and --

Valerie Shawcross (Deputy Chair): I am not quite sure I understand that. Do you mean because there has been such a huge delay and a knock on --

Chris Bolt CB (PPP Arbiter): Because there has been a delay on the Jubilee line and the implementation of the TBTC approach has been taken forward in a particular way, some of the opportunities that, in my view, the Notional Infraco would have had by approaching this project in a different way from the start, simply do not exist.

Valerie Shawcross (Deputy Chair): So it is not retrievable then at this stage?

Chris Bolt CB (PPP Arbiter): Some of it probably is not retrievable because I think everyone agrees that there is a limited amount of work that could have been done, taking forward the signalling system on the Northern line, until the Jubilee line was essentially finished. They were designed as a sequential programme and that is probably inevitable, so this pushed work into the second review period.

Valerie Shawcross (Deputy Chair): What I do not understand is are you saying therefore that the request being made by Tube Lines for these 35 million customer hours is reasonable then, given where it is, or do you think that could actually be managed downwards as well?

Chris Bolt CB (PPP Arbiter): I am not expressing a view on that, not least --

Valerie Shawcross (Deputy Chair): Oh go on. We want you to.

Chris Bolt CB (PPP Arbiter): Not least because that is a matter of contractual dispute between London Underground and Tube Lines and, given the provisions of the PPP agreement - you may think it is bizarre, but there it is - that is a matter for dispute resolution and, potentially, another independent adjudication. It is not a matter for me.

Valerie Shawcross (Deputy Chair): Do you know what? It is a matter for us because we are elected representatives and, at the end of the day, these are all public assets and this is all public money and we are being told there is this little private dispute about whether or not you can have another ten million hours of closure --

Chris Bolt CB (PPP Arbiter): I quite understand.

Valerie Shawcross (Deputy Chair): -- and I think a reasonable comment from you would be appreciated. We are in stalemate at the moment. This marriage is going badly wrong again. We are being told that in March we are going to get these closures but you do not know when and you do not know for how long and "you are just going to have to swallow it, Londoners". It would be really helpful if you could say whether or not there is a more sensible balance to be struck in this dispute going on at the moment between LUL and Tube Lines. Are Tube Lines being unreasonable, yes or no?

Chris Bolt CB (PPP Arbiter): Sorry, I am not going to answer that question and I know that will frustrate you, but what I am saying is that, under the terms of the contract - Richard [Parry] referred to a free allowance of access - my draft guidance is that the amount London Underground originally proposed as free allowance is adequate --

Valerie Shawcross (Deputy Chair): Is reasonable.

Chris Bolt CB (PPP Arbiter): If actual Tube Lines needs more, then a mechanism perhaps of Tube Lines paying for that extra access which would allow for London Underground to provide alternative transport and/or compensation might be the best way forward. But if I tried to answer your question, I think I would be receiving a letter from someone's lawyers.

Valerie Shawcross (Deputy Chair): Probably at public expense. Thank you, Chris. You are a diplomat.

Victoria Borwick (AM): I just wanted to check. So are you saying that it would not need that extra time if it had chosen the better system?

Chris Bolt CB (PPP Arbiter): That is the view I expressed in December, yes.

Victoria Borwick (AM): So we have now got ourselves into this muddle, to clarify what was said before, and there is no great movement forward.

Chris Bolt CB (PPP Arbiter): That is the implication. I think there are, probably, still opportunities. On the Northern line the opportunities are limited. There probably still are opportunities for Tube Lines, given where they are, to look at the Piccadilly line upgrade and really learn some lessons about practice elsewhere.

Victoria Borwick (AM): Fine. I think that is a very good point of clarification.

James Cleverly (AM): Chris, I am fascinated by this Notional Infraco, the concept, you create a model, this Notional Infraco, and then you compare it against the reality of Tube Lines' delivery. In order to depersonalise it and perhaps take a little bit of the heat out of the discussion I would like to ask a few questions about this Notional Infraco. The model that you created; did this Notional Infraco have secondees from the shareholding companies of it and, if so, how much within the Notional Infraco is budgeted for that?

Chris Bolt CB (PPP Arbiter): I took the view that that sort of arrangement was consistent with the approach a Notional Infraco would take. There are some provisions in the contract about that. The view I also took was that, given the relatively high cost of that agreement, the Notional Infraco would actually deliver more efficiently than if that arrangement had not been in place.

James Cleverly (AM): Would your Notional Infraco have put those positions out to, I suppose, the equivalent of public tender, but tested those costs against the market?

Chris Bolt CB (PPP Arbiter): In a sense - Dean [Finch] may want to elaborate - the Tube Lines' framework has secondees from Bechtel very heavily involved in project managing the projects, and secondees from Amey more on the renewals and maintenance end of things. Given the relatively high cost of those secondees, given the terms of the secondment agreements, I would expect the Notional Infraco only to take that approach if it was delivering a lower overall cost than not having those secondees.

James Cleverly (AM): Over the seven and a half years of the contract what kind of order of magnitude are you looking at in terms of the cost of those secondees?

Chris Bolt CB (PPP Arbiter): It is several hundred million pounds paid under the secondment agreements.

James Cleverly (AM): Several hundred million. It is quite an interesting figure because, when we look at the figure that TfL is putting forward in terms of our position for the next seven and a half years, we are looking at £4 billion. Your draft adjudication is looking at £4.4 billion. So there is a several hundred

million kind of order of magnitude you are discussing in terms of the secondees and there is a several hundred million pound differential between the two which has to be found.

I know we are going to go into that and I do not want to tread on anybody's toes, but you are using the phrase "significant cost" and, if I am reading rightly, you are saying that in the difference between our Notional Infraco and the actuality of Tube Lines, there perhaps was not the robustness in market testing the cost and very high cost and minimal usage. Does the reality of the Tube Lines model - the level of cost, the level of utilisation, how heavily market tested - fit within what Londoners would regard as good value for money?

Chris Bolt CB (PPP Arbiter): I believe that the basis of the draft direction does deliver the value for money which is part of my statutory duty, for example. I think the important issue is to look not simply at the element of secondment agreement costs, but to say what it delivers. Another part of my draft direction was an extra efficiency, over current good practice unit costs, of over £140 million over the next seven and a half years. I am looking at the total costs and saying, "Does that meet the contractual requirements of costs which a Notional Infraco would agree to after a competitive tender?" Although I have built it up from individual elements there are, in a sense, some swings and roundabouts looking at those different components.

James Cleverly (AM): So you have not done a direct test of that specific point?

Chris Bolt CB (PPP Arbiter): It is not my job to go out and say, "Could you run that tender again". I take a view on whether the approach which Tube Lines has actually taken is one which the Notional Infraco would have taken and if that is delivering overall efficient and economic outcomes, then I will take the Tube Lines approach. If I think that Tube Lines could have done things differently with a better overall outcome, either in terms of delivering the requirements under the contract or delivering them more cheaply, then I take that alternative approach.

James Cleverly (AM): I would suggest that if we look at the scale between the Tube Lines proposition at around £5.75 billion and TfL's position of about £4 billion, on a sliding scale between the two, your draft position is much closer to the position put forward by TfL which would imply, if I am reading into this rightly, that your feeling was that this Notional Infraco would behave more in a way that TfL would see it happening than is currently being put forward by Tube Lines. I am quite conscious - and if you cannot answer this perhaps, Dean [Finch], if you could - what was the investment by the shareholding companies, by Bechtel and Ferrovial, into Tube Lines; again the order of magnitude?

Dean Finch (Chief Executive, Tube Lines Limited): I am afraid that predated me.

James Cleverly (AM): The figure I have got - and I am willing to concede that this has not come from you - is in the region of £135 million, and you are suggesting that, through secondee fees, they are already taking out hundreds of millions, so they have got their money back. Now we are looking at a situation where an unmarket-tested group of people are drawing money out of a programme which we are desperately trying to squeeze best value from. It just does not strike me as if that situation provides anything like best value for Londoners.

Chris Bolt CB (PPP Arbiter): That is an area on which I have received representations from London Underground. I will look at it again; no implication that I will necessarily change my view but I will look at it again before final directions on 4 March.

Dean Finch (Chief Executive, Tube Lines Limited): There are a couple of notions in this that I would like to talk about. The secondment fees work two ways under the agreement so, provided Tube Lines is making a profit, then the shareholders are entitled to secondment fees. To the extent that Tube Lines, in the next seven and a half year period, may make a loss, then basically, under that agreement, the shareholders will cough up and support Tube Lines, so it is not a one way street this.

The second point I would make is, in part, your characterising, with respect, the secondment fees as simply a one-way take; they are not. There are costs associated with those. There are basically payroll costs associated with them.

James Cleverly (AM): But my concern is they have not been market tested. If we had a benchmark, if we were able to say that these excellent people helping to deliver this excellent programme are doing so at or about the market level I think we would perhaps have more comfort. What we are not able to do is have that conversation because the costs of those secondees are untested and I think in a situation where, let's be honest with you, the public mood is not hugely pro-Tube Lines - and that is the reality, that is not a judgement call, it is just a reality - that in situations like this I think it would be incumbent upon Bechtel, Ferrovial and Tube Lines to be able to provide the evidence to say, "We are providing as tight a financial model as we are able to" because someone is going to have to make up that £400 million shortfall over the next seven and a half years and it looks to me as though if it is likely to be Londoners that are going to have to cough up for that and I do not feel comfortable with that.

