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May 25, 2011

Transport for London

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Transport for London

Major Rating Factors

Issuer Credit Rating
AA+/Stable/A-1+

Strengths:

- Predictable and supportive institutional framework, reflecting significant ongoing central government support and the likelihood of further extraordinary support, if required.
- Strategic importance for the Greater London area, its dominant position as a transport provider, and very strong demand profile.
- Very positive liquidity position, due to strong cash reserves and access to the Public Works Loan Board.
- Positive impact of financial management.

Weaknesses:

- Risks associated with its large investment plan, including Crossrail.
- High tax-supported debt levels, exceeding 160% of revenues.

Rationale

The ratings on TfL reflect the predictable and supportive institutional framework within which it operates and our view of the significant, ongoing central government support that it receives, as well as the likelihood of further extraordinary support if required.

The ratings also reflect TfL's strategic importance for the Greater London area. In our view, it benefits from a dominant position and a very strong demand profile in the provision of urban transport services, which we believe is essential to the economic development of the Greater London area.

TfL's liquidity position is very positive for the rating, and is supported by its considerable cash reserves and its access to the Public Works Loan Board (PWLB), which we believe will provide timely liquidity support if needed. We also believe that TfL's financial management is positive for the rating.

Constraining rating factors include the risks associated with TfL's significant investment plan, particularly in relation to its main project, Crossrail, a £14.6 billion major rail project for the London metropolitan area, currently in the initial stages of construction. Furthermore, high tax-supported debt levels, which, in our base case exceed 130% of consolidated operating revenues, constrain the rating.

In our opinion, TfL has demonstrated good budgetary performance over several years, posting operating surpluses above 10% of consolidated operating revenues over the 2009-2011 period.

The new funding agreement, announced as part of the 2010 Comprehensive Spending Review, resulted in a £2.2 billion reduction of grant over four years, compared with the previous settlement. Nevertheless, we believe the funding agreement demonstrates the central government's support for TfL, particularly for the development of Crossrail and the upgrade of the London Underground. Despite this reduction, we expect TfL to maintain strong operating margins by using its flexibility on the revenue side, through fare increases, and on the expenditure side, by implementing considerable savings measures to its operating expenditure and investment plan.

We expect TfL to continue to post deficits after capital accounts of about 7% on average over the forecast period (2012-2015), as it continues to execute its investment plan, thereby gradually increasing its debt burden. However, although direct debt is likely to increase, we expect the ratio of tax-supported debt as a percentage of consolidated operating revenues to remain relatively stable because of the forecast growth in consolidated operating revenues.

TfL's business plan includes the development of the £14.6 billion Crossrail project. The project is supported primarily by funding from the U.K. Department for Transport (DfT), the Greater London Authority (GLA; AA+/Stable/--), and TfL itself, and is expected to be operational by 2018. We understand that Crossrail's development agreement protects TfL from the impact of major cost overruns. However, in our analysis, we treat potential cost overruns, delays in other projects, or other spillovers as contingent liabilities.

Liquidity

We view TfL's liquidity position as very positive, with cash and short-term investments amounting to about £0.8 billion (after Standard & Poor's haircuts); equivalent to about 174% of estimated debt service (including financial leases), as at March 2011. We exclude from TfL's liquidity position an additional £1 billion of liquidity, which is ringfenced and available for Crossrail only.

Because TfL is a local government entity, it has access to the government-funded PWLB, albeit subject to the guidelines prescribed by the U.K. Prudential Borrowing Code of 2004.

Outlook

The stable outlook reflects our expectation that TfL will maintain its sound operating performance and relatively stable tax-supported debt levels as a percentage of consolidated operating revenues.

A positive rating action could follow a progressive reduction in TfL's debt burden, owing to improvements in its budgetary performance, and if progress in the development, construction, and revenue collection associated with its investment plan, particularly in relation to Crossrail, were to mitigate associated risks and contingent liabilities.

Although unlikely in our opinion, the rating on TfL could come under pressure if its budgetary performance were to deteriorate significantly, possibly in conjunction with delays and cost increases related to its investment plan, and if, as a result, its tax-supported debt were to rise significantly above 180% of consolidated operating revenues.

