
TfL's Alternative to the PPP

- Overview
- Financing
- Investment priorities
- Management techniques

Overview

- TfL proposes unified management control over what must remain a unified system for London
- TfL agrees with the Government that a stable funding regime must underpin the rebuilding of the system
- The private-sector will perform large-scale, but discretely defined projects, with both capital and performance payments at-risk

The fatal flaws in PPP

- Unsafe
- Expensive
- Will not improve service
- Private sector monopolies will control the Underground for 30 years

Financing

Premises

- All parties agree that financing is necessary to pay for the massive rebuilding of the Underground
- All parties agree that such financing requires predictable and stable annual support from the Government
- Disagreement comes whether the PPP is the way achieve this financing

PPP

- PPP financing is bound inextricably with a scheme which provides...
 - No control by owner over the system it must run
 - A disjointed management structure
 - No real investment plan, no real budgets, no real milestones
 - PPP reduces credit rating from AA to BBB

TfL Alternative: Bonds

- Used around the world to reduce infrastructure costs through highly-rated, low-interest-rate capital
- Used in the UK on key infrastructure projects, such as the Channel Tunnel Rail Link
- Will create no impact on Government credit

If We Use Bonds...

- Amounts and timing can be defined and agreed with Government
- Disclosure requirements to investors will sharpen management discipline
- Will place no risks on Government beyond those already contemplated by the PPP

Investment Priorities

Background

- PPP has no defined projects, capital budgets, or priorities
- It does not say what will be done or when
- Bidders will not deliver plans until six months after close, *as late as the end of 2002*

TfL's Position

- PPP analysis does not offer adequate data for a comprehensive long-term plan
- Upon taking control TfL will...
 - carry out a thorough survey of LUL assets
 - produce a detailed line-by-line plan of improvements to be delivered

TfL's Responsibilities

- Control and be accountable for the safe, efficient, and reliable running of the system
- Retain the authority and effective control over the private sector contractors working in the system
- Direct control of the maintenance of safety critical assets

TfL's Use of Contractors

- Handle the areas of their proven expertise
- Manage and deliver the large, integrated capital projects
- Special priority on projects requiring systems integration or combined procurements with maintenance

TfL Investment

- £12.75 billion capital improvement over the next 15 years
- Average of £850 million a year for bricks and mortar, beyond normal maintenance & renewals
- Funded by £8.16 billion cash from operations, £4.37 of bonds, and £225 million of equity

TfL's Priorities for Investment

- Fix the assets that cause the most system failures:
 - Rolling stock
 - Signals
 - Track
- Then address:
 - Expansion projects
 - Stations

TfL Priorities

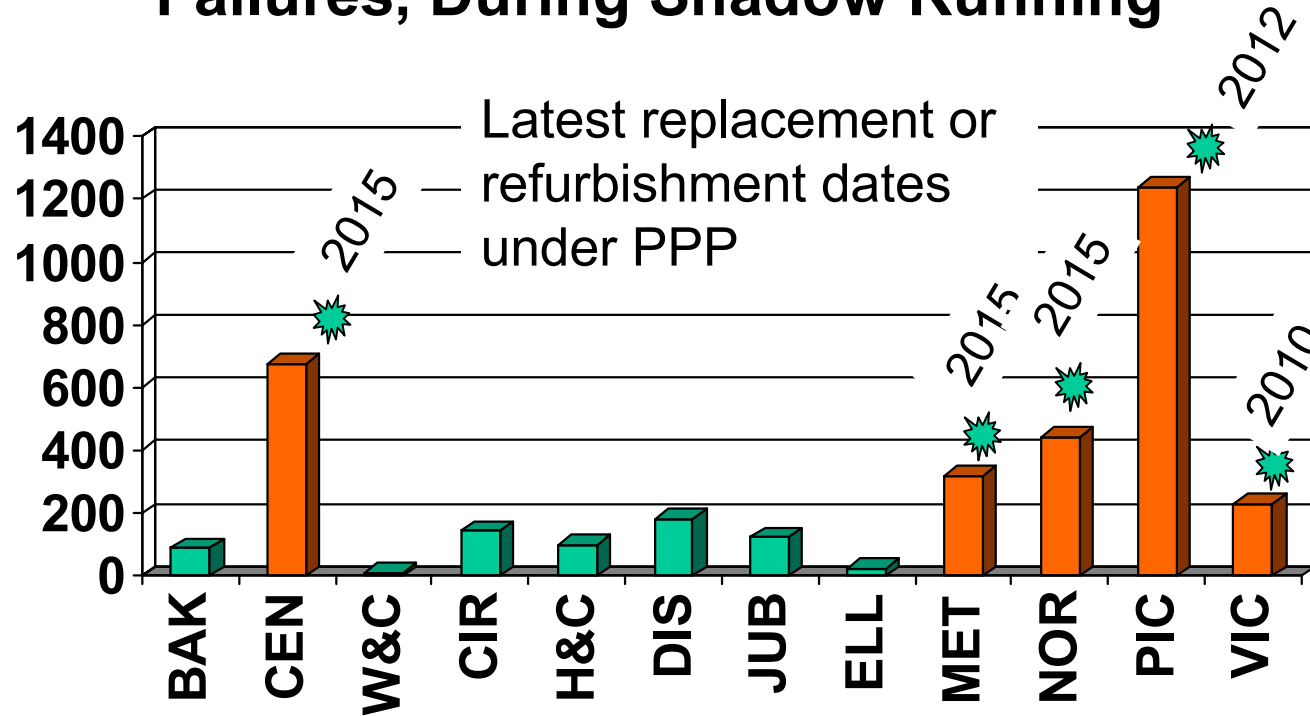
- During reconstruction, safety and performance take precedence over ambience
- Focus resources on critical performance-related components of trains, signals, and track
- Engage manufacturers for immediate solutions for ongoing equipment failures

