

Date: 30 July 2015

Item: Cycle Hire Re-let

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This paper will be considered in public

## 1 Summary

<b>ID/UIP ST-PJ309 Cycle Hire Re-let</b>	
<b>Authority Approval:</b> The Project and Procurement Authority being sought is to enable implementation of the recommended option for the Cycle Hire Re-let (CHR) Programme and the continued operation of the Cycle Hire Scheme.	
<b>Outputs and Schedule:</b> The CHR Programme will deliver the continuation of the Cycle Hire scheme services, which includes back and front office systems, contact centre, on street fixed assets, scheme integration, bike management and supply, for launch by 1 August 2017.	

- 1.1 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.
- 1.2 The purpose of this paper, and the paper on Part 2 of the agenda, is to brief the Committee on the recommended option for the CHR Programme. The Committee is asked to note the position relating to Financial Authority and to grant additional Financial Authority and to grant Project Authority to implement the recommended option and grant Procurement Authority to approve TfL entering into the agreements described to in the paper on Part 2 of the agenda.
- 1.3 Under Standing Orders, the authority sought in this paper is reserved to the Board. On 26 March 2015 the Board delegated to the Committee authority to approve any matter reserved to the Board from 1 July to 24 September 2015. Authority is requested ahead of the meeting of the Board on 24 September 2015 to align with the intended date for issuing the tender for those elements of the CHR Programme which are to be tendered in the market and to allow delivery of the CHR Programme and a smooth transition of the Cycle Hire services prior to the expiry of the current contract with Serco Limited. Due to the development of TfL's strategy over the past 18 months, which has heavily influenced the option selection process, it was not possible to request the authorities outlined in this paper in an earlier cycle.
- 1.4 A detailed cost and funding breakdown is set out in the paper on Part 2 of the agenda.

## **2 Recommendations**

**2.1 The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda and exercise the authority delegated by the Board to:**

- (a) grant Project Authority of the amount stated in the paper on Part 2 of the agenda to deliver the Cycle Hire re-let and continued operation of the scheme as described in this paper and the paper on Part 2 of the agenda;**
- (b) grant authority of the amount stated in the paper on Part 2 of the agenda to receive income subsequently from the operation of the scheme;**
- (c) in respect of the estimated cost of the delivery of the Cycle Hire re-let programme and operation of the scheme:**
  - (i) note that there is insufficient Financial Authority in the TfL Business Plan in respect of such costs up to March 2024;**
  - (ii) grant additional Financial Authority of the amount stated to in the paper on part 2 of the agenda in respect of such costs up to March 2024, and**
  - (iii) note that, as the contracts for delivery of the re-let of the Cycle Hire scheme will have a duration beyond the end of the current Business Plan, future Business Plans will need to provide for the remaining years of operation;**
- (d) grant Procurement Authority of the amount stated in the paper on Part 2 of the agenda and approve TfL or a Subsidiary (as described in paragraph 2.2 below) entering into the agreements described in the paper on Part 2 of the agenda, which support delivery of the Cycle Hire re-let and continued operation of the scheme (“Agreements”) and to note that further Procurement Authority will be sought in due course;**
- (e) authorise the TfL Officers and Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the Agreements;**
- (f) authorise the agreement and execution (whether by deed or otherwise) on behalf of TfL or any Subsidiary (as appropriate) of any documentation to be entered into in connection with the completion and implementation of the Agreements and any of the matters referred to in them (including, without limitation, all agreements, licences, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- (g) authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreements and the matters referred to in them.**

**2.2 The following Officers and Subsidiaries shall have delegated authority:**

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport and General Counsel; and**
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

**3 Background**

3.1 The existing contract with Serco Limited for the provision of the Cycle Hire scheme expires on 31 July 2017.

3.2 In March 2013, the Mayor, through his “Vision for Cycling in London”, made a commitment:

*“We will integrate cycle hire with the roll-out of contactless payments using credit, debit and charge cards, to make it a fully joined-up part of the transport network”*

3.3 Following careful consideration of the different options for delivering the CHR Programme (detailed in the paper on Part 2 of the agenda), and having regard to the Mayor’s “Vision for Cycling in London”, the preferred option (the Preferred Option) is to move away from reliance on a single provider and to facilitate early integration with TfL’s Oyster and Contactless Payment Card (CPC) back office systems to support the potential installation of Oyster and CPC readers at docking stations in the future.

3.4 The preferred option envisages that the various service elements of the scheme (which broadly comprise the back and front office systems, contact centre, on street fixed assets, scheme integration and bike management and supply) will be let as separate lots, through a combination of existing and new contracts and by utilising TfL’s in-house capability. This option also supports the following TfL objectives:

- (a) to secure the continuation of the Cycle Hire scheme, while at the same time facilitating early integration with TfL’s wider back office systems and delivering transformational features on street including improved re-distribution and maintenance systems;
- (b) provide a more stable platform to investigate innovation such as further integration (such as the delivery of the Mayoral Vision for Cycling in London to deliver contactless) and GPS tracking of bikes;
- (c) TfL Surface Principle Outcome of more and safer cycling; and
- (d) Contribute to the Mayoral Vision for Cycling to increase cycle journeys by 400 per cent compared to 2001 levels.