Issuer Overview

TfL was established in 2000 as a functional body of the GLA and is responsible for implementing the mayor's transport strategy in London. TfL enjoys a dominant business position in London's public transport system and, according to TfL estimates, accounts for about 85% of all urban trips within greater London made each year by the public.

TfL operates through a large number of subsidiaries, which together comprise the TfL Group. For the purposes of our analysis, we focus on the Group as a whole.

TfL's business profile is diversified and includes three main corporate services: the London Underground, the Rail

Services, and the Surface Transport Services, which are managed through separate subsidiaries (see table 1).

Table 1

TfL Business Profile	
London Underground	Underground (Tube) and related maintenance services
London Rail	Docklands Light Railway, Overground, Tramlink
Surface Transport	London Buses, London Streets, London River Services, Congestion Charging, Cabs Licensing

London Underground is responsible for running the underground rail network (Tube). Since June 2010, this also includes Tube Lines PLC, which TfL acquired for £310 million, following the end of the public private partnership (PPP) contract. Tube Lines was responsible for the upgrade and maintenance of part of the Underground network, and is a separate company within TfL's organizational structure.

London Rail is mainly responsible for the Docklands Light Railway services (DLR), which, compared with other TfL businesses, reported the highest passenger growth rates of 6.6% on average in the 2007-2011 period(see table 4). It is also responsible for Tramlink.

Surface Transport Services is a diversified area of business, through which TfL manages the bus network (contracted to the private sector), London River services, the congestion charging system, and the London strategic road network.

Crossrail

Crossrail is a £14.6 billion major rail project for the London metropolitan area. It will provide a fast urban train system that connects Heathrow and Maidenhead to the West of London, Essex and South East London. It is expected to increase the capacity of urban transport by 10%, diverting some of the current tube passengers to its train services, and is TfL's largest project. The project is very complex in our view, both operationally and financially, and the current capital expenditure plan of £14.6 billion is calculated according to a P95 probability.

Because of its strategic importance, the U.K. government has recently confirmed its support for the development of Crossrail, within the updated funding agreement, following the U.K. government's CSR (Comprehensive Spending Review) 2010. In this context, and to reduce the total investment required, Crossrail, TfL, and the central government recently revised the project agreement. We understand that a slower construction schedule (Crossrail is expected to be operational from 2018) and revised construction works result in a saving of about £1 billion, compared with previous forecasts. The project is sponsored by both TfL and DfT, although TfL is the sole shareholder of Crossrail Ltd. (CRL) and is responsible for taking the project through to completion. The funding scheme includes contributions from various sources: £5.2 billion of DfT grants, £7.1 billion of TfL funds, and £2.3 billion of other funding sources. TfL and Network Rail expect to recover their contributions through future fare increases and charges. The £7.1 billion contribution classified as TfL funding (see table 2) includes a grant from the GLA for £4.1 billion. This is mainly funded through GLA's borrowing (£3.5 billion), supported by supplementary business rates revenues.

Table 2

Crossrail Funding Scheme		
(Mil. £)		
TFL Funding		**(%) of total funding**
Developer Contributions	300	

Table 2

Crossrail Funding Scheme (cont.)		
Community Infrastructure Levy	300	
GLA (BRS Borrowing)	4,100	
TFL Core Contribution	2,000	
Sale of Surplus Land and Property	445	
Total TFL Funding	7,145	49
DFT Funding		
BAA Plc	230	
CoL	250	
Dft Grant	4,700	
Total DfT Funding	5,180	35
Other Funding		
Network Rail Surface Works	2,300	16
Total Funding	14,625	100

Source: Standard & Poor's estimates.

TfL's funding commitment for Crossrail, included in its core contribution of £2 billion (see table 2), will partly come from additional debt within its prudential borrowing framework. TfL limits the amount of borrowing that it can undertake, along with its subsidiaries--up to a maximum of £1.9 billion until 2015.

