

Programmes and Investment Committee



Date: 28 June 2017

Item: Taxi Delicensing and Zero Emission Capable Grant Schemes

This paper will be considered in public.

1 Summary

ST-PJ483 Taxi Delicensing & Zero Emission Capable (ZEC) Grant Scheme				
Existing Financial Authority	EFC	Existing Programme and Project Authority	Additional Authority Requested	Total Authority
£ 69.0 m	£ 68.7 m	£ 0.2 m	£ 30.7 m	£ 30.9 m

Authority Approval:

The Committee is asked to note the contents of the paper and approve budgeted Programme and Project Authority of £30.7m for the implementation and operation of the Taxi Delicensing and Zero Emission Capable (ZEC) Grant Schemes until the end of 2020/21.

Outputs and Schedule: Authorities being sought will enable the implementation (Summer 2017) and operation of the Taxi Delicensing and ZEC Grant Scheme to remove 10,000 of the oldest, most polluting taxis from London's streets and add 9,000 ZEC taxis to the fleet by 31 December 2020.

- 1.1 A paper is included in 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.

2 Recommendation

2.1 **That the Committee is asked to:**

- (a) note the contents of this paper; and
- (b) approve budgeted Programme and Project Authority of £30.7m for the implementation and operation of the Taxi Delicensing and ZEC Grant Schemes.

3 Background

- 3.1 In March 2015 the then Mayor introduced a number of measures to improve emission standards of vehicles driving in Central London and to reduce pollution from road traffic. The Ultra Low Emission Zone (ULEZ) Programme (now the Air Quality and Environment Investment Portfolio) was formed by TfL to deliver these measures.
- 3.2 £67m of funding was allocated to help taxi drivers achieve a voluntary target uptake of 9,000 ZEC taxis (£27m) and the delicensing of 10,000 older taxis (£40m) by 31 December 2020. Both these schemes are included in the Taxi and Private Hire Action Plan launched jointly by the Mayor and TfL in September 2016.
- 3.3 In relation to the ZEC Grant Scheme, the Office for Low Emission Vehicles (OLEV) will contribute up to £7,500 for each purchase of a ZEC taxi. TfL will then reimburse OLEV £3,000 for each ZEC taxi, provided it is licensed to operate in London.
- 3.4 In relation to the Taxi Delicensing Scheme, delicensing payments will be made to the registered keepers of licensed London taxis based on age.
- 3.5 Delicensing payments will be administered to the oldest, most polluting taxis as per Table 1 below.

Age from DVLA first registration	Payment
10 years ≥ Taxi Age < 11 years	£5,000
11 years ≥ Taxi Age < 12 years	£3,800
12 years ≥ Taxi Age < 13 years	£2,800
13 years ≥ Taxi Age < 14 years	£1,900
14 years ≥ Taxi Age < 15 years (age limit for taxis in London)	£1,200

Table 1: Delicensing Payments

- 3.6 The Taxi Delicensing and ZEC Grant Scheme are budgeted and included within the 2016 TfL Business Plan with Financial Authority of £69m. The project is now in delivery stage, planned to go live in Summer 2017 to coincide with ZEC taxis expected to be available for purchase on the market.
- 3.7 Programme and Project Authority of £0.2m currently exists for some early delivery activities including website development and project management costs.
- 3.8 The profile of demand is uncertain, but will be better understood once the schemes are live. This is, therefore, an interim request for the Committee to approve Programme and Project Authority of £30.7m until the end of 2020/21. Once there is a clearer picture of demand, the remainder of the Programme and Project Authority will be requested to ensure the target numbers are achieved.

4 Proposal

Preferred Option

- 4.1 TfL will administer the Taxi Delicensing scheme in-house, through the creation of a new team, "TfL Grants Team", based within Service Operations (Taxi and Private Hire). TfL's existing vehicle licensing and inspection services contractor will provide IT system support and delicensing inspections.
- 4.2 The TfL Grants Team will be made up of two Delicensing and ZEC Officers and a Taxi Delicensing Manager all to be recruited by June 2017 for the life of the project.
- 4.3 OLEV will administer the ZEC payments to dealers of ZEC licensed London taxis (to reduce their retail price to the customer), with the TfL Grants Team validating payments made and reimbursing OLEV £3,000 for every ZEC taxi that is licensed to operate in London.
- 4.4 The TfL Taxi licensing system (known as TOLA) is to be used to track the status of delicensing applications and payments as well as payment of ZEC Grants.
- 4.5 TfL will configure existing TOLA functionality in-house to deliver:
- (a) Taxi Delicensing / ZEC Grant workflow to support the TfL Grants team;
 - (b) introduction of the delicensing Inspection;
 - (c) audit trail of taxis that have received Taxi Delicensing payments / ZEC Grants; and
 - (d) Tracking of Taxi Delicensing and ZEC Grant take up.
- 4.6 TfL's online team have developed a Delicensing Application tool which will be hosted on the TfL ULEZ website. TfL's contractor will manage delicensing inspection bookings through their existing contact centre and complete delicensing inspections at existing inspection centres.
- 4.7 The Air Quality and Environment Investment Portfolio Board will monitor take up of the schemes and, where necessary, take appropriate measures to ensure the target of 10,000 taxis delicensed and adding 9,000 ZEC taxis are met.