Dean Finch (Chief Executive, Tube Lines Limited): There is a notion here that the contract was never market tested, but it was.

James Cleverly (AM): Not the contract.

Dean Finch (Chief Executive, Tube Lines Limited): So were the secondment fees in it. They were negotiated with London Underground at the time of entering this contract and, as it has been described to me - I was not there at that time - these fees were discussed extensively with London Underground and the shareholders of Tube Lines and that was the agreed approach. The market testing that you are referring to is now provided by Chris [Bolt]. That is the basis of the contract.

I think it would be interesting maybe to understand, in other contracts, what secondment fees are given. For example I think, in the case of the Victoria line on a contract of about £400 million, I am told that the secondment fees are of the order of £80 million. Now the secondment fees in respect of Tube Lines' case is something of the order of 5%. That is the one piece of data I have. Maybe it is wrong. Maybe Richard [Parry] would like to clarify it but that is the data I have.

The key point I would like to make is that these secondment fees are being characterised as a simple profit take whereas, in fact, they are a two way bet.

James Cleverly (AM): I think that two way bet I think we need to look at the order of magnitude here. We are currently looking at either descoping the work, which basically means Londoners lose out, or TfL borrowing the money, which has to be repaid, and the interest will be coming out of the pockets of Londoners, which means Londoners lose out, or we take money from other TfL projects, which means Londoners lose out. You are suggesting that there may be a situation whereby Bechtel and Ferrovial lose out financially. I have highlighted a whole load of very, very likely situations where Londoners lose out to the tune of £400 million over the next seven and a half years. In terms of a set of scales, in terms of that balance, that just looks completely out of kilter.

Chris Bolt CB (PPP Arbiter): If I may, the draft direction may have been set at the wrong place. I will take my final decision in March. What I am saying in the draft direction is that if London Underground wants the outputs that are in the contract in the second review period, it cannot achieve those outputs at a level of £4 billion.

James Cleverly (AM): Your draft decisions?

Chris Bolt CB (PPP Arbiter): My draft decisions.

Caroline Pidgeon (Chair): That was useful.

Valerie Shawcross (Deputy Chair): We wanted to get into that core conversation about the cost of the next period. I want to ask Chris if you can tell me whether or not the proposed £4.4 billion cost that you have suggested, is likely to change now, in light of the new information about the cost of the Victoria line and the rejection of Tube Lines' claim against London Underground for £327 million? What are you going to be doing in March? Are you going to be coming out with the same figure do you think?

Chris Bolt CB (PPP Arbiter): I am not in a position to anticipate March, not least because I am still working through the representations which, without going into detail, maintain what is a large difference of view between Tube Lines and London Underground. So, in a sense, I am getting it from both sides.

To take the two specific points you raised, clearly had Tube Lines got a better outcome from the adjudication the issue about adding in costs, as they suggested I should do, for the time and effort and other costs involved in dealing with London Underground would not have arisen. They have made the point again I need to look at that. I will look at that. If I am persuaded that there are costs for the Notional Infracost arising from the behaviour of London Underground, which are not recovered in other ways, then I will add something in there, but I have not taken a view on that.

On the Victoria line costs, yes, there have been significant differences of view about the appropriate comparison. I have had independent reporters looking at this issue and comparing the numbers that were in the representations I received from London Underground last November and the ones which it provided to Tube Lines under Freedom of Information. It is clear there are some differences; they are broken down in different ways, they are on a different price base. There are some issues there.

It is also a matter of what is comparable with the costs in the Thales contract because, clearly, given the way the Victoria line upgrade has been approached, with new rolling stock as well as signalling, there are some questions of cost allocation. The reporters have given me a draft report on that comparison. It has gone to London Underground for factual accuracy, Tube Lines will get it by the end of the week and I will expect further representations from them on that.

If it turns out that the costs of the Victoria line upgrade are, as Tube Lines argue, higher than originally represented by London Underground then there will be some consequential changes - not pound for pound - because of the way I use the Victoria line as a partial benchmark for Tube Lines upgrade costs in the 4 March numbers.

Valerie Shawcross (Deputy Chair): So it is not just a theoretical debate about who is more efficient than others? This could actually provide a useful benchmark.

Chris Bolt CB (PPP Arbiter): Absolutely. Both London Underground and Tube Lines have said that there were some errors in the advice I received from my technical advisers in December and, clearly, I need to correct any errors.

Valerie Shawcross (Deputy Chair): You talked about the cost of the relationship and I think, clearly, there is a very great cost of this bad relationship to Londoners at the moment. Chris, if the independent arbitration has flatly turned down Tube Lines' application for more money because it was saying that LUL's behaviour has cost them money, if that has just been examined by an independent arbitrator and flatly turned down, how could you possibly justify trying to build some of those claimed costs into the next periodic review?

Chris Bolt CB (PPP Arbiter): It is entirely a matter of the basis on which the adjudicator reached his decision. Take one hypothetical outcome - it is not what actually happened - the adjudicator could have said, "I agree that Tube Lines has made its case but I do not think it is appropriate to make a financial award because the costs could be recovered through the review process". Clearly, if the adjudicator had said that, I would have needed to do something. I need to look carefully at what he actually said; whether there were some elements in the adjudication where he was recognising that there were costs to

Tube Lines but, as a contractual matter, those costs were not ones which could be dealt with through a contractual award, under the dispute --

Valerie Shawcross (Deputy Chair): So you will have to justify them very carefully.

Chris Bolt CB (PPP Arbiter): If I put costs in I have no doubt that I will be expected to justify any addition on this side of me and be under careful scrutiny on the basis on which I reach conclusions from the other side.

Valerie Shawcross (Deputy Chair): Are there any other major matters of fact, information or dispute that might influence a change in your direction?

Chris Bolt CB (PPP Arbiter): I think the big area clearly is the cost of the upgrades. That remains an area where there are material differences of view between the approach I took in December and Tube Lines. There are a significant number of other areas of detail which I will work through between now and 4 March.

Caroline Pidgeon (Chair): Let's pick up some of those now with each side so, Murad, do you want to ask your questions?

Murad Qureshi (AM): At this point we will try to establish Tube Lines' position so my questions are directed at Dean. Can you tell us whether Tube Lines can deliver the proposed costs following the rejection of its claims by the PPP Arbiter and, if so, how do you propose to deliver them, with any restructuring?

Dean Finch (Chief Executive, Tube Lines Limited): Part of what Chris [Bolt] was alluding to, I think, in that discussion there was one of the substantial reasons why Tube Lines failed to win the adjudication was because it had not made its claims contemporaneously. It did not make its issues known on time. Well, as part of living going forward, if Tube Lines has got a dispute with London Underground, then it will need to make that plain at the point when that dispute is taking place and when those costs are being incurred.

Chris has given us guidance, his draft directions, and, at this point in time, I think Tube Lines will do everything it can do to survive within that determination. To the extent that it cannot, well then it will utilise the Extraordinary Review mechanisms in the contract.

Murad Qureshi (AM): You have fallen back to the legal mechanism. Can I just have some examples of restructuring that you are proposing within the structure of Tube Lines and the way you are going to conduct your works?

Dean Finch (Chief Executive, Tube Lines Limited): I do not think it is appropriate for me to discuss, in open forum, something which is being developed internally within Tube Lines at this stage. It will look for efficiencies at every level. For example, Chris [Bolt] touched earlier on the procurement of the Piccadilly line. There is a different methodology which may well be more appropriate for the Piccadilly line than Tube Lines entered into for Northern and for Jubilee and, as part of going forward, Tube Lines, I fully expect, will re-examine that and will look to test the market. Similarly with other classes of assets. To the extent that we have a difference of opinion of what, say, lifts and escalators will cost Tube Lines to do that work, well Tube Lines will test that in the market. To the extent that it comes up with the answers that Chris has come up with, or his advisers come up, then there is no issue. To the extent that there is not, then there is the Extraordinary Review mechanism. That is how I expect Tube Lines will move forward.

Murad Qureshi (AM): I get the sense of that. You are falling back on commercial confidentiality but what odds are you going to give me that Tube Lines will not go into the Extraordinary Review process and the implications of that?

Dean Finch (Chief Executive, Tube Lines Limited): I simply cannot say at this stage. There is not an Extraordinary Review at this point in time. We will test the market and the market will come back with what it will come back with. I cannot say what the market will come back with. To the extent that Chris [Bolt] is proven right, there will not be an Extraordinary Review. To the extent he is proven wrong, there will be one.

Murad Qureshi (AM): I understand you are going to be leaving soon from your position, Dean, and you have assured some of my fellow Assembly Members that you were not, does that not reflect very badly on this arranged marriage, when we have already got one party that is not particularly keen on this arrangement? Are you not part of the willing party and does that not suggest that the willing party is not as willing as possibly has been suggested?

Dean Finch (Chief Executive, Tube Lines Limited): I do not know why my personal position is a reflection on what happens in this contract or not. I have been given an opportunity to go and run another business. I think this happens every day in business. It is a good opportunity for me personally and I have decided that I am going to pursue that opportunity. Tube Lines has had, in seven years, two, I think, chief executive officers. I do not think that is an indication of a company that is in constant change.

