

Regulatory Story

[Go to market news section](#)

Transport For London - 40CT COVID-19 Government support package
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Transport for London

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Financial impact of COVID-19 and Government support package

Since mid-March, when the Government's lockdown measures to respond to the COVID-19 pandemic were implemented, Transport for London ("TfL") has continued to run a transport service so essential journeys can be made across London. As a result of the lockdown measures, passenger demand has declined steeply, with a 95 per cent reduction in journeys on London Underground, and an 85 per cent reduction in journeys on London's buses. This has caused an overall operating income loss of around 90 per cent including non-passenger incomes, such as advertising revenue.

It is expected that the recovery will take some time and that passenger income will continue to be severely impaired after the strict response measures are gradually eased. Whilst TfL has taken actions to reduce its costs during this period, through measures such as implementing the Government's Coronavirus Job Retention Scheme and a safe stop of non-essential construction projects, the severity of the impact is such that it will not be able to fully mitigate the loss without external support.

In the context of the legal requirement for a balanced budget, TfL has prepared an interim view of its forecast financial position, assuming the prioritisation of essential services and activities. This interim view is based on revenue modelling that reflects TfL's understanding of Government's COVID-19 scenarios. It presents a funding gap of up to £1.9bn in the first half of 2020/21 and over £3.0bn over the full year.

TfL announces that, after a period of discussions, an extraordinary funding and financing support package (the "**Funding Package**") has been agreed between TfL and the Department for Transport ("**DfT**") to contribute towards TfL's forecast funding shortfall. The Funding Package is based on the assumption that the funding shortfall will be £1.6bn for the period 1 April 2020 to 17 October 2020 and comprises:

1. Extraordinary Support Grant of £1.095bn payable under section 101 of the Greater London Authority (GLA) Act 1999 (the "**Grant**"); and
2. Incremental borrowing by Transport for London from the Public Works Loan Board of £505m (the "**PWLB loan**").

However, given the uncertainties in predicting demand, if the actual funding shortfall for such period is greater or less than £1.6bn, then the amount of the Grant and the PWLB loan will increase or decrease proportionately, up to a maximum of £1.9bn in aggregate. The funding requirement will be kept under review throughout the period to 17 October 2020.

In recognition that the current circumstances are likely to present ongoing financial challenges, a combination of future measures from TfL, Greater London Authority and the Government will be implemented to enable TfL to maintain essential services and deliver a revised balanced budget over the remainder of the financial year.

During the period in which the Funding Package is being provided to TfL, appropriate governance and oversight arrangements will be put in place, allowing the parties to work closely together.

With respect to the Crossrail project, the existing funding package agreed in December 2018 will continue to apply. TfL and DfT as joint sponsors will make all reasonable efforts to complete the project as soon as practicable and will continue to work on identifying the additional funding that will be needed for completion.

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