Appendix 1

Budget and Performance Committee – 25 June 2014

Transcript of Item 10: Viability of London's Sponsored Transport Schemes

John Biggs AM (Chairman): Welcome to our guests, we have Professor David Metz from University College London (UCL); Isabel Dedring, Deputy Mayor for Transport; Graeme Craig, Commercial Director, Transport for London (TfL); Danny Price, Head of Emirates Air Line, TfL; Jonathan Fox, Director, London Rail, TfL; and Richard de Cani, Director of Strategy and Policy, TfL, whom I have always seen as being Docklands Light Railway (DLR), but you do this as well.

Richard de Cani (Director of Strategy and Policy, TfL): Indeed.

Tom Copley AM: Why did TfL allow the cable car to go ahead when it was forecast to generate an internal rate of return lower than TfL's internal hurdle rate?

Isabel Dedring (Deputy Mayor for Transport): It might useful for Richard to just comment on the facts of the matter first.

Richard de Cani (Director of Strategy and Policy, TfL): In terms of the business case for the cable car, which is what your question is dealing with, the business case that we put forward for approval before we commenced construction had a benefit-to-cost ratio of 2.7:1, which is well within the range that we would normally consider acceptable for transport projects. That was based on the capital cost of over £60 million. I am not familiar with the figure you are quoting for the internal rate of return, but in terms of the broad benefit-to-cost ratio in the wider business case that we need to produce, there was a very clear positive case that we put forward.

Tom Copley AM: From the information we have here, it seemed that TfL's own model showed the scheme would not pass its own investment criteria.

Richard de Cani (Director of Strategy and Policy, TfL): In terms of financial viability, you might be talking about --

Tom Copley AM: Yes, that is what I am talking about.

Richard de Cani (Director of Strategy and Policy, TfL): As an investment that would wash its face commercially, then that is correct, but in terms of a transport project and the wider benefits, it did meet the criteria quite substantially with the benefit-to-cost ratio. The fact it was not commercially viable is why we adopted the approach we did for funding, sponsorship and European Regional Development Fund (ERDF) funding.

Isabel Dedring (Deputy Mayor for Transport): There are very few or no public transport modes generally that would be commercially viable. That is the reason they are run publicly, so it would be in line with the bus system, for example, in that respect.

John Biggs AM (Chairman): There was a subsequent ERDF application for European funding towards this project, and the paperwork behind that suggested a less favourable benefit cost than in the financial model prepared by TfL internally, so it was almost as if one rearranges the goalposts to suit the bidding process. Is that an overly cynical view of things? I think the answer you are going to give me is yes, but can you explain why it is not overly cynical?

Richard de Cani (Director of Strategy and Policy, TfL): The answer is yes - you would expect me to say that - but, going through the process of applying for European funding, there are different requirements and different criteria that you have to meet to be eligible. They deal with the input to the benefit-to-cost ratio differently from we would, so you would always get a different answer applying for European funding than you would through TfL's own processes of producing business cases. The fact it met the European Commission's criteria for funding is something that they endorsed and led to the funding from ERDF, so that was positive. The fact it had a different benefit-to-cost ratio is a function of the different processes that apply to European funding compared to our own.

John Biggs AM (Chairman): Are they more rigorous?

Richard de Cani (Director of Strategy and Policy, TfL): I do not think it is more rigorous necessarily. They allow certain things to be included and they would disallow certain other things to be included in the overall calculation. The key test for the ERDF funding is that there are no other sources of funding available, it is almost funding of last resort and that the benefits that you get from the investment in terms of the economic outputs around job development meet their criteria. That is the main test they are looking for: the outcomes.

John Biggs AM (Chairman): I was wondering whether our learned witness here today might be able to shed a bit of light on this in terms of valuations and methodologies, and whether we are at risk of being repeat hypocrites in the way in which we invent hurdles to get ourselves through various decisions.

Professor David Metz (Centre for Transport Studies, UCL): There is a degree of arbitrariness about the standard methodologies and the cost-benefit analysis endorsed by the Department for Transport, which no doubt TfL has in mind. I was struck, looking through the case for the cycle hire scheme, that the biggest benefits are from travel time savings, but for bus users switching to the bike it was reckoned that was £6.60 an hour, but for those walking switching to the bike it was £12.90 an hour. No doubt there are good reasons for those numbers, but you can see from the disparity that there is a degree of arbitrariness what one includes. What is not generally included in the cost-benefit analysis and the quantified cost-benefit analysis is the wider impact on accommodating population growth and on stimulating economic growth.