Jenny Jones (AM): We would like to turn to Richard and have a London Underground perspective on this whole thing. Do you think you can afford it, this cost?

Richard Parry (Managing Director, London Underground Limited): To recap my position, we are of course making representations to Chris [Bolt], as he said. We think that there is a very strong argument for why the number that we end up with should be around the £4 billion number that we have indicated to Chris. We think it is the right cost and that is the number that we can afford. Clearly we have to prepare, however, if Chris does not and he ends up with a number that is a little higher than we can afford.

The first thing we should come back to is really where James [Cleverly] was asking. We have made very strong representations to Chris that we think the cost payable to the shareholders under the secondment fees is unjustified. It is not directly related to the individuals. Even individuals who are seconded have very substantial mark-ups but, over and above that, there are very, very, very substantial costs that are paid to the shareholders that we simply do not think are justifiable. So that is one element of how we believe the contract could be made affordable.

There is also, of course, the prospect of additional funding. The PPP was always developed as a vehicle that, over the first 15 years, would see an influx of money coming in to the underground to fix the place up, to upgrade and to renew, and then a following 15 year period - to make the entire 30 year contract - in which the bulk of the upgrade work would be done and, therefore, a lot of the money that would have been invested up front would be repaid over time. It was always, therefore, clear that at this point, as we are in the absolute peak of the upgrade investment, that there would be a need for an injection of further money. We are going to make the case very strongly that says, if there is a shortfall indeed in terms of what London Underground can actually afford right now, then the matter to address that is to look at bringing additional funding in, and the route by which that was devised in the original PPP concept, was for Tube Lines to raise that money in the private markets.

That was the whole concept of the PPP so, as far as I am concerned, we have various routes by which we can afford to do the work going forward, starting with the fact that we think it can be done for £4 billion, starting with the fact that we think there are excessive fees to the shareholders that should be foregone before there is any prospect of any work being reduced, and, finally, through additional funding, which was always the intention at this point in the PPP concept.

Jenny Jones (AM): You are not though thinking along the lines of changing the scope of the requirements? You are sticking to what you planned?

Richard Parry (Managing Director, London Underground Limited): We are due to give Chris [Bolt] a response on that by the end of this week. We have a TfL Board tomorrow where that will be discussed, so I cannot answer that definitively because there will be a discussion. It is clearly a very serious matter for London Underground, for TfL to think about. We are clear that what we have done over the last year is to examine very, very carefully the scope of work going forward and we have done an awful lot to pare back to pragmatically finesse the scope down to that which we believe is the essential scope for London.

We believe, therefore, that to go any further than that, to be asked to descope any of the work for the next seven and a half years, will be a devastating blow to London; it will lose very, very significant benefits from the upgrade. The whole concept, as I say, of the PPP was to deliver this core scope to upgrade the Tube, big step change, a transformation so we get the world-class service that this city deserves. I do not think it is the right outcome at this point to step away from that. However, that is my view and there will be a discussion at the TfL Board tomorrow.

Jenny Jones (AM): On additional funding you have made approaches to the Government, presumably? You are having discussions with the Government on this?

Richard Parry (Managing Director, London Underground Limited): There is an ongoing active engagement with the Government, yes.

Jenny Jones (AM): You cannot give us any more information on that?

Richard Parry (Managing Director, London Underground Limited): I do not know what more there is to say other than we have a funding settlement with Government that was agreed in 2007. We have had a series of events since then - the collapse of Metronet, the response to that, etc - whereby we have talked actively to Government. Our view is that Government was the essential part of where this was devised, the PPP, and therefore it has a stake in examining how we resolve anything at this point going forward, so Government is, I am sure, a very active participant in this.

Jenny Jones (AM): Quite. It's a shame they might not be there afterwards, leaving somebody else to clear the mess up. Obviously what we are worried about is that all this extra money gets put in but fare paying passengers are going to have to pay more for the pleasure of this fantastic service. Now there is a limit on what people are prepared to pay. Are you thinking about recommending any fare rises to the Mayor?

Richard Parry (Managing Director, London Underground Limited): No. As you know, under the respective powers, it is a matter for the Mayor to set fares in any case.

Jenny Jones (AM): He does not just dream up those figures though, does he. Or perhaps he does!

Richard Parry (Managing Director, London Underground Limited): We saw the TfL business plan published in the autumn. Clearly, as part of that process which takes us through to March 2018, a whole series of discussions about the right balance of investment, cost savings, fares etc were actively worked through and a position was reached that was presented in that business plan in the autumn, and that is the position that the Mayor is, I am sure, firmly based on and I am not making any assumptions about that changing. It is not a matter for me to make any kind of observation on that other than that is the context in which this piece of work is going on.

Jenny Jones (AM): Presumably the figures are constantly being looked at. It is always an option, isn't it? Putting up fares.

Richard Parry (Managing Director, London Underground Limited): London Underground is a very dynamic business. To manage the place you have to know where your income is and what your costs are, of course, and that is capital costs, that is cost through Tube Lines, that is the other costs that we incur, and the operating costs of running the place. That will be part of the job of being Managing Director of London Underground for ever I am sure so, in that sense, yes, one has to constantly look at making sure one balances the books.

Jenny Jones (AM): Let me go back to raising money from the Government. If that is not a practical option for various reasons, you would look to other sources?

Richard Parry (Managing Director, London Underground Limited): As I said, the PPP always envisaged the inflow of additional funding at this point because of the profile of the work being done over the life of the 30 year contract. We have done an awful lot to cut the expected costs going forward through working on achieving what we think is the core scope that is needed for London over the next seven and a half years. If there is still a shortfall then there will have to be ways found of resolving that but, as I say, the TfL Board will talk about this more extensively tomorrow.

Jenny Jones (AM): I am asking your opinion, I suppose. Do you actually think it is practical looking for more money when there is such tension between the two organisations?

Richard Parry (Managing Director, London Underground Limited): There are two perspectives to that. I think the most important perspective is that the underground needs to continue to be renewed. The upgrade of the underground will have a transformational effect on the whole city, on the economy and the future development of London and, therefore, whatever happens there must be nothing that jeopardises the renewal and upgrade of the underground.

Separately there is a discussion about the nature of the PPP and how that works and how the respective consequences of the various mechanisms in place have to work through. That needs to be done but I hope that does not distract from the absolutely fundamental requirement which is to upgrade the underground to provide the world class service that the city depends upon having if it is to grow, develop and prosper as well hope it will.

Caroline Pidgeon (Chair): Can I just pick up from what you were saying, Richard, with Dean. So is Tube Lines looking at borrowing to cover any of the extra costs?

Dean Finch (Chief Executive, Tube Lines Limited): This is a question which is subject to the second stage of Chris' [Bolt] directions and what Chris is looking at is what is the best value for money for the source of that finance. If he determines that it is Tube Lines then Tube Lines will raise that finance. If he determines it is not Tube Lines then it will not be Tube Lines.

Caroline Pidgeon (Chair): So depending on what Chris says depends whether you look to borrow or not.

Dean Finch (Chief Executive, Tube Lines Limited): Yes. It is the Arbiter's outcome really, again.

Chris Bolt CB (PPP Arbiter): Perhaps I should clarify on that, given the alternative ways of closing the gap that were identified previously. If London Underground says, "Yes, over the long run we can afford the scope in the second review period" there are two ways of filling the gap between what it has identified currently and that cost. One is Tube Lines borrowing. One is finding the gap elsewhere within the TfL budget which may, potentially, involve extra government money but that is a second order point.

There is a legal question about my ability to set an infrastructure service charge higher than the affordability constraint. The basis on which I have consulted London Underground and Tube Lines assumes that I am able to do that, but I have had further representations on that and it is one of these areas where the PPP contract, unfortunately, is less clear than we would all like it to be.

Valerie Shawcross (Deputy Chair): That was the point I wanted to make because the whole point of the PPP was to bring private financing to help deliver the underground. What you are suggesting, basically, is either TfL spends some of its existing capital programme money or borrows to cover this funding gap, but of course there is a huge cost to Londoners. Yesterday I had the Disability Access Network in my office who are absolutely desperate about the number of access programmes that have been cancelled in London because of the pressures on the main Underground improvement programme. It is absolutely dire. There is a huge impact on people. I personally would ask you why would you think it would fall to TfL to borrow money to cover this gap when, actually, TfL has enormous other demands on its capital programme?

Chris Bolt CB (PPP Arbiter): I quite understand those other demands which is why I have asked about the overall affordability. But if Tube Lines borrows the money, let us be absolutely clear, it has to be paid back and financed over the remaining 22.5 years of the contract. This is not extra money for London. I use the analogy of a credit card. It is buying the upgrades in the second review period on Tube Lines' credit card which has to be repaid. This is not getting away from financial constraints.

Valerie Shawcross (Deputy Chair): I am sure Londoners will think about this issue about banks get too big to fail. This PPP was a set of private contractual arrangements. Presumably if the commercial partner in this PPP cannot deliver the contract and cannot raise the financing then it fails and there should not be a situation where a private partner to this cannot be allowed to fail. I do not see why Londoners would be picking up the pieces.

