

REQUEST FOR DIRECTOR DECISION – DD1160

Title: Agile Urban Logistics – Stage 1

Executive Summary:

Light freight journeys are responsible for 80% of freight miles on London's roads. Transport for London (TfL) estimates that by 2030 this will grow by 43%. The growth in e-commerce and personal deliveries is identified as a major contributor to this rate of increase. As such, light freight vehicles are a growing contributor to congestion. Congestion extends journey times, reduces business efficiency and contributes to poor air quality and carbon emissions.

In this context, the GLA and TfL wish initially to gain a better understanding of innovative solutions for the light freight sector that allow it to adapt to changing regulatory and market conditions, mitigating congestion and emission impacts, whilst improving business efficiency and customer experience. In partnership with innovative market participants, we aim to develop, demonstrate and evaluate solutions in 'on-the-ground' trials in London during 2014-15, assessing their potential for wider adoption and their impacts on key economic and environmental indicators.

The GLA was awarded £3m from the Technology Strategy Board (TSB) towards a Smart Cities Demonstrator Programme (MD1247), which includes the development and delivery of the Agile Urban Logistics project. This DD seeks approval for the release of funding and the entering into a contract with an external consultant to undertake the Stage 1 of the Agile Urban Logistics project.

Decision:

That the Director approves:

- Expenditure of up to £125,000 for Stage 1 of the Agile Urban Logistics project of the Smart London Demonstrator Programme (MD1247) for the procurement of services and entry into and execution of contracts for consultancy services.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.
It has my approval.

Name: Fiona Fletcher-Smith

Position: Executive Director-Development, Enterprise & Environment

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction

TSB's Future Cities

The Technology Strategy Board (TSB) is a non-departmental body tasked with accelerating economic growth by supporting UK innovation. It is investing up to £24m in large-scale demonstrator for 'future cities'.

The Future Cities programme aims to bring together emerging concepts and opportunities in Smart Cities and Sustainable Cities to demonstrate the economic, social and environmental value that can be created through the application of digital (data-driven) solutions, systemic approaches to city infrastructure and services, and collaborative models.

The GLA Environment team led a bid to the TSB in 2012 involving three strands: reduction in traffic congestion; reduction in local air pollutant and carbon emissions; and job creation. This resulted in an award of £3m over three financial years.

This project falls under the "commission market analysis and partner identification" milestone stated in the May 2013 IPB paper. This was originally envisaged to be done in-house so no funding was assigned in the IPB paper. Given the scope of the work, it is deemed necessary to commission consultants who will provide a report on the market, produce an options appraisal, implementation plan and draft a specification for the demonstration project(s).

The outputs from Phase 1 will inform the identification, design and implementation of the actual demonstration projects.

The budget allocation has been re-profiled to account for this and will not impact negatively on the delivery of the whole smart cities project.

Background to Agile Urban Logistics project

Light freight journeys are responsible for 80% of freight miles on London's roads. Transport for London (TfL) estimates that by 2030 this will grow by 43%. The growth in e-commerce and personal deliveries is identified as a major contributor to this rate of increase.

As such, light freight vehicles are a growing contributor to congestion. Congestion extends journey times, reduces business efficiency and contributes to poor air quality and carbon emissions. Emerging plans for an Ultra-Low Emissions Zone in central London aim, in combination with congestion charging, to mitigate the negative impacts of increased road use.

In this context, the GLA and TfL wish initially to gain a better understanding of innovative solutions for the light freight sector that allow it to adapt to changing regulatory and market conditions, mitigating congestion and emission impacts, whilst improving business efficiency and customer experience.