Comparative Analysis

For the purpose of this comparative analysis, we compare TfL with other transport providers that we rate in Western Europe. While in our view these entities provide similar services, we consider TfL's scope to be wider than its peers, as is reflected in the complexity of its business model.

Unlike other public transport providers that we rate, TfL is a local government entity rather than a company owned by shareholders. It therefore benefits from close links with the central government.

With regard to its funding structure, about 48% of TfL's total revenues are in the form of revenue and investment grants from the central government. Other rated transport companies, such as Rostocker Strassenbahn AG (BBB+/Stable/--), Rheinbahn AG (AA-/Stable/A-1+) in Germany, or Consorcio de Transportes de Bizkaia (AA+/Negative/A-1+) in Spain or ATAC S.P.A. in Italy, operate under periodically revised service contracts and formula-based funding allocations, and do not have a direct funding relationship with the central government.

Despite its close ties with the central government, TfL does not benefit from formal guarantees for its financial obligations, as is the case for Societe des Transports Intercommunaux de Bruxelles (AA/Stable/A-1+), the public transport company of Bruxelles, whose financial obligations are guaranteed by the Region of Brussels-Capital.

With about £7 billion of total revenues, TfL's revenue base is significantly larger than that of its peers. This relates to the more diversified portfolio of services provided by TfL, which includes road maintenance and the management of road signalling. This translates into a significantly higher ratio of total revenues per inhabitant (about €1,200) compared with other peers.

TfL's debt levels are in line with its peers, except for the Consorcio de Transportes de Bizkaia, which has significantly higher debt levels, and whose rating is more closely linked to those of its regional government owners.

Table 3

Transport for London--Peer Comparison Table							
	TfL*	**Sytral**	**STIB**	**Rheinbahn AG**	**Rostocker Strassenbahn AG**	**ATAC Spa**	**CTB**
Issuer credit rating	AA+/Stable/--	AA-/Stable/--	AA/Negative/A-1+	AA-/Stable/A-1+	A-/Stable/--	A/Negative/A-1	AA/Stable/A-1+
Country	U.K.	France	Belgium	Germany	Germany	Italy	Spain
Rating methodology	LRG	LRG	GRE	GRE	GRE	GRE	GRE
Controlling Government	Greater London Authority	Urban Community of Lyons and Department of Rhône	Brussels-Capital (Region of)	City of Dusseldorf directly 5%, and through a holding company 95%	City of Rostock directly 2%, and through a holding company 98%	Rome, City of	Bizkaia (Historical Territory of) and Basque Country (Autonomous Community of)
Issuer credit rating on the controling government*	AA+/Stable/--	Not rated	AA/Negative/--	Not rated	Not rated	A/Negative/--	AA/Stable/A-1+ and AA+/Negative/--
Link with the controlling government	N.M.	N.M.	Integral	Very strong	Very strong	Integral	Integral
Role to the controlling government	N.M.	N.M.	Critical	Critical	Critical	Critical	Critical
Likelihood of extraordinary support from the government	N.M.	N.M.	Almost certain	Extremely high	Extremely high	Almost certain	Almost certain
Total revenues (Mil. €)	9,577	612.5	760	264.1	48.6	N.A	161
Total transfers (% of total revenues)	55	25	67	19	40	N.A	43.5
Fare revenues (% of operating revenues)	49.6	28.3	39.8	71.6	50.2	N.A	56.5
Fare revenues (% of network operating expenditures)	N.M.	55.6	43.2	N.A.	N.A.	N.A	71.9
Lease-adjusted debt (at year-end)	8788.3	1190.3	216.2	255.3	38.9	N.A	499
Direct debt (% of operating revenues)	88.0	205.0	39.2	96.7	80.0	N.A	354.9
Direct debt/operating balance (x)	4	7	5	14	23	N.A	35.6
Interest (% of operating revenues)	5	11	1	4	3	N.A	10
Debt service (% of total revenues)	5.2	23.9	9.8	10.2	12.9	N.A	26.5
Service area population	7,684,700	1,300,000	1,100,000	1,015,000	250,000	2,758,991	1,100,000
Revenues/Inhabitant (€)	1246.2	471.2	690.9	260.2	194.4	N.A	146.4

Ratings on April 25, 2011.*TfL--Transport for London (2011 data). STIB--Société de Transports Intercommunaux de Bruxelles. CTB--Consorcio de Transportes de Bizkaia. LRG--Local and regional government. GRE--government-related entity. N.M.--Not meaningful.