Chris Bolt CB (PPP Arbiter): No one is saying that I think at the moment. As Dean [Finch] said, one option clearly remains for Tube Lines to raise additional finance. That will have to be paid for over the remaining 22.5 years of the contract. My question to London Underground, and TfL behind London Underground, is can you afford that? The increase in the costs has happened despite already significant reductions in scope through the restated terms.

So, compared with the initial ranges numbers I published more than 12 months ago, the costs to Tube Lines in the second review period have come down by about £1 billion. For two reasons; one is the agreement in principle that it is better value for TfL to buy the Piccadilly line trains and for Tube Lines to lease them, rather than Tube Lines buy them and finance them. Secondly, the reductions in scope which have already taken place. So what we are seeing is an increase in costs in the second review period, not because the scope has increased - it has not, it has gone the other way - it is because the costings for the second review period and beyond, in my view, reflected in the £4.4 billion draft direction, were significantly underestimated at the time this contract was entered into. That is irrespective of who is doing the work. It is just saying the costs of upgrading the underground are more than were anticipated when the PPP arrangements and the 30 year scope of the PPP was being devised.

Valerie Shawcross (Deputy Chair): I think my point is a slightly different one. What I am saying to you is if Tube Lines cannot borrow the money you are not demanding, are you, that TfL be the agency that borrows the money from the public sector?

Chris Bolt CB (PPP Arbiter): All I am saying is, to London Underground, "Can you afford the cost - whether it is Tube Lines raising the finance or some other mode" given that it is clear from the work I have done that the cost of upgrading the underground is turning out to be higher, even taking account of good practice internationally, than was expected when the PPP was devised.

James Cleverly (AM): I appreciate what you just said but what you just said really concerns me, because the implication of what you are saying is that, whether it is now or in the second review period or whatever, at some point, TfL is going to have to shoulder the burden for the increased cost. Your analogy was that it was a credit card.

Chris Bolt CB (PPP Arbiter): Yes.

James Cleverly (AM): The implication is we are spending it now but at some point it has got to be paid back.

Chris Bolt CB (PPP Arbiter): Yes.

James Cleverly (AM): My understanding of the whole concept of PPP is shared risk and, from what you are saying, that concept of shared risk has been completely blown out of the water and it is the case of, "Well, whoever raises the money, whenever they raise it, London taxpayers pay".

My understanding of the whole point of the PPP was that the private part of the partnership shared some of the risk and if some of the costs were greater, then that perhaps eats into their profitability, or if they made a horribly bad decision they do not make a profit at all.

From what you are saying, conceptually, we have shifted that now to Londoners will pay for this and all we are debating now is whether they pay for it now or whether they pay for it later. I have a fundamental problem with that.

Chris Bolt CB (PPP Arbiter): The PPP in a sense has two parts to it. Delivering the upgrades, where there clearly is shared risk with the Infraco because if the Infraco is unable to deliver at the level of costs that I or my successor determine the Notional Infraco could have delivered, that is a cost to Infraco, not to London.

In terms of the financing, right from the start of the PPP, there are what are called in the contract fixed amounts which guarantee the payments back to the Infraco to cover the cost of financing the initial debt and, if there is new equity raised at the time of the review, then those fixed amounts will increase and the Infraco is guaranteed that repayment. So there is no risk share on the financing; there never was.

James Cleverly (AM): So where is the risk share?

Chris Bolt CB (PPP Arbiter): The risk share is on the cost of delivering the work for the amounts assumed. But there is no risk share on the financing; never was.

Caroline Pidgeon (Chair): There you go. Another reason for this great contract. Victoria, do you want to move on to the relationship?

Victoria Borwick (AM): May I say thank goodness that you are sitting in-between, Chris. You look more like a mediator than just an Arbiter. We have had talk this morning of 82 weekends, 22 dates, 65 weekends. We have had lots of different figures bandied around which implies, I think, to us observers that maybe there is not enough clarity about the relationship. How do you think that you are going to all work together to take things forward? Inevitably this is only going to work if you have got collaborative working and, at this precise moment, there does not seem to be a great deal of that, as things break down. This marriage seems to be breaking down somewhat. So could we have an idea from Tube Lines and also from TfL as how you see yourselves resolving the disputes that are currently concerning everybody?

Dean Finch (Chief Executive, Tube Lines Limited): I would beg to differ. In the spectrum of the work that we do between us I think there is a broad spectrum between excellent collaboration as is witnessed on the day-to-day operation of the railway, which I think works as well as any model that I have seen work anywhere in my experience, to outright hostility and that is, I guess, the way it is. It is unfortunate. I, for my part, have tried to bring as much by way of collaborative working as I can to this contract. Tube Lines and London Underground are both guilty of playing out differences in public which, I think, is a waste of all our times.

I think that what we should see more of is the kind of weekly trilateral meetings, for example, which are taking place at the moment, which has moved the position on on the Jubilee line. What we have seen in the last six month is clarity has been bought to the Jubilee, as a result of very good working between London Underground, Thales and Tube Lines. We meet weekly and there are further meetings during the week. That will need to take place for the Northern line after I have gone, I would suggest, because the important thing at the end of the day is, despite our differences, the job gets completed.

Now I am optimistic. I share Richard's [Parry] notion that what we are about here is delivering an upgraded Tube for London. I think that Tube Lines is pretty close to that on Jubilee and we will see, during the course of the summer, the upgraded network working in operation and I think passengers will get the benefit of that.

It is late. I regret the fact that it is late but, since I have been there, I have been doing everything I can to bring it back on time and I think we have made progress in that regard.

Richard Parry (Managing Director, London Underground Limited): From my view I echo what Dean has said about a lot of the working level relationships. They have to be very close and they have to be based on trust because the way the railway works depends on that. You have to think of the thousands of people out there who are working together to deliver the service on the Jubilee, Northern and Piccadilly lines day in day out. So there are a lot of close working relationships. You have to remember, of course, a lot of people in Tube Lines did use to work for London Underground so that is a key factor and, actually, a lot of people see themselves as all part of the London Underground fraternity, family, whatever, anyway.

I do think you have to very much acknowledge, at the same time, as Dean said, that there is a lot of very adversarial behaviour and I would attribute that, if I am to speak honestly, to the nature of the way that Tube Lines has approached a number of the claims, etc. It is very difficult to have an entirely constructive working relationship with someone who is constantly throwing claims at you and who has a department of 43 people whose job is to generate claims against London Underground, particularly as we saw with the TBTC claim, when it is played back over something like five or six years. So meetings that people had in good faith at that time are then turned round and described in a very different way, as though they were somehow malign and they were doing things to impede progress when what they were trying to do, at the time, was actually help progress.

I do welcome what Dean has said about disputes and issues being raised at the time. In fairness to him personally he has always said that. But the organisation that he heads has a very different flavour and that is a flavour of seeking to pin blame on London Underground any way it can for events in the past, actually that do make the relationship extremely difficult to conduct in a collaborative way.

Now we are all going to try to focus on moving forward. This period of time is clearly a particularly intense one, with various submissions being made. The very fact that Tube Lines put in an initial submission that is well over £2 billion higher than Chris [Bolt] has ended up in his draft determination does suggest to me that the nature of this dynamic, in this contract, is that it does lend itself towards people making overbids and claims for things and there has to be quite a lot of head to head to try to resolve that.

The other thing I would say is that it is important for some of the behaviours to have some firmness in them because my job is to hold this contract to account. Without getting too carried away, Tube Lines is, in effect, a private monopoly. It is two shareholders who have a 30 year contract to take a lot of money from London's farepayers and taxpayers. Now I am not saying there is anything wrong with private companies working to make profits. Of course that is what the whole economy depends on but, actually, you need a very strong client to hold such bodies to account. That is my job; to hold them to account to make sure that no money is spent, other than wisely, in pursuit of an improved underground, that when they are late for delivery, as they have been on the Jubilee line, we very firmly hold them to

account for that. I would not make an apology for fulfilling that role because I think London depends upon a strong client to hold such an organisation as Tube Lines to account.

Victoria Borwick (AM): It looks as if you are still going to have to be mediator and Arbiter, having heard those two responses then! Chris, can I just take you back just quickly to something you said earlier on. You talked about maybe being able to salvage or re-look at costs when going forward. Of course, presumably, most of the procurement contracts have already been signed so, as you indicated earlier when going forward, you cannot retract the contracts already placed, although you had take a view that they might have been done better. Surely, looking ahead, many of those contracts have already been placed too?

Chris Bolt CB (PPP Arbiter): Yes. For the upgrades particularly. As I was saying, I think the approach to the Northern line, given where things are, cannot change significantly but, in terms of managing the project, there are some lessons to learn. I think, as Dean [Finch] has already identified, there may be options, despite the option in the contract with Thales having been exercised, to apply the same approach to the Piccadilly line, for the approach there to be looked at and, potentially, re-tendered.

Victoria Borwick (AM): Inevitably, while there are still those tensions I do not think any of us here, let alone those watching wider, can think the synergy is quite working for the benefit of passengers at the moment.

Chris Bolt CB (PPP Arbiter): No, and I think the points which have come up in discussion about the nature of the relationship clarify my position on this. I am not advocating a claims culture within this partnership because that probably does get in the way of the effective working we have got. All I am saying is, unless the two parties to the agreement were to say “where there are major commercial issues, we will use the Extraordinary Review mechanism, for example, rather than the claims mechanism”, that is the world we are actually in.