TfL Priority: Rolling Stock

- PPP targets ambience: painting & seats
- TfL wants immediate mechanical refurbishment work to replace or refurbish 85% of stock in 7.5 years
 - system controllers
 - traction motors
 - trucks
 - braking systems

Rolling Stock - Worst Lines

Peak Period Cancellations Due to Train Failures, During Shadow Running



81% of train failures on five lines

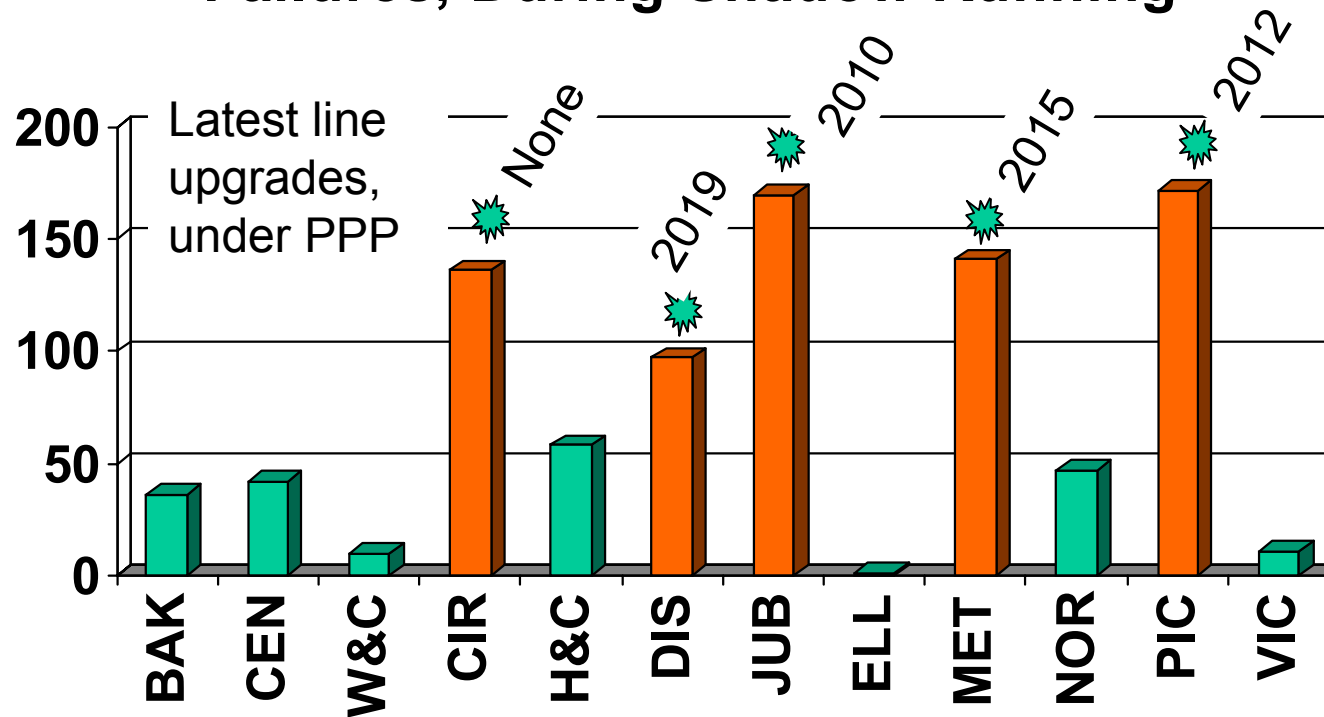
CEN, MET, NOR, PIC, VIC

TfL Priority: Signals

- PPP sets long-term upgrade dates
- TfL will focus on improving signal systems at pinch points that currently impede service