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Institutional Framework

Standard & Poor's views the U.K. institutional framework for local and regional governments (LRGs) as one of the strongest systems globally. Under our criteria, we assess the U.K.'s framework as "predictable and supportive," and have assigned it a score of 1 (the highest) on a scale of 1 to 6. This is based on our view of its high degree of transparency, accountability, and predictability, as well as the supportive role of the U.K. government (see our system report "Public Finance System Overview: U.K. Local and Regional Governments," published on April 5, 2011 for additional information).

Economy

London's strategic importance for the U.K. economy

With a population of 7.6 million, London is the largest urban area in the U.K. and the economic and financial hub of the country. GDP per capita accounted for £34,200 in 2009 ($55,200), about 68% higher than the U.K. average. Moreover, London accounts for more than 20% of the U.K. aggregate GDP, and, as such, is the major contributor to the U.K. economy.

The central government has a strong interest in supporting the development of London's public transport infrastructure so that it can support future economic growth. This is particularly important given London's potential population increase, expected to be above 10% in the next decade.

Demand for urban transport is resilient to economic volatility

Demand for TfL transport services is strong and appears to be resilient to the economic cycle. This is mainly due to TfL's dominant position as an urban transport provider in London.

Table 4

Economic Growth and Transport Demand Indicators

	2007	2008	2009	2010	2011f
Economic Indicators (Annual Growth Rate %)*					
U.K. GDP/capita	2.0	(0.7)	(5.5)	0.8	1.2
London GDP/capita	6.7	3.9	(2.6)	N.A.	N.A.
TFL Passenger Journeys (Annual Growth Rate %)					
Buses	3.5	15.7	3.3	0.4	0.8
London Underground	4.4	5.7	1.6	(2.2)	3.3
Docklands Light Railway	13.0	9.8	(1.5)	4.5	7.4
London Tramlink	19.2	6.0	2.7	(1.9)	4.9
Total	4.1	12.1	2.6	(0.3)	1.8

f--forecast. N.A.--Not available. *Source: Standard & Poor's estimate.

In the context of the economic recession, GDP per capita decreased in London by 2.6% in 2009. At the same time, passenger journeys decreased only by 0.3% in aggregate terms, the main reduction being concentrated in the underground services, shrinking by 2.2% (see table 4). This gives an indication of the relative strength of demand for urban transport services provided by TfL. For the 2012-2015 business plan period, TfL forecasts growth in passenger numbers, at a compound annual growth rate (CAGR) of about 1.5%. This is mainly due to its capacity increase, as well as the gradual recovery of the economy. In our view, the strong and gradually increasing demand for TfL services represents an important stabilizing factor for revenues from fares, which account for about 50% of TfL's total revenues.

Financial Management

In our view, TfL's management has a very positive impact on the rating. TfL is a functional body of the GLA, both of which are chaired by the Mayor of London. TfL benefits from a close link with the U.K. central government and the DfT, given its strategic role for London's economy.

TfL's executive management is experienced and has been in place for a number of years. It has a track record of successfully delivering projects, and has been able to deal effectively with emerging challenges, such as the integration of Metronet and Tubelines PPPs within TfL. We expect management to manage risks related to Crossrail and to its significant investment plan effectively.

Debt management is prudent and sophisticated. Management continues to review its borrowing strategy and in June 2010 expanded its funding sources, including a commercial paper program, to optimize borrowing cost.

Budgetary Flexibility

A flexible revenue profile, despite the recent reduction in grants

TfL's revenues from fares and congestion charges account for more than 50% of consolidated operating revenues. Fare revenues form 80% of this income, whereas congestion charging fees account for about 20%.