Caroline Pidgeon (Chair): Can I just pick up on the claims point there because, apart from this recent huge claim the results of which came out last week, is it right that 70% of claims that Tube Lines has put in so far have been successful and LU has had to pay out?

Dean Finch (Chief Executive, Tube Lines Limited): Yes, it is.

Richard Parry (Managing Director, London Underground Limited): No, I am sorry, it is not anything like 70%. There have been quite a number of small claims, where they are about technical interpretations of the contract, where we have seen Tube Lines gain some money, I would say around 40% of the value of the claim submitted, but this claim that was entirely rejected just ten days ago was of a quantum and order of magnitude way beyond any of that and was a very different claim in terms of it being about fundamentally trying to push the responsibility for the delay on to London Underground and the actions London Underground has taken over the last five years.

Caroline Pidgeon (Chair): I appreciate that but there have been previous much smaller claims --

Dean Finch (Chief Executive, Tube Lines Limited): The figures I have, which I based my answer on, are I understand that Tube Lines submitted something of the order of £200 million worth of claims in the first seven years and it has been awarded something of the order of £140 million so, hence, 70%.

Richard Parry (Managing Director, London Underground Limited): I do not recognise those numbers, I have to say.

Caroline Pidgeon (Chair): Perhaps you might want to write and clarify that then, Richard, if Dean has given us those figures. Perhaps you might clarify that?

Chris Bolt CB (PPP Arbiter): I certainly recognise a figure of over £100 million, but I am probably not up to date with the latest one. But at least £100 million has been paid.

Dean Finch (Chief Executive, Tube Lines Limited): I will clarify it.

Caroline Pidgeon (Chair): I think it would be helpful to get that because, as it seems to me, we are hearing with this complex contract it is the lawyers who are winning here, rather than the passengers.

Richard Parry (Managing Director, London Underground Limited): Chair, I must just say one other thing, to be clear. The PPP contract provides for Tube Lines to claim for things that were omitted from the bid. So when we are talking about £100 million claimed, these are not claims against London Underground in terms of the behaviour as clients that links to the previous discussion. This is actually about a number of areas where it has claimed that things were not specified in the contract, etc.

Caroline Pidgeon (Chair): It would be helpful if maybe you can break it down into different areas between you and then we will see what you both say and then maybe go to Chris [Bolt] for a view on it.

Richard Tracey (AM): We have already heard quite a bit of discussion and James [Cleverly] has raised matters of the shareholders of Tube Lines and, indeed, so has Victoria [Borwick]. Richard Parry, at the December Board Meeting of TfL, you talked about payments of hundreds of millions going to shareholders. I would just like to clarify with Dean Finch what the benefits to the Tube Lines shareholders have been of the PPP agreement? Can you give us some sort of idea?

Dean Finch (Chief Executive, Tube Lines Limited): Thank you for giving me the opportunity because, clearly, I have not got that point across so far. Tube Lines' record in the first seven years is that it has cut its delays in half, it is 20 times safer than when it took over and, I believe, it is delivering the same work for less than London Underground is today. I know Richard [Parry] will dispute that but that is where I believe we are.

The area which it has failed on is the Jubilee line and it has suffered reputationally and it will suffer financially for failing to deliver the Jubilee line; rightly so. That is the transparency and accountability it brings within the contract.

In terms of the actual distributions though - and again I do not have perfect memory of this side of it because I was not there but I will clarify this in writing - I do not think the dividends that Tube Lines' shareholders have received is very large. I think it is less than £100 million, possibly less than £50 million, but I need to get back to you on that number.

Richard Tracey (AM): I was going to say, could you possibly write to us on that? I think it is rather important for us and for Londoners to know.

Dean Finch (Chief Executive, Tube Lines Limited): On the secondment fees, I think it has had of the order of £200 million during review period (RP) 1. I will need to clarify that, but I would like to make the point that that is not all profit. That would be payroll costs and that needs to cover other costs as well. I will write to you and clarify that for you.

Richard Tracey (AM): Please, if you would. Richard [Parry] mentioned, in answer to Victoria [Borwick], I think he said an army of 43 people that LU was having to deal with. I assume these are lawyers employed by Bechtel and Ferrovial. Is that right?

Dean Finch (Chief Executive, Tube Lines Limited): No, they are analytical people - there are one or two lawyers possibly - that are there to ensure that Tube Lines gets paid for the work it has done. Although we do not seem to be able to quite agree on the figure but, given that Tube Lines has received about £100 million for work which either was not in the original contract or which it was entitled to, I think that probably demonstrates to you why Tube Lines needs that number of people.

Richard Tracey (AM): Richard, perhaps we ought to hear your take on the 43 people. Are they analysts mostly?

Richard Parry (Managing Director, London Underground Limited): I do not know.

Richard Tracey (AM): Oh I see.

Richard Parry (Managing Director, London Underground Limited): They do not work for me. All I can say is that we have seen a huge claim, that has generated hundreds and hundreds and hundreds and hundreds of hours of work, legal work, for the responsibility for the delay to the Jubilee line and, subsequently, Northern line upgrades, entirely dismissed. So all the wasted effort that went in across the management team at LU and Tube Lines, and all the lawyers and all the expense, has been entirely dismissed.

Whatever Dean's argument for having some resources - and clearly any big contract has legal resource, etc - my argument is we are seeing an awful lot of wasted effort go into generating claims when that effort and that money should be going into delivering improved service for the future.

Just to answer your earlier question, my understanding is that, in the first six years, Tube Lines paid out something like over £400 million to its shareholders, of which we would estimate around a third might be attributable to direct cost of secondees. I think in the first six years alone the amount paid out by Tube Lines is of the order of £430 million or something, so over the first seven and a half years as a whole, we are expecting to see Tube Lines pay out to its shareholders something well over £500 million, something like £550 million.

Caroline Pidgeon (Chair): Dean [Finch] is going to clarify.

Richard Tracey (AM): You say your understanding, but is that on the record? If you have an understanding you presumably got that figure from somewhere. Is it on the record, Dean?

Dean Finch (Chief Executive, Tube Lines Limited): I will certainly provide you with that. Richard [Parry] may be referring to a dividend that is due to take place at the beginning of RP2. I am not absolutely certain. I was not there but I certainly do not recognise that amount of money being paid out to shareholders in RP1 that I am aware of, but I will clarify.

Chris Bolt CB (PPP Arbiter): Certainly if I could just add, in terms of the dividends that were built into the original pricing which are on the public record and they are part of the PPP agreements, there were no guaranteed dividend payments reflected in the pricing for the whole of the first review period. The dividends which are part of the fixed amounts which I reflect in future Infrastructure Service Charges (ISC) only start at the beginning of the second review period, but those amounts are in the public domain.

Richard Tracey (AM): I may have missed, conceivably, fragments of an answer to this question but can I ask it again? To what extent are Bechtel and Ferrovial incentivised to deliver value for money for London taxpayers? Could you answer that, Dean?

Dean Finch (Chief Executive, Tube Lines Limited): Certainly. I express this as the view of somebody who is not going to be around in a few weeks' time so I can give you an objective a view as I can and you can form your own view whether I am right in that or not. Certainly I believe that the determination Chris [Bolt] has come up with, at £4.4 billion, is a blinding deal for the taxpayer and represents exceedingly good value for money.

Jenny Jones (AM): Just on this whole lawyer thing. I cannot tell you how annoying it is, because it is taxpayers' money and we are all paying for it. When the Arbiter actually threw out Tube Lines' claim --

Richard Parry (Managing Director, London Underground Limited): It was an adjudicator, it was not Chris [Bolt].

Jenny Jones (AM): Yes, I know that. When it was thrown out so conclusively were you not awarded all the costs, everything that it cost you to fight the case?

Richard Parry (Managing Director, London Underground Limited): The award was for Tube Lines to meet all our direct legal fees. The wider point I was making was that it is the effort that goes into providing all that.

Jenny Jones (AM): Yes, of course. We understand that.

Richard Parry (Managing Director, London Underground Limited): So it is not just about the external legal fees; it is about the internal effort you have to make. My engineers were on trial in that exercise. The things they allegedly said and did five years ago. You can imagine how disruptive that is when your top signalling people, who you want to be putting their shoulder to the wheel to get the Jubilee line over the finish line and, what is more, deliver the Victoria line upgrade, to deliver the sub-surface line upgrade and all the other major projects that London Underground is directly responsible for, are dragged into a process whereby spurious claims are being fought. Whilst the legal costs directly were met, that is only a part of it.

Jenny Jones (AM): I do not want to take sides on this but I feel like kicking Tube Lines at the moment. Have you assessed how much that all cost you? All that stress. Just a rough figure.

Richard Parry (Managing Director, London Underground Limited): I could not quantify it, no. It was a big effort though. You do not defend a £327 million claim in your spare time.

Caroline Pidgeon (Chair): We will decide on a Committee view on both sides at some point shortly.

Richard Tracey (AM): We need to talk a little bit about the relative degrees of performance and efficiency. In the case of LU, they seem to think that they are being more efficient since they took over from Metronet. There has also, of course, been the suggestion that Tube Lines could, to put it bluntly, go bust and then LU would, presumably, be taking over the work that we are talking about.