These are very uncertain but they can be quite substantial. For projects of the kind we are looking at today, the Emirates Air Line and the cycle hire scheme, these are one-offs and it is very hard to get evidence from prior experience as to what are sensible assumptions. I would not myself be too worried about the precise numbers from the cost-benefit analysis. I would actually try to see the bigger picture and ask what is being contributed to London by these schemes and then what the role of sponsorship in making the schemes happen is.

John Biggs AM (Chairman): Could you shed particular light on the cable car part of today's piece from your understanding?

Professor David Metz (Centre for Transport Studies, UCL): I have looked at this. I have no particular expertise in this. I am aware that in other countries, particularly in the hilly cities in Latin America, cable cars are becoming very popular because they are an economical means of giving people in shantytowns up in the hillsides access to city centres, but in London it seems to me this is probably a one-off. The chances of doing another one are probably not very great and therefore the experience from this one is probably quite limited. Beyond that, I would not venture a view.

John Biggs AM (Chairman): There is a view that it is not really a transport scheme. It moves, but it is not a transport scheme.

Tom Copley AM: I take your point that the bus network would not be commercially viable, but this is about the fact that presumably this was put through TfL's internal processes in terms of cost-benefit analysis or however it has been described, this internal hurdle rate. It failed that and yet it went ahead anyway.

Isabel Dedring (Deputy Mayor for Transport): No, that is what Richard was trying to clarify.

Richard de Cani (Director of Strategy and Policy, TfL): The benefit-to-cost ratio, which is an estimate of the overall economic value of the investment, if you like, demonstrated that there were almost three times as many benefits as costs, a benefit-to-cost ratio of 2.7:1, so for an investment that the public sector would make, it would be a good investment at that sort of benefit-to-cost ratio. This was never a project that was going to be invested in by the public sector in the way that we do with other transport schemes, because the intention was always that we could secure private sector investment towards it.

Could we go all the other direction and have it fully funded by the private sector as a commercially viable proposition? That is where the test you are referring to about the internal rate of return comes in, and it was not viable at that extreme, so this is why it led to a combination of funding from sponsorship and European funding to cover the cost.

Tom Copley AM: This was something originally the Mayor said would - I believe the construction costs at least - be fully funded by the private sector, am I right in saying? That was the original proposal that he made, £25 million funded fully by the private sector.

Richard de Cani (Director of Strategy and Policy, TfL): The construction cost of the airline was covered over the life of the project by contributions from the sponsorship arrangement with Emirates, through the ERDF funding and through payback from future fare surpluses over time. It was always calculated over the life of the project this would cover its costs, with substantial contributions from the sponsorship and the £8 million ERDF.

On the business case, because we apply TfL's standard methodology for this, we did test it as if it was a conventional transport scheme. We did not take into account any of the wider economic benefits at all. We completely ignored those and looked at it purely as a transport scheme and the benefit-to-cost ratio is based on a transport scheme. If we would have included those wider economic benefits and quantified them and captured them, it would have had an even greater benefit-to-cost ratio than the one I have described, so we did apply quite a rigorous test to the business case for the cable car.

Tom Copley AM: Going back to my point, originally the Mayor envisaged that it would cost £25 million and that would be covered by the private sector. It ended up costing £63 million, of which the vast majority was paid for by the public sector. That is correct, is it not?

Isabel Dedring (Deputy Mayor for Transport): Yes, as David [Metz] was saying earlier, the point is that it is not as if ten cable cars have been built previously in London. It was very much unknown territory. Cycle hire is the same thing; we had never done it before. Inevitably you are going to base your information going into it on the best information you have available at the time, and then as you go through the process, we discovered, for example, we did not intend to have the ERDF funding in the mix ultimately at the very outset of the project but that developed as an opportunity, so that was not part of the original plan, either. Fundamentally, having the sponsorship funding, clearly, however much it is, as long as it is a substantial amount, is way better than not having it, so if we had not sought the sponsorship then clearly we would be in a far worse position. The point is that by bringing that kind of funding in, fundamentally, whether it is £20 million, £25 million or whatever the figures are, it is substantially better than where we might otherwise have been.

Tom Copley AM: But surely there comes a point where you think, "This is not going to be value for money any more", which brings me on to my next point, which is --

Isabel Dedring (Deputy Mayor for Transport): But that is the point. The point on the value for money is that is what the business case shows, is that this is a worthwhile thing to do, just purely looking at it without all of the funding elements thrown into the mix. It is saying, "Is this a worthwhile project? Is it value for money?" Then there is a subsequent question about whether you could get some of that money from other sources, sponsorship or anything else.

Tom Copley AM: Would you have gone ahead regardless of how much sponsorship income you are able to get from it?