Due to the price-inelastic demand for its services, we believe that TfL's ability to raise fares is capped by the politically sensitive nature of fare increases. Going forward, we expect TfL's revenue flexibility to increase, given that fares could gradually play a more significant role in TfL's operating profile, representing about 60% of consolidated operating revenues by 2015. This also reflects the funding settlement agreed with the central government in 2010, which resulted in a £2.2 billion decrease over four years to TfL grants (28% in real terms), compared with the previous settlement. The revised GLA transport grant that replaces the previous funding agreement amounts to £10.7 billion until 2015, and includes a general grant of about £3.6 billion and an investment grant of £3.6 billion.

A considerable asset base that could provide additional revenue flexibility

We understand that TfL has a considerable asset base (including parking facilities, retail shops, and other properties that could be sold or rented out), which could provide additional revenue flexibility by way of asset sale income. As we are unable to place a value on these assets, we do not take this additional flexibility into account at this time. However, the current business plan includes TfL's plan to dispose of assets worth about £305 million in the 2012-2015 period, for the purpose of financing its investment plan, which we consider a positive for the rating.

A flexible expenditure profile, particularly on the capital side

We consider TfL's expenditure profile to be relatively flexible. In this regard we note that TfL is planning to implement a cost-saving program in order to offset the reduction in grants following the updated funding agreement with the central government.

The cost-saving measures cover both operating and capital expenditure, and account for about £3 billion, thereby counterbalancing the funding reduction of the 2010 CSR. TfL plans to streamline its operating expenditure profile, by rationalizing its operational structure through the consolidation of some offices, particularly in the finance, human resources, and legal departments. However, in the long term, once these savings are made, we believe that TfL's flexibility may not be as high.

However, despite TfL's commitment to deliver certain projects, we believe that it has a high degree of flexibility on the capital expenditure side, even within the confines of its investment plan, as demonstrated by its decision to postpone some line upgrades. TfL's investment plan amounts to about 20% of total expenditures by 2015, excluding Crossrail. A considerable part of this program is still uncommitted, particularly in the later years of the plan, allowing for considerable flexibility in its implementation.

Budgetary Performance

A sound operating performance

We believe that TfL's budgetary performance has been good, as demonstrated by its ability to generate strong operating margins of over 10% of consolidated operating revenues over several years. For the purpose of our analysis, we include within TfL's consolidated operating revenues all grants (revenue and investment) that TfL receives and over which TfL has a strong degree of autonomy. We do exclude the grants provided for Crossrail, however, as these are ring fenced. We expect operating performance to remain above 10% of consolidated operating revenues within TfL's business plan horizon.

We note that the new funding agreement with the central government is not contractually binding, and that it represents the central government's firm intention toward the provision of support of TfL. Although we view this as unlikely, the funding agreement could be reviewed before 2015, particularly if there were significant deviation from TfL's business plan, which could ultimately affect TfL's budgetary performance.

A significant investment program

TfL's significant level of capital expenditures leads to an average deficit balance of about 7% after capital expenditure until 2015 when calculated as a percentage of total revenues. For this calculation, we have included both revenues and costs that pertain to Crossrail. We expect these deficits to be partially funded by additional borrowing. Debt is forecast to slightly increase in absolute terms over the life of the business plan. However, debt as a percentage of consolidated operating revenues is likely to remain relatively stable because of the forecast growth in consolidated operating revenues. In this context, debt service including financial leases is forecast to remain below 6% of operating revenues, mainly due to the relatively long debt amortization profile.

London Olympic Games 2012

We do not expect the 2012 Olympic Games to have a material impact on TfL's budgetary performance or, subsequently, on its credit profile. During the Games, we expect TfL to experience a peak in demand, particularly on the DLR and Jubilee Line, which we understand TfL has already taken into account in its business plan.

Liquidity

Internal liquidity

As of March 2011, TfL had £2.1 billion of liquidity, including cash and short-term investments, £1 billion of which is ring fenced for Crossrail. However, for the purpose of our analysis, we apply a haircut to TfL's cash and short-term investments, which consequently amount to £0.8 billion. Moreover, we exclude from TfL's liquidity position the ringfenced liquidity available for Crossrail only.