Signal Systems - Worst Lines

Peak Period Cancellations Due to Signal Failures, During Shadow Running



78% of signal failures for the period on five lines

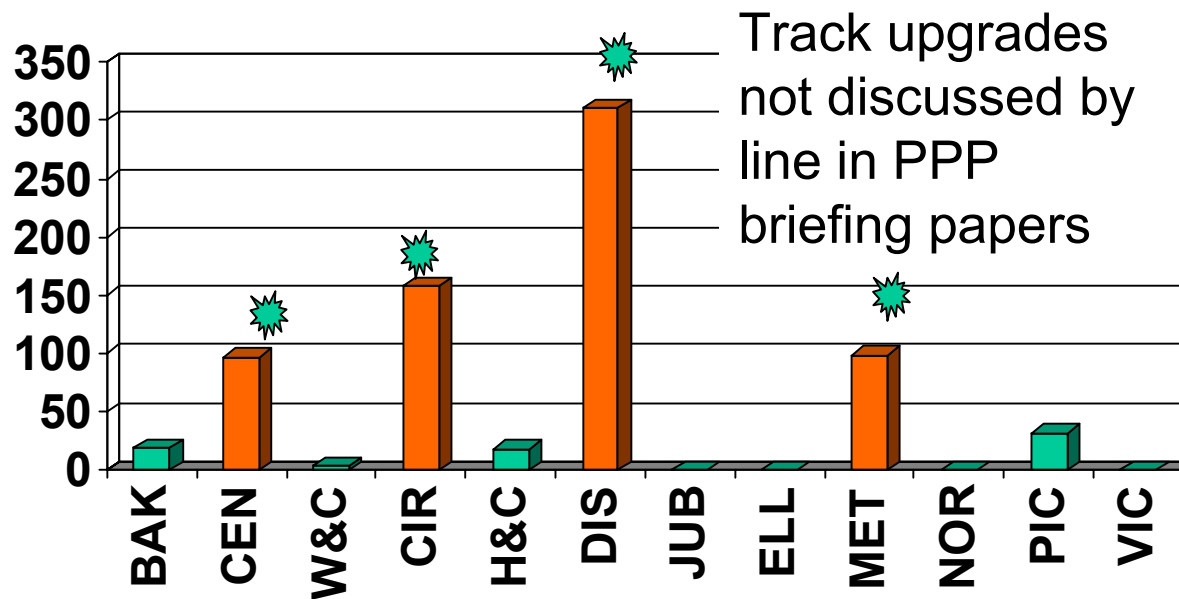
CIR, DIS, JUB, MET, PIC

TfL Priority: Track

- Review conditions and set forth a plan to replace all track at the end of its useful life
 - Running rails
 - Sleepers
 - Ballast

Track - Worst Lines

Peak Period Train Cancellations Due to Track Failures, During Shadow Running



Track upgrades not discussed by line in PPP briefing papers

90% of track failures for the period on four lines

CEN, CIRC, DIST, MET

TfL Priority: System Expansions

- London is growing, congestion is getting worse
- London Underground and other urban rail projects are part of the solution and must be prioritised into an integrated, coordinated plan
 - Hackney/Southwest Line
 - Crossrail
 - Thameslink 2000
 - East London Line Extensions
 - London Airport Extension

Lower Priority: Stations

- TfL commits to better stations
 - Better cleaning
 - Regular painting cycle
 - Fixed lighting
- But primary focus will be on station enhancements to improve flow and capacity
- *Projects will not divert resources from critical components of train operations*

Misplaced Priorities

- Ambience
- Prestige, smart-card fare collection system
 - more convenient across multi-modal travel
 - possibility of shortening queues
 - but should not draw £1.0 billion away from train, track, and signal improvements