Richard de Cani (Director of Strategy and Policy, TfL): At the point at which we got the approval to go ahead, there was a requirement that we would go out there and secure sponsorship to cover as much of those costs as possible with ERDF funding. Just to deal with the facts, the combination of the sponsorship and ERDF was £44 million together as a package, with the remainder of the costs coming from the fares surplus over time, so that was the funding proposition that was put together. So you are right, there was always a very clear requirement to go out to the market and seek as good a sponsorship opportunity as possible and that was the test.

Tom Copley AM: With respect, that did not really answer my question. Let us say there would be no prospects of getting any sponsorship whatsoever. Would you have still gone ahead with this project as a transport project?

Isabel Dedring (Deputy Mayor for Transport): It is very hard to say because all the internal approvals and the Board approvals were all based on the premise that there would be sponsorship, so in a way that conversation never happened, because the premise was there will be a very major contribution from sponsorship. This is why the scheme is a valuable thing to do, and then the expectations in terms of the sort of quantum of sponsorship were met. In a sense it is a good question. As we develop into this space of sponsorship, which Graeme is responsible for, now that we are trying to look for more opportunities there is an interesting question around, for example, a given scheme where you are seeking sponsorship. Can we be clear about what level we are looking for and is the thing a goer if you are going to get one-twentieth of the amount that you originally expected? Luckily, in this case, that was not an issue.

John Biggs AM (Chairman): We could spend the whole session telling each other that we are potentially asking slightly the wrong interesting question, but it would be quite nice to have some answers.

Tom Copley AM: Knowing what you know now, that actually sponsorship accounted for very little, certainly almost none of the upfront construction costs, would you go ahead with this project?

Isabel Dedring (Deputy Mayor for Transport): That is not correct on the numbers. Richard has just said it is £44 million --

Richard de Cani (Director of Strategy and Policy, TfL): The sponsorship was £36 million from Emirates, and ERDF --

Tom Copley AM: That is for the running costs. I am talking about the construction costs. Am I right in saying that?

Jon Fox (Director, London Rail, TfL): If you take the construction costs, which were £45 million, then, in simple mathematics terms, the £36 million sponsorship plus the ERDF covers the construction costs.

John Biggs AM (Chairman): No, it does not because you are talking about a cash flow. The sponsorship is a sum of money over a number of years during which time you have to pay --

Jon Fox (Director, London Rail, TfL): Cash is a different point, absolutely.

John Biggs AM (Chairman): The cost of capital is also the opportunity cost question as well when you are evaluating the project.

Jon Fox (Director, London Rail, TfL): The cash is different to quantum.

Stephen Knight AM (Deputy Chair): What was the capital cost?

Tom Copley AM: £63 million.

Jon Fox (Director, London Rail, TfL): It was originally £62.6 million and we put it in for £61 million.

Tom Copley AM: Having originally been budgeted for £25 million.

Jon Fox (Director, London Rail, TfL): The total cost, with everything, land with operations, with all of the development cost, construction of the two towers, the wires and cable cars, £45 million.

Stephen Knight AM (Deputy Chair): You said £61 million but then you said there was a different figure of £45 million. What was the difference? Could you just clarify that?

Jon Fox (Director, London Rail, TfL): Yes, the £45 million is the construction contract cost with Mace for building it. We paid Mace £45 million for the three towers, the wires, the cabins, the stations and the --

Stephen Knight AM (Deputy Chair): OK, but including all the design and development costs, it came to £61 million?

Jon Fox (Director, London Rail, TfL): Indeed, and you take land as well and compensation and so on.

Tom Copley AM: Just the point about whether or not, looking back, it was worth doing, given the sponsorship that was expected that was not realised is an important point, perhaps I could ask Isabel when exactly the decision was made to build the cable car, what was known at this point about the cost of the scheme and how much private sector funding could be raised.

Isabel Dedring (Deputy Mayor for Transport): I am going to have to turn to Richard on the exact timings of what was known at the time of the approvals.

Richard de Cani (Director of Strategy and Policy, TfL): Around March 2011 we received authority from the Financial and Policy Committee of the Board to proceed with the project and then there was the completion of the procurement after that, so it was about a 12-month construction programme pre-Olympics. There was a very clear requirement that we would seek sponsorship and we would seek the ERDF funding. Did we have all that funding secure at that particular point in time? No. But was there a requirement to do it? Yes.

Tom Copley AM: Can I ask how the 2012 Games deadline affected the planning process for it? Essentially, did that speed things up? Did it stop you from looking at other options like connecting North Greenwich to the Isle of Dogs? Would more consideration have been given to that if it were not for the Olympics?