TfL follows a conservative investment strategy, and therefore predominantly invests in 'AAA' rated U.K. Treasury bills, U.K. Gilts, and money market funds.

TfL had relatively high cash reserves during the entire year. According to the treasury policy, minimum reserves are £250 million. TfL also has access to an overdraft facility of £200 million in case of need.

External liquidity

As a further source of liquidity, the PWLB provides loans within the prudential borrowing limits that TfL has assessed as being affordable. In our opinion, PWLB access is an important credit feature, substantially limiting refinancing and liquidity risk for TfL. Additionally, TfL recently expanded its funding sources, by establishing a £2 billion Commercial Paper program.

Debt burden

As of March 2011, TfL's tax-supported debt amounted to £9.7 billion, or 134% of consolidated operating revenues (see table 5). Tax-supported debt includes about £1.4 billion of financial leases, whereas about £1.9 billion were guarantees which TfL provides to its subsidiary companies. The value of £1.9 billion represents an estimate of the maximum amount that could be payable by TfL, in respect of some of its subsidiary companies' contracts. However, we understand that the effective amount may vary for a number of factors, including contractual costs which are not known before the event.

TfL guarantees exclude Tubelines debt, which is managed within TfL since June 2010, and is consequently on balance sheet and amounts to £1.6 billion (see table 6).

Table 5

Transport for London's Tax-Supported Debt Levels At March 2011	
(Mil. £)	
Direct Debt	
Tube lines	1,592
Commercial Paper	433
PWLB	2,725
European Investment Bank	1,000
TfL Bonds	600
Direct Debt Total	6,350
Financial Leases	1,427
Guarantees*	
CityLink (Connect PFI)	502
Canary Wharf Properties (Crossrail) Ltd (Canary Wharf station)	500
QW Rail Leasing Ltd	290
WARE & CARE (DLR extensions)	382
Powerlink (Power PFI)	168
Other	55
Total Guaranteed Debt	1,897
Total Tax-supported Debt	9,674

Table 5

Transport for London's Tax-Supported Debt Levels At March 2011 (cont.)

*Source: TfL annual accounts.

The largest portion of TfL's £6.35 billion direct debt (as at March 2011) is sourced from the government-funded PWLB, and is predominantly at fixed rate, thereby significantly reducing interest rate risk. Unlike other local authorities, the TfL Act of 2008 allows TfL to enter into derivatives for hedging purposes. TfL therefore makes use of derivatives to hedge interest rate volatility, and may hedge currency and commodity risk in the future.

In addition, TfL has about £1.3 billion unfunded pension liabilities, which, according to our criteria, represent a debt-like obligation, which is excluded from tax-supported debt.

Contingent Liabilities

We believe that TfL's contingent liabilities are moderate, mainly owing to its significant investment plan, particularly with regard to Crossrail. We therefore take into account the possibility that Crossrail's potential cost overruns might be passed to TfL, which could increase TfL's debt burden.

Crossrail Development Agreement

We understand that the complexity of the Crossrail project might lead to potential delays in its development, or may result in a need for additional funding. However, given the unique structure of the Project Development agreement, and the support provided by the central government through the DfT, we do not believe this will materially affect TfL's credit quality. In fact, Crossrail's Development Agreement caps TfL's financial exposure to the project in case of significant cost overruns, thereby protecting TfL's credit profile.

The development plan for Crossrail includes several review phases (or "intervention points"), which could help TfL identify potential cost overruns in advance and put timely correction mechanisms into place. Furthermore, if costs were to overrun significantly, under certain conditions TfL could exercise its right under a put option--an agreement which it has with Dft. In this case, the responsibility is moved back to DfT, who, in extreme cases, could make a decision to abandon the project. We consider this latter scenario as unlikely, and understand that the current project development agreement protects TfL's budget from significant cost overruns. Moreover, we note that TfL has access to about £1 billion liquidity in the short term, ring fenced to fund the development of the project, thereby lowering the impact of potential liquidity pressures on its own cash reserves.