You, Chris Bolt, said I think to the Transport Select Committee of the House of Commons, that you believed probably Tube Lines' record was maybe better than the Metronet record, or the LU record now, having taken over, and you would prefer Tube Lines to stay in business. Is that right?

Chris Bolt CB (PPP Arbiter): I was expressing that view for two reasons. One is that, I think, having a close comparator is always valuable. It keeps people on their toes, on both sides. Since the other part of it was looking at the benchmarks I have used for judging what is 'efficient economic', I generally did not find that the former Metronet Infracos provided a cheaper benchmark than Tube Lines, which says, between the three Infracos, Tube Lines, in many respects, has been performing better. For the future, I have not done a detailed review of the costs which London Underground is projecting for the Bakerloo, Central and Victoria lines (BCV) and the sub-surface lines (SSL). They have shared their future asset management plan with me and some of that analysis was in my draft direction which on track operating expenditure, as one example, showed the Tube Lines' costs certainly at the level that I was proposing, remain lower than those for BCV and SSL.

Now I think there is a broader question about whether that sort of ongoing benchmarking between BCV and SSL under London Underground management and a freestanding Tube Lines should be part of the role of the Arbiter or done in different ways.

Richard Tracey (AM): I did mention signal systems earlier on and I do not think we really reached a conclusion to that discussion. We do keep hearing from people in the industry that maybe the signalling set-up could be better. I think there was a Westinghouse system. Is that right? That is one signalling system that has been applied. You have procured the same signalling system for the Jubilee line and for the Northern line. Is that correct, Dean?

Dean Finch (Chief Executive, Tube Lines Limited): That is the result of a decision taken some years ago. I welcome any comment on it but, as far as I am concerned, when I answered your question earlier the signalling system is working on the Jubilee line. If you would like to come and look at it one weekend we would be very happy to show you that, and it is working perfectly well.

Richard Parry (Managing Director, London Underground Limited): Let me just clarify. The issue, I think, is not which signalling supplier you go with because Thales, Invensys, which is Westinghouse's new guise, and others all work all over the world. So there are systems all over the world that work today, so the issue is not who you partner with to do it; it is how you do it and what the approach that you take is. That is where, I believe, the approach on the Jubilee line has been flawed, has failed, and that is why we are where we are with it.

We talked earlier about the importance of that not just being rolled over on to the Northern line. I am not so encouraged as Dean [Finch] and Chris [Bolt] are that we are not just going to see that. I do not see any real step change in the thinking, frankly. It is the same people doing it, it is the same people in the projects organisation in Tube Lines and it is the same people at Thales. We are trying to stimulate change but I am not greatly confident that we are going to see that.

Chris has already said that the timescales are very tight and, therefore, it is hard to see how there is going to be the scope for change. We think it could be made a change and, indeed, we had Madrid here six months ago and we are talking to Madrid about trying to actively learn from their experience by getting them to advise us on some different approaches that you could take to the Northern line. So we are looking at how that can be made to happen.

The key thing I do just want to also add though, back on the benchmarking point - because I did not get a chance to respond to what Chris said - any historic analysis of former Metronet costs is going to look not very good. The key thing for me is not what happened in 2008, 2007 and 2006 with Metronet costs because, hallelujah, they were not very efficient. What is key, going forward, is that we make the London Underground effort a lot more efficient than it was when we inherited it and I can absolutely assure you that we have got a business plan that takes very significant cost savings in the way that we are going to deliver the service to support the London Underground in terms of maintenance, renewal and investment etc, so that is something I can assure you. We produced a paper to the TfL Board in December that set out our position on that. We have guaranteed total transparency about our performance and about our costs. We produce a four weekly report on our website. So what I can assure you of is that we will continue to drive our costs down as hard as we can.

Chris' effort around benchmarking that we talked about is a very important input to some of the plans that we have to make - and I am sure that is true for Tube Lines too - how we can learn from one another, trying to compare apples with apples rather than apples with pears, and we also do a lot of international comparisons as well. So I do want to just assure you that London Underground is driving itself to be a very efficient organisation and the plans are in place to do that.

Richard Tracey (AM): This question of possibly changing anything with the Northern line. Chris Bolt, you think it is too late, do you? Although, obviously, Richard [Parry] thinks it is possible to change.

Chris Bolt CB (PPP Arbiter): My view, in terms of the overall technical approach and the broad shape of the programme, is it probably is too late, unless you want to shift the dates significantly.

The point I was making was that I think Tube Lines will have learned some lessons from managing its contractor on the Jubilee line and dealing with London Underground - and Dean [Finch] has already referred to some of the arrangements coming out of that - which, hopefully, will avoid some of the problems that emerged at a relatively late stage of the Jubilee line upgrade.

Caroline Pidgeon (Chair): Just a couple of final questions from me. First of all to Chris, I am quite interested that we have got the establishment of an independent advisory panel at Transport for London which, I think, was being set up following an announcement in October by the Secretary of State and the Mayor. Does this not raise questions about your role and how it is going to work with you?

Chris Bolt CB (PPP Arbiter): I think there are questions and I am looking forward to discussions with TfL on how that interface will work. It is clear, I think, from the terms of reference for the group that my role in relation to the Tube Lines agreement remains unchanged and I do have access to information on BCV and SSL for benchmarking purposes. My personal view is it is rather odd to have two different mechanisms for judging value for money on, essentially, the same work.

Caroline Pidgeon (Chair): Particularly if we want genuine transparency and we want that challenge element and to be able to compare properly, it seems strange you would have two systems.

Chris Bolt CB (PPP Arbiter): Yes. I do not disagree with anything Richard [Parry] has said about London Underground driving out some of the inefficiencies which were clearly there with Metronet. If you ask me the question, if I was doing a periodic review for BCV and SSL would I come up with the same costs that London Underground has come up with, I simply do not know the answer to that question because I have no vires currently to look at it.

Caroline Pidgeon (Chair): Have you raised this concern with the Mayor, as Chair of TfL?

Chris Bolt CB (PPP Arbiter): I think the Mayor, certainly through TfL officials, and, indeed, the Secretary of State through Department for Transport officials, are both well aware of my views on this.

Richard Parry (Managing Director, London Underground Limited): Can I just say something in respect of the question you have just had because I do think it is important to look at this as another level of scrutiny that London Underground and TfL will be subject to. We are committed to supporting Chris [Bolt] in the joint benchmarking. His role really is around ensuring value for money for the public purse and that is why with a private company like Tube Lines, which are there with a 30 year contract, it is vital to have Chris in his role peering into the details of the organisation to ensure that value for money is delivered.

London Underground is part of the public sector and has scrutiny through this group, through the TfL Board, through this new panel etc, actually, the dynamics are very different in terms of the nature of the organisations that you are looking at.

We support all the work that Chris is doing to look at joint benchmarking. It is vital that we participate actively in that and provide transparent information to support that process, but it is a very different context in which we are operating to the context in which Tube Lines is operating.

Caroline Pidgeon (Chair): It is different but I think we cannot always say that London Underground has run things wonderfully in the past, despite the picture you paint today, so I think it is right that we have that absolute comparison and Chris' [Bolt] role is there for us.

Richard Parry (Managing Director, London Underground Limited): But I am not saying that. I am talking about the level of scrutiny, not making a claim that London Underground is perfect. God knows I am not doing that.

Caroline Pidgeon (Chair): Jenny wanted to come in on something different before I ask my final question.

Jenny Jones (AM): I got an answer from the Mayor on 16 December 2009 that Tube Lines was at 93% of its lost customer hour allowance. Has it hit that allowance now?

Dean Finch (Chief Executive, Tube Lines Limited): Has it used its full allowance?

Jenny Jones (AM): Yes. Have you used up all your allowance?

Dean Finch (Chief Executive, Tube Lines Limited): Is that the question? In RP1. In the first review period?

Jenny Jones (AM): Yes.

Dean Finch (Chief Executive, Tube Lines Limited): It will do, I believe, with the closures we have got.

Jenny Jones (AM): Have you negotiated any more yet?

Dean Finch (Chief Executive, Tube Lines Limited): For RP1, no.

Jenny Jones (AM): You are likely in the future to negotiate for more though?

Dean Finch (Chief Executive, Tube Lines Limited): I do not think so for RP1. For RP2 it is subject to the discussion that is currently taking place between London Underground and Tube Lines.

Richard Parry (Managing Director, London Underground Limited): It is worth noting that the allowance you are talking about expires on 30 June 2010, so that is the period of time we are looking ahead to. So if it is above 100% - and I must admit my call is probably that is it not - if Dean [Finch] thinks it might be then it is going to be very, very close. The point is the clock is resetting entirely from 1 July 2010 when we go into the second period, and that is why I am very concerned that, notwithstanding what Chris [Bolt] said about the allowance that we have suggested being sufficient, Tube Lines continues to look to dramatically increase that allowance, which can only mean one thing; that can only mean the railway closing a whole lot more in order to deliver the work.