Richard de Cani (Director of Strategy and Policy, TfL): No, because we had done quite a lot of work on the question of crossings of the Thames in this part of London from 2008 onwards and we produced a report which considered a range of options including ferries and alternative routes for cable cars prior to that. The Games provided a very clear focus around delivery, so that value for money test, the business case, did not capture anything specific about the Games. We were not relying on a Games factor to boost the business case, but it provided a very clear focus to get it completed because it had a role to play during the Games. There were also practical questions about how the land around the cable car stations was affected by Games activity, so there were issues around cordons on the Greenwich Peninsula, but it provided a very clear focus and an end date to reach.

Tom Copley AM: Is it in the right place? Do you think it would have better had perhaps it connected up different parts?

Richard de Cani (Director of Strategy and Policy, TfL): When you look at the patterns of movement in that area today and you look at how quickly it is changing and how quickly it has changed, there is going to be increased demand for cross-river movements all over that part of east London. The density of population that will exist on the Isle of Dogs, the Greenwich Peninsula and the Royal Docks means that people living and working and going to those areas will need to move about freely. The problem we have at the moment is that everything hangs off the Jubilee line and the DLR and those lines are getting full. If this was west London, you would have bridges you could just walk across or cycle across, but it is not. The river is massive and there are navigational requirements, so you need a bespoke solution. If you look at the long-term plans for the Royal Docks and the Greenwich Peninsula and what the boroughs are trying to achieve, then absolutely it is in the right place to support those plans.

Tom Copley AM: I would be interested to know if David thinks it is in the right place.

Professor David Metz (Centre for Transport Studies, UCL): I would not offer a view. I am not expert in the geography of that area, if you will excuse me, on that.

John Biggs AM (Chairman): You can certainly see it is the most popular cable car in London.

Isabel Dedring (Deputy Mayor for Transport): We will start using that in our promotional material. It is worth saying that if you look at the regeneration impact on the north side of the river, certainly Sir Robin Wales [Mayor, London Borough of Newham] would say having the cable car there is bringing a focus to that area. All the developers in that area love having it because it is really shining a light on all the opportunities there and the change on the north side in particular is very dramatic at the moment.

Danny Price (Head of Emirates Air Line, TfL): The Royal Docks as a destination market is in its infancy. The airline has given it a new focus, so you have businesses like ABP and many others that see this as a real benefit because it draws additional footfall with 70% of the visitors arriving just for the experience currently. That is a real benefit.

Tom Copley AM: That is the thing because it is a fairground ride. It is not a transport solution.

Danny Price (Head of Emirates Air Line, TfL): If you speak to the local business, AEG, Siemens Crystal, ExCel, they will tell you that it is a real benefit and their staff are using it, but also it gives a real identity to the area and brings footfall to that area. It has to be a good thing.

John Biggs AM (Chairman): It is a hypothesis I am carrying around with me in which I can imagine there is a virtual mayor in the court on his throne and you are his courtiers, justifying to him why he did this thing, and no one has admitted that anything was wrong about it all. Perhaps in a moment of candour we could buy each other a bottle of Tizer and work out what we got with it.

There is a problem with sponsorship, in my view, which is that sponsorship is fine if you can get someone else to pay for it. That is a great idea, but the problem is potentially that you have a mayor or a king or a prime minister or an Assembly Member who says, "I can build this scheme with sponsorship and that lowers the threshold for justification of it". You say that because it can be built by sponsorship, it does not really have to grapple with the opportunity cost issue of the money having possibly to go somewhere else and we could have extended a railway line somewhere else rather than building a cable car or something because we are getting some free money out of the sponsors. One needs to be very disciplined in the methodology about this to ensure that we are not kidding ourselves through an approach of that kind, which is Tom's question.

The Mayor originally said it would be paid for by sponsorship and it turned out not to be, as with the cycle scheme, which we are going to come to a bit later on. We need to burrow a bit further into that on behalf of Londoners, to make sure that we spending the money wisely in the right sorts of directions and justifying it, so the reason from a Budget and Performance Committee point of view why we are looking at this sponsorship issue is to make sure we are getting that sort of thinking right.

I was just wondering if Professor Metz might be able to help us a bit with the thinking about that, then Isabel [Dedring] or someone could respond a bit on that.

Professor David Metz (Centre for Transport Studies, UCL): The point you make, Chairman, is a very important point. Ideally one would assess the economic merits of schemes regardless of sponsorship money and rank them and then if you get sponsorship money, that is icing on the cake, it helps the financing, enables you to do more. In practice, however, sponsors will want to feel they are making a difference, that without their contribution, the scheme would not go ahead. What you then do is to incorporate their contribution to offset the costs and that makes the scheme more attractive, it goes up in the ranking order. If the sponsors were paying the full costs, then that would be okay because the scheme would be sort of free to the authority, but in practice the sponsors are only paying part. By pushing the project up the ranking order, it is pre-empting some resource which otherwise would have done something towards the bottom.