Then, specifically, we wish to understand, develop and assess the emerging solutions that make effective use of data and information technologies, in combination with evolving business models, and their potential to expose and incentivise flexibility in demand for the following –

- vehicle load space (creating fewer, fuller vehicles)
- road, kerbside and offloading facilities (including re-timing and re-routing journeys)
- delivery locations (consolidating and minimising pick-ups and drop-offs)
- collection by the customer (exposing and influencing preferences)
- low emission vehicles and non-standard delivery vehicles

Finally, in partnership with innovative market participants, we aim to develop, demonstrate and evaluate solutions in ‘on-the-ground’ trials in London during 2014-15, assessing their potential for wider adoption and their impacts on key economic and environmental indicators. The GLA has received funding from the Technology Strategy Board under its Future Cities programme to do this.

2. Objectives and expected outcomes

Objectives

The Agile Urban Logistics project will be managed in two distinct stages, of which this DD seeks approval for Stage 1.

The principal objectives of Stage 1 commission are to

- Review the light freight sector in London, quantifying, opportunities and constraints for the adoption of innovative road usage and lower emission solutions
- Identify and assess innovative digital and business solutions for the light freight sector that can be tested on-the-ground with GLA and TfL support
- Understand how solutions to London specific challenges may impact or be restrained by national operational requirements (in particular, IT and freight transport solutions)
- Establish how and to what extent consumers, transport operators, retailers, product suppliers and others with an interest in home (and associated) deliveries can influence market change and support our policy objectives
- Identify the specific market sub-sector(s) and geographies in which the solutions can be tested and where demonstration project(s) can be deployed
- Assess in detail which specific delivery types could be effectively targeted by subsequent Stage 2 trials and how, in relation to the project aims and desired outcomes
- Identify willing and capable market participants and financial and ‘in kind’ contributors to the demonstration project(s)
- Make an initial assessment of demand-side interest
- Make an initial assessment of the market potential of proposed solutions
- Develop models to be tested through on-the-ground deployment
- Develop a robust, but cost-effective and proportionate, measurement (including instrumentation) and monitoring regime that accounts for cost, congestion and emissions
- Develop a functional specification(s) for demonstration project(s) that test the value of identified digital and business solutions to the problems light freight emissions and congestion
- To take account of, share knowledge and information with existing projects associated with the GLA or TfL which have over-lapping aims. These include at least the following projects - LaMilo, Camden Consolidation and Frevue.
- Inform the development of appropriate long-term knowledge-sharing routes or frameworks, in the context of London’s transport, environmental, economic and development policies.

Stage 2, which will be the subject of a separate MD/DD, will involve the deployment of solutions identified in Stage 1 through -

- Planning and implementation of operational trials
- Execution and management of the trials
- Monitoring and evaluation
- The making of recommendations for future actions

Expected Outcomes

The expected outcomes for Stage 1 are:

- An evidence base which helps understand –
 - The projected growth of van traffic and its impact on London's road network
 - The local air pollutant and carbon emissions created by increasing van traffic
 - an understanding of the influence and impacts of key interest groups in the e-commerce supply chain
 - The availability and potential of alternatives to home delivery
- An understanding of the scope for changing current business models to meet London policy objectives and how the GLA and TfL could support that to happen
- Insight into the consumer demand for different collection solutions and improved consumer awareness of the availability of alternative solutions
- An understanding of the barriers and opportunities in the availability, cost effectiveness and practicality of informatics solutions
- A set of new logistics models that might be appropriate for particular sub-sectors and geographies and initial assessment of how innovations might be taken up more widely
- How these solutions and models might sit within related developments, such as intelligent traffic management and route planning
- How any proposed solutions could impact congestion, air quality
- Understanding of any potential long-term role of the Mayor, TfL and boroughs in supporting digital and business model innovations and facilitating their wider adoption
- An implementation plan, including Use Cases and functional specifications to be taken forward in Stage 2 of this programme.
- Market participants identified with an interest and expressed capability of deploying identified solutions and models in Stage 2.

Deliverables from Stage 1 will include:

- Report on market, regulatory and capabilities assessment
- Options report appraisal and models of shortlisted solution(s)
- Monitoring and evaluation framework
- Implementation plan
- Draft Functional specification for the demonstration project(s)
- Memoranda of Understanding with market participants

3. Other considerations

a) Risk and Issues

Reputational damage: If the external consultants are unable to deliver to the outcomes described in the specification.