My concern is even the allowance that we have given is still based on the old PPP world where you have to give an allowance for access because that is the way the contract was conceived. I very much want, in the things that we are doing ourselves, to reduce dramatically, where we can, the requirement for access. Now whether that is possible, or not, remains to be seen, but that is our very firm commitment. The PPP still puts you in a place where you freeze an amount of access and then it is there to be drawn down upon pretty much regardless of the consequences. My job is to manage that so it causes no great disruption to specific events but it will still cause disruption because of the sheer volume of it. So that is the world that the PPP will take us into in the second period.

Valerie Shawcross (Deputy Chair): Just to end where we started, can we have, by Friday, the dates and the details of the closure programme from March to July?

Dean Finch (Chief Executive, Tube Lines Limited): Certainly from us, yes.

Valerie Shawcross (Deputy Chair): Yes? Yes? Yes?

Caroline Pidgeon (Chair): Dean [Finch] says yes.

Richard Parry (Managing Director, London Underground Limited): One caveat is I am in Dean's hands. Dean has to confirm the closures that Tube Lines will want. We have been in a position where that has not been the case.

Caroline Pidgeon (Chair): Well Dean said yes.

Richard Parry (Managing Director, London Underground Limited): Fine.

Dean Finch (Chief Executive, Tube Lines Limited): Would that Richard [Parry] was in my hands!

Caroline Pidgeon (Chair): So by Friday.

Valerie Shawcross (Deputy Chair): Thank you very much.

Caroline Pidgeon (Chair): Just finally to Dean [Finch] and Richard [Parry], obviously you are both going to be leaving your current roles over the next few weeks. What lessons learned about the whole upgrade of the Underground will you be passing on to your successors?

Dean Finch (Chief Executive, Tube Lines Limited): Despite where we have been today, I think it is absolutely vital that Tube Lines and London Underground work together as one. I really do think that. I would urge both organisations to commit to support the weekly meetings to drive the upgrade to resolve its differences as quietly and as efficiently as possible so there is a joined up face presented to London.

Richard Parry (Managing Director, London Underground Limited): I am in a different position from Dean in that I both know who my successor is and I will be working at his right hand, so to speak, rather than leaving the organisation. I will be part of London Underground so I do not have quite the same burden of trying to transfer all that knowledge and then exit.

However I do echo what Dean has said in that it is about seeing that there is, at the heart of this, the need to improve the Underground for London and that, whatever arrangement we have around us, the PPP that was created, we have to make that work for the good of London to deliver benefits for London, but very firmly, in the same breath, the job of the Managing Director of London Underground is to hold Tube Lines to account. There is an awful lot of public money at stake here. The same is true on other contracts that we manage. By no means, of course, is Tube Lines our only big contract but it is, by some distance, our biggest and our most complex. You have to devote your time and attention to both making it work positively but also to ensuring it delivers the value that you need for London.

Caroline Pidgeon (Chair): Thank you very much indeed for your time this morning. Thank you Richard [Parry], Chris [Bolt] and Dean [Finch] for coming along. We shall be producing a report for our next meeting on the outcome of this, so thank you very much indeed.

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Transport Committee

6 January 2010

Transcript of Item 9: London TravelWatch Performance Monitoring Report (to September 2009)

Caroline Pidgeon (Chair): Welcome Sharon and Janet from London TravelWatch. Nice to see you. I would like to hand to Val on this one as you lead on London TravelWatch for us.

Valerie Shawcross (Deputy Chair): We have been looking at your performance report and I do not know if there is anything you want to say to introduce it, but can I just start by saying I think we are very pleased that you have successfully lobbied TfL to make more of its research base available and you seem to have been improving their performance on release of information and I think that is quite a useful thing for all of us in fact. Did you want to say anything quickly to introduce your performance report? There were two areas I wanted to question on.

Sharon Grant (Chair, London TravelWatch): Sure. I think, on that point, that is one of a number of things we are trying to do to improve our relationship with TfL and obviously we think that is a great step forward not just for us but for the general public; that TfL is much more open about the research that it does, and we are pleased to have done that.

We are also looking at working more closely with them in terms of their research planning because we think that there are probably opportunities in a great many strands of their research effort that we could work more closely with them on. There are some questions, for example, that they could put on our behalf in some of the research that they undertake, so that is important

We are also looking, in some detail, at how we can work more closely with their communication teams. We have recently had, I think, a very productive meeting - quite a big meeting - with all of the communications leads across TfL to see how we can more closely work together on a whole number of issues, so I am pleased that we are seeing some progress in all of those things.

Valerie Shawcross (Deputy Chair): Can we just then dig into a couple of areas that cause concern in the report, having started with a positive. We have regularly pressured you on the issue of casework and handling letters and correspondence and how quickly they are dealt with and how effectively. We can see from your progress, the sheet that is in here, that you are still short of target, very badly actually, on replying within ten working days and on replying within 20 working days. The casework, which ought to be your bread and butter, is still too slow. What is going on? Is the new computer system working?

Sharon Grant (Chair, London TravelWatch): Can I just remind you and the Committee that these figures refer to a period before we began to introduce the new casework system, so this was under the old system. There are some marginal improvements there but, clearly, we are looking to the new system to eventually yield much more substantial improvements across the board. I do not know if Janet [Cooke] wants to say anything more about that, but clearly the new system is starting to work and it will take a little time to really see the benefits.

Valerie Shawcross (Deputy Chair): Sorry then, Sharon, so the new system was not in operation by September 2009 when these figures end?

Sharon Grant (Chair, London TravelWatch): No, it was not.

Valerie Shawcross (Deputy Chair): What is your current performance data looking like then?

Janet Cooke (Chief Executive, London TravelWatch): The new system became operational from 1 October 2009. Because of the drive to get it up and running as soon as we could, we did not have any piloting time, so we have been concentrating on sorting out some of the glitches which, with any big new system, you do have when you introduce it.

We have also been concentrating on getting information to the front line caseworkers rather than looking particularly at the management information, so we do not have the full information in terms of performance time. Obviously some of these indicators, it takes two periods of 20 days before we do get there.

We are obviously on track with responding immediately to acknowledge claims. Can I just say, in terms of the areas where we are not yet hitting the targets, we do keep in touch with people so it is not that we are not letting people know what is going on; it is just that we have not finished the work. We have prioritised, with the support of the Chair of the Consumer Affairs Committee, acknowledging cases and also then getting the information on to operators so that they can deal with the issues.

Valerie Shawcross (Deputy Chair): OK, Janet, but you have had four months with the new system now. You are the Chief Executive. I would expect you to be monitoring performance practically on a weekly basis, so what can you tell us about how performance has changed?

Janet Cooke (Chief Executive, London TravelWatch): I think as a result of the casework review we have had a much greater focus on meeting the targets; we have changed our targets slightly so we can put a greater focus on where we are aiming our work, and we are instigating weekly meetings so that we do, with the case workers, look at how they are performing. Now that has been tricky because of the need to put a lot of senior time into overseeing the implementation of the new system and also with the fact that we have continued to experience sickness within the casework team, and that has obviously had an impact when you are, on a day to day basis, monitoring performance.

Valerie Shawcross (Deputy Chair): So can you tell us what the last informal performance data was that you looked at? Are you saying you do not know what your performance is at the moment?

Janet Cooke (Chief Executive, London TravelWatch): Not the overall performance against those but we do have up to date data, for example, on the work that we are doing within the team and, for the first time - and Sharon [Grant] can agree with me - since we have had our new monitoring system we can start to count more quickly what we are doing. So, for example, at our last Consumer Affairs Committee we did note that, as well as the casework that we report on here, in November 2009 we dealt with 744 enquiries, just general enquiries, particularly to do with buses.

Valerie Shawcross (Deputy Chair): Do you have any feel at all for whether or not your casework handling is speeding up or not? Will the next lot of monitoring data we look at be an improvement --

Janet Cooke (Chief Executive, London TravelWatch): Oh yes.

Valerie Shawcross (Deputy Chair): -- and how much of an improvement will it be?

Janet Cooke (Chief Executive, London TravelWatch): The trend remains upwards, and it will continue to do that.

Valerie Shawcross (Deputy Chair): Do you think you will hit your targets next time?

Janet Cooke (Chief Executive, London TravelWatch): I would not like to say hand on heart we will hit every single one 100% but we will continue to move towards --

Valerie Shawcross (Deputy Chair): On a scale of one to ten how likely are you to hit your targets in the next monitoring period?

Janet Cooke (Chief Executive, London TravelWatch): What every single one?

Valerie Shawcross (Deputy Chair): Yes.

Janet Cooke (Chief Executive, London TravelWatch): Every single one I do not think we will hit them. I do not think we will hit the satisfaction targets.

Valerie Shawcross (Deputy Chair): How far short do you think you will be on the casework handling?

Janet Cooke (Chief Executive, London TravelWatch): It is very difficult to estimate because there are so many different factors there, but I would say, on a scale of one to ten, I think 75%.

Valerie Shawcross (Deputy Chair): Thank you very much. That is very helpful.

Sharon Grant (Chair, London TravelWatch): Just to emphasise the point that Janet made, I think one of the things that we are now able to do, as a result of the new system, is more fully count what we were doing anyway but never counted before. What the system is telling us is that there are probably over 8,000 contacts and approaches by passengers every year, which we deal with on a very informal basis, that we never previously counted.

Valerie Shawcross (Deputy Chair): That is very useful.