Benefits (and Value) and Alternative Options

- 4.8 The delicensing of 10,000 of the oldest, most polluting taxis and introduction of 9,000 ZEC taxis by 31 December 2020 will lead to a reduction in NO_x emissions of 450 Tonnes per annum. This equates to a 45 per cent reduction in NO_x emissions from taxis in London.
- 4.9 An alternative option considered to administering the scheme in-house was to outsource the administration of the Taxi Delicensing and ZEC Grant schemes. Following a benchmarking exercise, the preferred option (administering the scheme in-house) is shown to be lower in cost compared to outsourcing the administration of the schemes as described in paragraph 2.3 of the paper to be considered in Part 2 of the meeting.

- 4.10 By administering the Taxi Delicensing scheme in-house, TfL will have greater control of the scheme and its operation, and greater flexibility in adjusting the scheme if required.
- 4.11 In-house development and configuration of TOLA means implementation costs are reduced and there is more control of implementation.
- 4.12 Delicensing payments will be integrated into TfL's existing financial processes mitigating any risks associated with payment and providing an end to end audit trail for each stage of the payments process.
- 4.13 TfL will also have more control in terms of tracking progress against forecast uptake.

Options Analysis

- 4.14 The summary of the economic appraisal and benefits for the preferred option is described in paragraph 2.2 of the paper on Part 2 of the agenda.
- 4.15 The preferred option has an estimated final cost (EFC) of £68.6m and a Net Financial loss (in present day values) of £63.7m.
- 4.16 As the schemes are included within TfL and Mayoral action plans, a 'do nothing' option was not considered for this project.
- 4.17 TfL are:
 - (a) configuring the solution in TOLA;
 - (b) recruiting the TfL Grants team;
 - (c) implementing the agreed new operational processes;
 - (d) training the new TfL Grants Team and contractor inspections staff; and
 - (e) managing communications with the taxi trade.
- 4.18 The success of the ZEC Grant scheme is dependent on infrastructure to power ZEC vehicles being in place. This is being delivered as part of the rapid charging network project, also part of the Air Quality and Environment Investment Portfolio.
- 4.19 Key milestones for the project are included in Table 3 below.

Milestone	Target Date	Progress
TOLA System Development complete	1 June 2017	Development complete, now in testing phase, on track.
TfL Grants team recruited and trained	1 June 2017	Minor delays in recruitment – still in progress but will have trained staff in place for Go-live
Taxi Delicensing and ZEC Go-live	Summer 2017	On track

Table 3: Key Project Milestones

- 4.20 The key risks are set out in Table 4 below. The risks are predominately operational or a risk to benefits of the project being realised.
- 4.21 Further project risks which are commercially sensitive are included in Table 2 of the paper attached to Part 2 of the agenda.

Risk No	Risk Description	Mitigation Actions
1	Benefits of the schemes are not realised due to low take up of the Taxi Delicensing scheme	Air Quality and Environment Investment Portfolio Board will be able to propose varying the payments, qualifying age of taxis, and to consider alternative measures to achieve the target of 10,000 taxis to be delicensed by 2020.
2	Benefits not realised due to low take up of ZEC Taxis	Air Quality and Environment Investment Portfolio Board will be able to consider alternative measures for example extending the scheme beyond 2020, working with OLEV to influence the price of ZEC taxis, and working with TPH to liaise with the taxi trade to achieve the target of 9,000 ZEC taxis in the fleet.

Table 4: Key Project Risks

5 Legal Implications

- 5.1 Due to state aid requirements, the delicensing payments are capped at a maximum €0.2m over a rolling 3-fiscal year period per taxi owner (i.e. fleet operator). Consideration will need to be given to fleet operators who own multiple vehicles.
- 5.2 The Taxi Delicensing and ZEC Grant schemes are considered as two separate schemes for State aid purposes as the payments are not linked and there is no obligation to purchase a new ZEC taxi if a delicensing payment is made.

6 Financial Implications

- 6.1 The Taxi Delicensing and ZEC Grant schemes are fully budgeted with the Financial Authority of £69m.
- 6.2 Programme and Project Authority of £0.2m currently exists.
- 6.3 The budget for ZEC grant payments based on 9,000 ZEC taxis joining the taxi fleet is £27m. The budget for delicensing payments based on 10,000 taxis being delicensed is £40m.
- 6.4 OLEV have previously transferred £25m in 2015 to TfL in support of ZEC grants prior to the commencement of the project and is therefore not included in Table 3 of the paper in Part 2 of the Agenda.

- 6.5 Contractor costs have been developed and agreed through a contract variation to the existing vehicle licensing and inspection services contract.
- 6.6 Internal staff costs are based on the TfL Grants Team being recruited to administer the scheme. The team size has been determined by a detailed analysis of the operational process that will be followed to administer the scheme, broken down to individual task levels. A summary of the costs and funding are included in paragraph 3.1 of the paper in Part 2 of the Agenda.
- 6.7 Forecasted take up of both schemes and how it will be monitored is included in paragraph 3.2 and 3.3 of the paper in Part 2 of the Agenda.

7 Assurance

- 7.1 The project has received a recent targeted Integrated Assurance Review (IAR) and no critical issues were identified. A more comprehensive IAR, planned for the ULEZ Programme, will be received in June 2017. A separate Portfolio level review will be completed on the Air Quality and Environment Investment Portfolio prior to the next meeting of the Committee in October 2017.

List of appendices to this paper:

None. A paper containing supplementary exempt information is attached in Part 2 of the agenda.

List of background papers:

Ultra Low Emission Zone (ULEZ) Business Case
Ultra Low Emission Zone portfolio, TfL Board Paper, 15 December 2015

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