Management Techniques

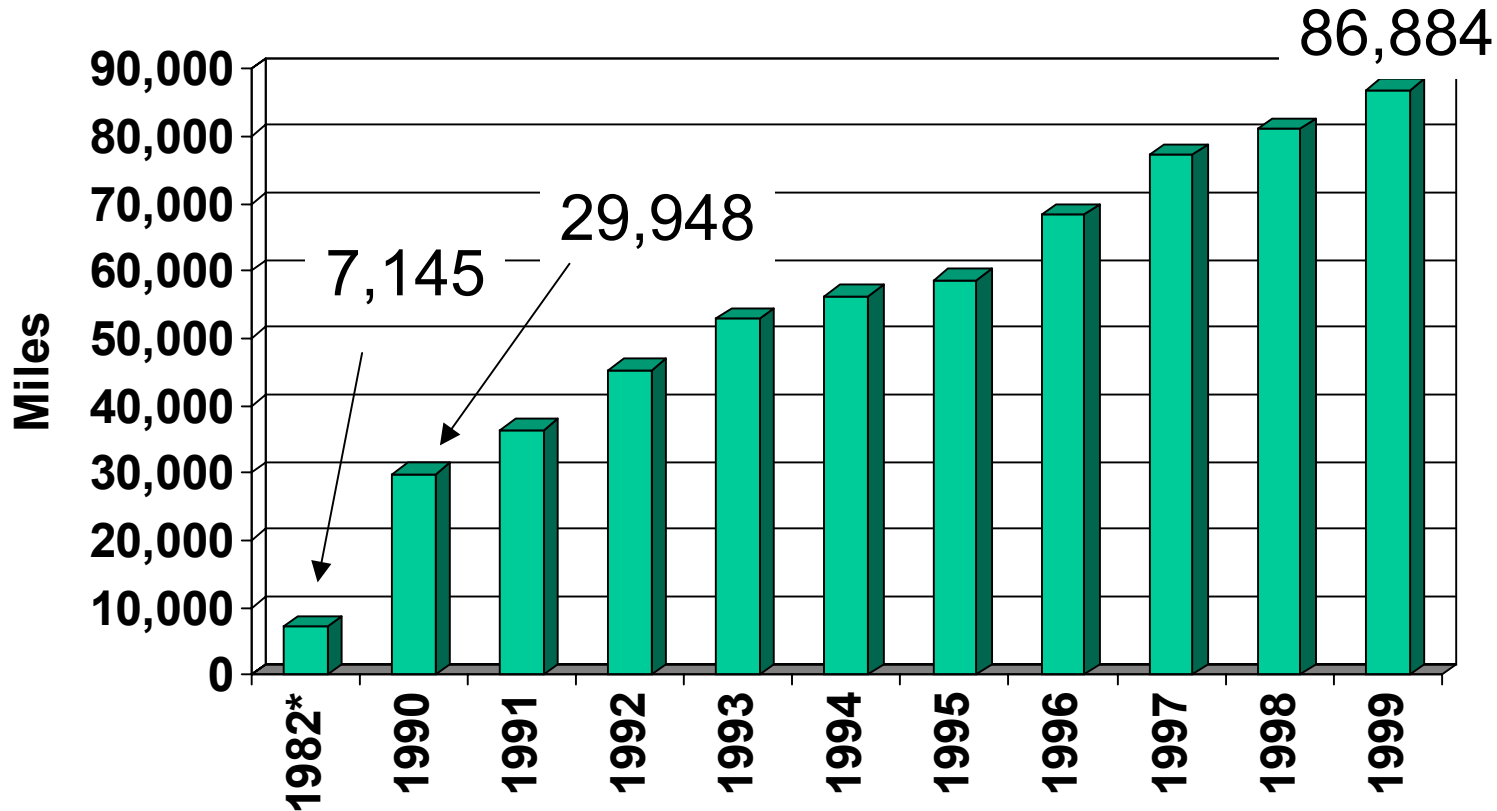
Accountability

- Railways thrive under command and control systems
- The tight coordination needed requires direct and clear accountability
- No overlapping groups or committees share responsibility for what should be unified asset groups
- One person is responsible for each specific project

Transparency

- Public availability of all plans
 - projects by line and date
 - budgets
 - milestones
 - relevant operating information and performance criteria
- Monthly public reports by managers responsible for the project

What Unified Management Can Achieve: Train Performance



Mean distance between failures (MDbF). Improvements under unified Management control of New York Subway following Bob Kiley's arrival in 1983.

How New York Reduced MDbF

“The Transit Authority believes that these improvements are attributable to better management and maintenance of the Transit System, and implementation of capital projects pursuant to the capital programs.”

Annual Disclosure, 2000

Current situation: MDbF London Underground 99/00