Sharon Grant (Chair, London TravelWatch): That does add quite a lot of context to the sort of pressures on us as an organisation. As Janet said, we have had a very, very unfortunate time insofar as sickness is concerned, which has particularly affected our casework team.

Valerie Shawcross (Deputy Chair): I think we will come on to that on the financial question if we may.

Victoria Borwick (AM): I noticed on some of the pages that you talk about the difficulty, or delay should I say, in getting information out of Transport for London and getting accurate figures. I have to say I speak from a personal point of view, having been working on a different project on behalf of this Committee, where we are getting zero response despite requests, so I do want to sympathise with you and hope that this Committee will take into account that I do think that maybe the Chair could help and encourage Transport for London to respond more quickly to requests for data, either from ourselves or from TravelWatch, because if you read through, over and over again you are saying that there are still outstanding figures to come from Transport for London and that is mentioned on several occasions in your report. I do think that we ought to bully TfL to see if we can get them to be more supportive so I hope for support from our Chair here on that because it has happened on several occasions. I do not know if you want to comment at all?

Sharon Grant (Chair, London TravelWatch): I think you are absolutely right; it has been a bit of a running sore. We have tried bullying. I think ever since I have been there we have tried bullying! We are now trying a more collaborative approach and it was one of the issues that we raised in our recent meeting with TfL in looking about how we work together and communicate with each other, so I am hoping that we can see some improvements on that front as well.

Victoria Borwick (AM): I do think TfL's lack of transparency is something that we have all commented on in the past.

Valerie Shawcross (Deputy Chair): I think the other issue we want to question you on is the unfavourable outturn, ie more money spent than expected, £69,521 for staff costs. You can say a little

bit if you would about the particular issues that have caused that but I think we had some concern as to whether, or not, that would be an ongoing problem into the future. Is it really short term and exceptional or is it that we have a longer-term problem with the budget?

Sharon Grant (Chair, London TravelWatch): It is probably best for Janet to give you the detail on that.

Janet Cooke (Chief Executive, London TravelWatch): In paragraph 3.2, as has been pointed out, these are exceptional items. You need to take off the £20,000 income that we get from Passenger Focus where we offset some of those costs, but these are exceptional costs. There is a list there. We obviously cannot go into detail in this public forum but it is not just temporary staff and acting up allowances to cover sickness; it is also extra hours for part time staff, severance costs as we move some of the issues forward, and succession planning. Further on in the report we talked about a member of staff who retired after ten years, and because we were able to put a little bit of money into making sure we had a cross-over on the post it did mean - while we were really pleased and we worked hard for it, we were delighted - that we almost hardly noticed he had gone, whereas we had been quite concerned at the impact it would have. Obviously the organisation has had a huge loss of knowledge in the last couple of years.

So those are exceptional, one-off, costs so we are confident that, moving forward, we will be able to keep much more in budget but, of course, this is why reserves for a small organisation like ourselves, where we have no contingency for extra costs and staffing, become quite important. No, this is very much an exceptional year as we move things forward.

Valerie Shawcross (Deputy Chair): We just needed to hear you say that.

Janet Cooke (Chief Executive, London TravelWatch): That one I am much more able to say.

Jennette Arnold (AM): We had this conversation at the last meeting and it relates to the 'other income' column in your financial outturn. At that time Members shared the concern that I raised, which you said that you were doing some work about, which is the expertise that you provide to other organisations through your staff. For instance, I know for a fact that the London [health] reorganisation, the transport work on that, your staff have been absolutely critical in that. Why are you not thinking of developing some sort of payback on a consultancy basis for this expertise that you provide for other organisations? I just know particularly about health and this has been continual because they have been doing this piece of work in different areas for the last two or three years, and it would concern me if there are other organisations like that that you are giving this valuable consultancy service to and yet other income is zero. Why are you not exploring that?

Sharon Grant (Chair, London TravelWatch): Sorry, the acoustics are really quite bad in here and bits of your question I could not fully hear. If it is about income generation then I think you raise a serious point. If you remember from the three-year plan that we have submitted, that is very much a strand that we want to try to get to grips with. We do have a huge remit, with a relatively small budget, and if we are going to be able to do our best for passengers and the travelling public in London, we may well have to try to exercise some ingenuity as to how we can generate income either by charging for aspects of what we do - clearly there are problems there as regards potential conflicts of interest - or, possibly, by sponsorship of some kind. It is something that we have committed to look at and, of course, we would consult with, as a Committee, before taking any drastic steps in that direction, but I think it is fair enough for us to look seriously at it.

Jennette Arnold (AM): You said that you were right to reference the plan and it is there but, by the next meeting, can we understand what you have done about it? It seems to me that you could look at the advice and the work that you have done with the Health Service in London and look to modelling that, because all those hours will be on record. I am sure that when you put all that together you will

then have some understanding of the potential - currently missed - that would help you certainly develop some sort of plan.

Sharon Grant (Chair, London TravelWatch): We have looked at that and, in a small way, that may represent a potential model and, in fact, we did get agreement for some kind of refunding of our contribution but there are practical issues if you are going to adopt that sort of model. You need to look at your capacity to do it and your capacity to grow and shrink capacity according to when you get contracts to do things. They are also competitive. You have to bid for those things.

Jennette Arnold (AM): I am not labouring the point but I am just thinking it speaks to the issue that we are talking about. Either you are going to fulfil your core remit and do that fully and then do other things, or you are going to have to give an account as to how other organisations are paying for the resource that is allocated to this organisation to do the core. It just seems to me that, at the moment, that is not being focused on.

Valerie Shawcross (Deputy Chair): It was something we put in the business plan for new and we will come back, as Jennette suggests, the next time we do a performance discussion let's do some follow up specifically on that.

Janet Cooke (Chief Executive, London TravelWatch): Can I just add a little bit to that though just in the sense that it is in next year's business plan but we have already started - it's very small fry - to look at where we can recover our costs.

Valerie Shawcross (Deputy Chair): So it would be good to have some feedback at the next meeting I know, because we had a long discussion last time.

Caroline Pidgeon (Chair): I think what I would really like from this discussion is that, in terms of the performance, I have to say, given you have had this new system in place for four months and the idea of it is it's automated, you can pull off the data so you know how you are doing, to have come to this meeting without knowing what your figures are, I think, is quite astonishing. I would like to have, in writing from you to all the Members, what the four month performance data is on all of these things so we get something more timely so we can really see if your new casework system is working, or not. So I think I would like to request that and I think, in your next performance report back, we would like to have this thing on other income and expand the work you are already doing so we can look at that and perhaps discuss that in more detail.

Richard Tracey (AM): Could I just clarify with you where you feel your work is not overlapping Passenger Focus? I notice recently you had a report on Eurostar matters. It may well have involved people who live in London and travel but, I would have thought, that was far more Passenger Focus work. You have also, of course, been on First Capital Connect. OK, that probably does run quite a considerable London service. Then you seem to have been holding ministerial meetings and meetings with the Select Committee. Do you not think that that is really going outside your remit, in all honesty?

Sharon Grant (Chair, London TravelWatch): With respect, we are a statutory body and the law quite specifically gives us responsibility for the Eurostar brief, much as though you may feel that is not appropriate, that is what the law dictates and, for that reason, we have taken an interest in what happened over the New Year period with Eurostar and we have submitted quite a substantial response to the current inquiry that is going on.

Clearly there are other areas where we have an interest from a London point of view and where Passenger Focus will have an interest from a national point of view. We do work together. We do not compete; we collaborate. I am fairly sure that there is very, very little duplication as such, but is there a London perspective which is different, very often, from the national perspective and it is important that we are there to give it.

Richard Tracey (AM): It just seems to me though that when we have been discussing this shortfall in your delivery of handling cases, cases which really do involve matters of travelling in London and Transport for London and all that, then if you are going off and doing Eurostar work and inquiries into that and so on, it just seems to me it is taking your eye off the ball.

Sharon Grant (Chair, London TravelWatch): We are not going off; we are doing what we are statutorily charged with doing.

Richard Tracey (AM): But you have got to prioritise perhaps.

Sharon Grant (Chair, London TravelWatch): Well, of course. Believe you me there are some aspects of Eurostar that we could do a great deal more on but we do not because our resources are very limited and we have to prioritise, but I think it would have been rather disgraceful if no passenger body had remarked on what had happened over Eurostar.

Richard Tracey (AM): I agree. I would have expected Passenger Focus to do that, actually.

Sharon Grant (Chair, London TravelWatch): It fell to us to do so.

Janet Cooke (Chief Executive, London TravelWatch): Can I just clarify? In respect of London, that is one area where the law is clear as opposed to there being an overlap, that London TravelWatch has the statutory responsibility for the London area including St Pancras International and Stratford International, which are the London stations, and Passenger Focus for Ebbsfleet and Ashford, so it is very clear in that respect.

Could I also just perhaps add in to a couple of things that are mentioned in the report, for example, the South London line research. Obviously that is very local and very focused and is something that we are better able to respond to. However, we were able to negotiate that we did get some money from Passenger Focus to help fund that. They would not have done that but this is where we do try to work with them and trust me, as Sharon [Grant] says, if we can avoid doing things by allowing Passenger Focus to do it, or encouraging them to do it, we do.

Caroline Pidgeon (Chair): Thank you.