## 4 Programme Proposal

### Preferred Option

- 4.1 As explained in paragraph 3.3 above, the Preferred Option envisages that when the Cycle Hire contract expires, the scheme service elements will be divided into separate lots, which will be procured under existing and new contracts and using TfL's in-house capability, to ensure that provision of the service is not reliant on one service provider, but instead procures the core competencies of multiple service providers.
- 4.2 The Preferred Option will also provide the following benefits at or near the point of service transfer:
- (a) **Account integration through Single Sign On (SSO):** Cycle Hire customers would be migrated to TfL's SSO account so that they would be able to link their Cycle Hire account to their CPC or Oyster card. When customers login they would be presented with a single view of their account, with summary and link to Cycle Hire, Oyster and CPC transactions. Customers would not be required to register for Oyster and/or Contactless and Cycle Hire separately. Existing Oyster and CPC account holders could also be prompted to register for Cycle Hire;
  - (b) **One-way Capping:** One-way capping would allow TfL to charge customers a different amount for their cycle hire based on their usage of other modes. So for instance a customer who had reached the fare cap across the rest of the TfL network would receive a discount on Cycle Hire. This is a significant new benefit for TfL customers, and has the potential to drive hires;
  - (c) **Enhanced Customer Service:** The Customer Experience Contact Centre would assume support for the scheme. This would enable CCO staff to have a single view of the TfL customer and allow the customer to be able to resolve any Cycle Hire issues. Customers would only need one point of contact for any queries about their travel charges; and
  - (d) **Other Benefits:** TfL can retain the current member key and non-member code release at the docking point. The next generation of bikes will be procured and asset management will be more transparent. GPS and 4G communications are being considered and early technical investigations have been positive in relation to varying trip pricing based upon the time of day or geographical location.

## 5 Benefits and Economic Appraisal (and Value)

- 5.1 The full Benefits and Economic appraisal are included in the paper on part 2 of the agenda.
- 5.2 All of the Business Case options, including the Preferred Option, have positive benefit cost ratios.

## **6 Rationale for selection of the Preferred Option**

- 6.1 The Preferred Option will deliver the CHR in a cost-effective manner (programme and affordability) while fundamentally transforming the operating model and way in which the service is delivered. This will provide greater visibility across the scheme, improving its management by operating a multiple service provider model with more transparent reporting. It minimises the closure time of the scheme and commences integration with other TfL services and ticketing along with providing a firm platform for further future integration with CPC / Oyster through the Revenue Collection Contract. It is also the option most likely to deliver by July 2017 and therefore mitigates against the risk of loss of service and the need for an extension to the current contract.

## **7 Financial Implications**

- 7.1 A summary of the costs (project, operational and whole life), their development, budget and funding status are included in Part 2 of the agenda.

## **8 Commercial**

### **Procurement strategy**

- 8.1 The intention is to competitively tender the following lots:
- (a) Lot A: Bike Management (Operations, Redistribution and Maintenance); and
  - (b) Lot B: Next Generation Bike Supply including Spares.
- 8.2 The proposed length for both contracts will be a minimum of five and a half (5.5) years, with an option to extend up to a further four and a half (4.5) years – this would avoid a future mid-Summer end of contract date. The contracts will contain suitable break clauses, where necessary, which may be exercised at TfL's sole discretion.
- 8.3 The aim is to have a minimum period of eight months for implementation and development from the contract award date to operational commencement date. This is deemed acceptable for the implementation for these contracts, given the intention that the more technical elements of the service systems will be entering the implementation phase from November 2015.
- 8.4 The contracts are intended to be awarded in November 2016 and to be operational from 1 August 2017.
- 8.5 The remaining service elements comprising the scheme will utilise TfL's in-house capability and existing contracts.

## **9 Assurance**

- 9.1 In 2014 and early 2015, an integrated assurance review (IAR) for option selection was undertaken by the TfL Programme Management Office (PMO) and the Independent Investment Programme Advisory Group (IIPAG).

9.2 A update meeting with IIPAG and TfL PMO took place in June 2015. The IIPAG supports the recommendation to progress the Preferred Option.

9.3 The IIPAG's and TfL PMO's recommendations have been considered by the CHR management team and actions either taken or are scheduled to address all of the recommendations.

**List of appendices to this paper:**

A paper on Part 2 of the agenda contains exempt supplementary information

**List of background papers:**

The IIPAG and PMO Reports and management response.

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