

Subject: Transport for London Investment Decision Making - the New Routemaster Bus

Report to: Budget and Performance Committee

Report of: Executive Director of Secretariat

Date: 2 September 2015

This report will be considered in public

1. Summary

- 1.1 This report provides background information to the Budget and Performance Committee for its meeting with representatives of Transport for London (TfL) to examine investment decision-making with regard to the New Routemaster bus. The meeting provides an opportunity for the Committee to scrutinise TfL's decision to develop and purchase a new bus for London and order 800 for delivery by May 2016; and to discuss TfL's future plans for the bus, based on its latest assessment of cost, benefit and value for money.

2. Recommendation

- 2.1 **That the Committee notes the report, puts questions on Transport for London's investment decision making in relation to the New Routemaster bus to the guests and notes the discussion.**

3. Background

Concept, design and manufacture

- 3.1 The concept of a new bus for London was instigated by the Mayor of London in 2008 following his election manifesto commitment to introduce a new iconic bus for London fit for the 21st century during his first term of office. The Mayor launched a design competition in July 2008 open to both the industry and general public. 700 entries were received and the winners were announced in December 2008.
- 3.2 A procurement notice was issued in February 2009 for bus manufacturers to design and build the new buses and a contract was awarded to Wrightbus in December 2010. Following the successful delivery of the first eight buses in 2012, TfL ordered a further 600 in September 2012. In November 2014, TfL added a further 200 buses to its order which will bring the total fleet size to 800 by the end of the current Mayoral term in May 2016.
- 3.3 There are currently over 500 New Routemaster buses on London's roads and the Mayor would like to see 2,000 vehicles incorporating its design features on the road by 2020. TfL has a contract with

Wrightbus to build the first 1,000 buses to the same specification, but once this milestone is achieved, TfL is free to contract other bus manufacturers to build buses incorporating the New Routemaster's design features.

The business case

- 3.4 The design, forecast costs and benefits, and purchase and operating models for the fleet have changed considerably since 2008. TfL produced its first business case for the New Routemaster in 2009. It was based on an order of 600 buses procured and owned by bus operating companies, and with 350 of them being One Person Operated. The business case assumed a benefit:cost ratio compared to a fleet of standard hybrid double decker buses of -0.01:1. In November 2013, TfL produced an updated business case. This assumed that TfL would purchase and own the entire fleet of 600 buses and that 380 would be One Person Operated. It forecast a benefit:cost ratio of 0.7:1 compared to hybrid buses. By November 2014, when TfL decided to order a further 200 buses, the benefit:cost ratio had been reduced to 0.2:1.

4. Issues for Consideration

- 4.1 At its meeting on 10 June 2015, the Committee agreed to use this meeting to continue its examination of investment decision making at TfL and use the New Routemaster as a case study. This meeting will build on the work the Committee carried out in 2014 on the viability of sponsored transport schemes.
- 4.2 Areas of questioning by the Committee are likely to include: the lessons that can be learnt from design and development process and the impact the challenging timeframe for delivery has had on the project; how business cases compare to the actual cost, performance and benefits being delivered by the new buses; and how TfL should take forward the project to ensure it delivers the best possible value for money.
- 4.3 The Committee requested information in advance of the meeting from TfL. The letter requesting information is attached at **Appendix 1** and TfL's response at **Appendix 2**. The 247 pages of appendices to TfL's response have been published separately on the Committee's web page¹.
- 4.4 Guests invited to attend this meeting include:
- Leon Daniels, Managing Director, Surface Transport, TfL; and
 - Mike Weston, Director of Buses, TfL.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no direct financial implications of this report.

¹ <https://www.london.gov.uk/mayor-assembly/london-assembly/investigations/new-routemaster-value-for-money>

List of appendices to this report:

Appendix 1 – Request for information from TfL

Appendix 2 – Response to request for information from TfL

Local Government (Access to Information) Act 1985
List of Background Papers: None
Contact Officer: William Roberts, Budget & Performance Adviser
Telephone: 020 7983 4958
E-mail: william.roberts@london.gov.uk