Mitigation: The level of the risk is low and GLA Officers will mitigate this risk through regular meetings with the external consultants to oversee delivery and also seek regular input from the Programme Steering Group.

Financial mismanagement: The risk level is low as the Project Manager will adhere to the GLA's Financial Regulations and establish close contract management with the external consultants in order to mitigate the likelihood of over-spend or other financial misconduct.

Logistics companies have no interest in adapting business model

Mitigation: Initial market analysis, partner identification and concept testing, undertaken prior to final specification.

b) Links to Mayoral Strategies and Priorities

The relevant Mayoral strategies against which this project aims to deliver are:

- *Mayor's Economic Development Strategy*
- *Mayor's Air Quality Strategy*
- *Mayor's Climate Change Mitigation and Energy Strategy which aims to reduce London's CO2 emissions by 60% below 1990 levels by 2025.*

c) Impact assessments and Consultation

The project team will continue to consult and engage with key stakeholders including Transport for London Freight Team and GLA Transport team.

Impact assessments and evaluation of the project will be carried out to determine the effectiveness of the project in meeting the required outcomes.

4. Financial comments

4.1 MD1247 approved £3m of spend on the three year Smart London Demonstrator Programme, funded from a grant award of £3m from the Technology Strategy Board (TSB) under its Future Cities Demonstrator programme.

4.2 This programme is currently profiled to be spent as follows from 2013/14 - 2015/16:

- | | |
|--------------------------------|------------|
| • Agile Urban Logistics | £890,000 |
| • Networked Utilities | £1,047,300 |
| • Work & Volunteering Platform | £750,000 |
| • Support costs | £312,700 |

- 4.3 Approval is being sought to undertake a procurement exercise relating to consultancy services for Stage 1 of the Agile Urban Logistics project.
- 4.4 The estimated cost of this contract is up to £125,000.
- 4.5 The revenue cost of up to £125,000 will be funded from the Agile Urban Logistics element of the £3m grant.
- 4.6 It is expected the commission will span two financial years as follows :
- 2013/14 £30,000
 - 2014/15 £95,000
- 4.7 All appropriate budget adjustments will be made.
- 4.8 As this decision relates to a contract, officers have to ensure that the requirements of the Authority's Contracts and Funding Code are adhered to.
- 4.9 As this contract is consultancy based, officers also have to ensure that the requirements relating to consultancy services within the Authority's Financial Regulations and Expenses & Benefits Framework are adhered to.
- 4.10 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.
- 4.11 The Environment Team within the Development, Enterprise & Environment Directorate will be responsible for managing this project.

5 Legal comments

- 5.1 Sections 1 and 2 of this report indicate that the decisions requested of the director (in accordance with the GLA's Contracts and Funding Code and her delegated authority granted pursuant to MD 1247 fall within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people;
 - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - consult with appropriate bodies.
- 5.2 The decisions requested of the Director (in accordance with the GLA's Contracts and Funding Code and her delegated authority granted pursuant to MD 1247 fall within the GLA's statutory powers, to do such things considered to further or which are facilitative of or conducive or incidental to the promotion of economic development and wealth creation, social development or of the improvement

of the environment and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- a. pay due regard to the principle that there should be equality of opportunity for all people;
- b. consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- c. consult with appropriate bodies.

5.3 The services required must be procured by Transport for London Procurement who will determine the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code;

5.4 Officers must ensure that appropriate contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the services. Such documentation must reflect any terms agreed between the GLA and TSB in relation to the funding received from TSB by the GLA

6. **Planned delivery approach and next steps**

Activity	Timeline
Procurement of contract	December 2013
Delivery Start Date	January 2014
Delivery End Date	July 2014
Final evaluation start and finish	August 2014
Project Closure	August 2014

Appendices and supporting papers:

MD1247

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

Until what date: 13 February 2014

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES/NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Kizzian Owen has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Stephen Tate has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date