Table 6

Transport for London Business Plan 2012-15

(Mil. £)	2015f	2014f	2013f	2012f	2011e	2010	2009
Revenues							
Adjusted Operating Reveues	7,432	7,610	7,682	7,366	7,215	6,463	6,500
Modifiable Revenues	4,620	4,325	4,054	3,752	3,528	3,273	3,209
Adjusted Capital Revenues	1,764	2,163	2,154	1,434	1,260	280	24
Total Adjusted Revenues	9,196	9,773	9,836	8,800	8,475	6,743	6,524
Exenditure							
Adjusted Operating Expenditure	- 6,352	- 6,245	- 6,169	- 6,068	- 5,740	- 5,892	- 5,931
Adjusted Capital Expenditure	- 3,508	- 3,902	- 3,582	- 3,154	- 2,946	- 2,607	- 1,742
Total Adjusted Expenditure	- 9,860	-10,147	- 9,751	- 9,222	- 8,686	- 8,499	- 7,673

Table 6

Transport for London Business Plan 2012-15 (cont.)							
Liquidity and Debt Service							
Free cash & Liquid assets (after S&P haircut)	476	827	941	617	773	711	732
Committed bank lines	200	200	200	200	200	200	200
Interest payable (including estimated financial leases)	- 456	- 442	- 429	- 406	- 359	- 383	- 390
Debt repayments (including estimated financial leases)	- 185	- 191	- 163	- 131	- 85	- 42	- 199
Debt and Contingent Liabilities							
Direct debt	7,598	7,297	7,066	6,713	6,350	4,125	2,857
Financial Leases (S&P estimate)	1,125	1,210	1,287	1,358	1,427	3,035	2,949
Guaranteed debt of GREs that are NOT self supporting	1,897	1,897	1,897	1,897	1,897	4,147	3,857
Tax supported debt (incl. Dir. Debt, Fin. Leases and Guarantees)	10,620	10,404	10,250	9,968	9,674	11,307	9,664
Actual unfunded pension obligations	1,300	1,300	1,300	1,300	1,300	1,300	1,188
Key Ratios (%)							
Op. Balance/Adj. Op. Rev.	14.5	17.9	19.7	17.6	20.4	8.8	8.7
Modifiable Revenues/Adj. Op. Rev.	62.2	56.8	52.8	50.9	48.9	50.6	49.4
Capital expenditure/ Total Adj. Exp.	12.1	14.5	18.8	23.1	23.8	16.4	9.7
Balance after capex/Tot. Adj. Rev.	(7.2)	(3.8)	0.9	(4.8)	(2.5)	(26.0)	(17.6)
Free Cash, Liq.Assets &Com.Facilities/ Debt Service	105.4	162.1	192.8	152.2	218.8	214.3	158.2
Free Cash, Liq.Assets/ Debt Service	74.2	130.5	159.0	114.9	173.8	167.2	124.2
Interest / Adjusted Op. Rev.	6.1	5.8	5.6	5.5	5.0	5.9	6.0
Tax Supported Debt/Cons. Op. Rev.	142.9	136.7	133.4	135.3	134.1	174.9	148.7

e--Estimate. f--Forecast. Note: Operating income and costs in 2009 are net of transactions relating to Metronet. N.A.--Not available.

Related Criteria And Research

- Public Finance System Overview: U.K. Local and Regional Governments, April 5, 2011
- Methodology For Rating International Local And Regional Governments, Sept. 20, 2010
- Principles Of Corporate And Government Ratings, June 26, 2007

Ratings Detail (As Of May 25, 2011)*	
Transport for London	
Issuer Credit Rating	AA+/Stable/A-1+
Commercial Paper	A-1+
Senior Unsecured (8 Issues)	AA+
Issuer Credit Ratings History	
03-Dec-2010	AA+/Stable/A-1+
20-Sep-2010	AA/Watch Pos/A-1+
29-Mar-2010	AA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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