Funding the Future

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I suspect that if there had been a prize for guessing the first publicly owned institution to fail because of the coronavirus crisis few would have chosen Transport for London (TfL) as the prime candidate. But with the power of hindsight it was always going to be in trouble.

With 90% of people not travelling and TfL now being funded almost entirely by fares and advertising, and there being a continuing need to supply transport services for those who have had to continue to travel to get to work in places like hospitals, care homes and the government daily news conference press centre, it was simply bound to hit a wall sooner or later. It just happens to have been sooner.

But what the government is doing to it is indicative of its economic incompetence.

The upside is that it has been told there can be a bailout.

Thereafter nothing makes sense.

Fir example, there will be substantial conditions attached. Which is odd, because EasyJet did not get any. Nor have any of the one million businesses now furloughing staff had conditions attached. And the bounce back and other loans seem to be remarkably condition free. And yet TfL gets them.

TfL have also got to put up fares. That can simply be described as a tax increase on London to pay for coronavirus.

And the bailout money is being provided as a loan, not a grant. So it will have to be repaid. Which means that there will be more fare rises in future for an event that was beyond anyone’s control and from which no one gained.

So the question is, why is this happening?

Obviously, first of all to punish London for electing Sadiq Khan and not a Tory who ran a nastily racist campaign to be mayor. That’s the overwhelming reason.

But then there’s, deep down, a level of incomprehension of how the economy works amongst the Tories in office that explains the rest.

They do not realise that losses do not indicate a capacity to repay: they represent lost capital that needs replacing, and not with more liabilities. TfL needed grants and not loans. But it will not get them.

And thereafter, Tories don’t understand that fare increases right now are inflationary: which is not what we need.

And they don’t realise that they behave like tax increases by taking disposable income out of the economy, which is again the last thing that we need right now.

And nor do they appreciate that this move simply increases inequality, because it is those on lower income who travel most on TfL, and travel furthest too because the cheapest housing is further out.

All of that passes them by.

And the reason? That’s their paranoia about deficits. If they call this debt it does not go on the deficit and that’s all that matters to them. That real people might suffer? Who cares about that? Not ministers who never use the tube. The books will be easier to balance and that’s the real issue of concern to ministers.

Watch out all other public services, then: this is the bailout you’re going to get too. So expect loans to the NHS, schools and others: all to be repaid out of future budgets, and quite impossibly. Because that way the Tories can push all of this into the future when they hope that they wont be in office to have to deal with it.

The coronavirus crisis is real. What we do not need is a government intent on dragging its economic consequences on for as long as possible. But it is now very clear that this is what we’ve got.

You really could not make up this scale of incompetence. We just have to witness it instead.