This is worth further consideration. I notice that there is a sponsorship policy that TfL and the Greater London Authority (GLA) have adopted, but it is silent on this question of economic principle. It might be a good idea to consider including a clause on the economic principle that should underline sponsorship, particularly if in the future sponsorship is going to be more important, because it is not clear-cut. There will be trade-offs, but it would be worth thinking in general about the trade-offs before one comes to future schemes.

John Biggs AM (Chairman): That is very helpful. Isabel, would you agree with that?

Isabel Dedring (Deputy Mayor for Transport): It is an important point you are making. I do not know, Richard, whether you could just explain how that question is addressed currently in the process when things go through TfL. In other words, when you look at the benefit-cost ratio, is the cost always assumed to be net of the sponsorship funding or is it the cost of the scheme? Just how is that handled in the current process internally?

Richard de Cani (Director of Strategy and Policy, TfL): We are potentially mixing up the overall value for money test with the financial case. The value for money test, which is the benefit-to-cost ratio, looks at the full cost of a scheme. It does not deduct the element of that that is funded by sponsorship. It is the full cost and then looks at the benefits alongside that. The financial test would look at the options for funding in terms of contributions and delivery, so that would capture sponsorship. In terms of a basic value for money test comparing one scheme against another, it is looking at it in a consistent way; whether there is sponsorship or not, it is looking at the overall cost and the benefits.

Isabel Dedring (Deputy Mayor for Transport): The benefit-cost ratio that we would be looking for generally on schemes would be 2:1, ideally they are above that figure. The point is it is, on pure value for money, assuming the total costs of the scheme were borne by a single player or by TfL, it stacks up, and that is not muddied by the question of how it is financed.

Professor David Metz (Centre for Transport Studies, UCL): Looking at the cycle hire scheme, I had thought that you were setting off the sponsorship income against the capital cost before calculating the benefit-cost ratio. Possibly I have misread it, but it is an important point, as I think you would recognise.

Richard de Cani (Director of Strategy and Policy, TfL): In terms of the cable car, it was the full project cost that was assessed in terms of the benefit-to-cost ratio and then the financial case was quite different. The important point just to say on that is the business case methodology that we use for this is slightly out of date because it does not capture the full economic benefits that arise from transport schemes and, increasingly, they are a very important part of the overall decision-making so the methodology for business cases is changing to capture that. For the cable car, it is a transport business case and so it is looking at pure transport benefits, not the wider economic benefits in terms of jobs and homes.

John Biggs AM (Chairman): Another way of looking at Professor Metz's commentary is that there is a political dimension to this and so the virtual mayor on his throne in the corner saying, "This will happen", is putting some political capital into it. It is in the nature of elected mayors that they will be brave or foolish, whichever one it works out to be, in promoting things - the Olympics, a cable car - which may or not be successes and by saying that they will happen, they are then prioritising resources. That is part of the political world we live in, so we are not electing a computer who will do a calculation and work out what should be built and what should not be built. There is a degree of discretion in that and we need to factor in an understanding of that into our assessment of whether things should or should not happen or will or will not happen. A mayor who does not like east London will spend the money in west London and vice versa. That is part of the beast. That is a fair comment from a political point of view, although it may be inconvenient from a financial and budgeting point of view.

Is that reasonable? We have nods of weariness or agreement from the witnesses.

Valerie Shawcross CBE AM: I was supposed to ask about the benefits that the scheme have generated. What is coming across to me is that it is not that the goalposts have been moved around but that the goalposts have been changed several times in that it started off as a bid to the London Development Agency (LDA), which they turned down, so obviously the original concept was a local regeneration concept. There is the cost-benefit analysis from a travel/transport point of view, and of course there is a methodology arriving from the Treasury about all of that, and then of course there is the wider economic impact of it possibly being assessed as a tourist attraction, which is where we are now. It seems to me that when we ask what the key benefit of the scheme is - and I do not think you will find any people here who are hostile to the cable car - what we are told is if you ask about the benefits to passengers, to transport, we are told it is a success from a locally economic point of view. Do you see what I mean? We seem to be justifying a project based not on what it was originally conceived of.

Have you done any work to actually assess and capture what the genuine benefits of this project are from all of those perspectives, from a broader strategic tourism perspective, from a local regeneration perspective and also from a transport perspective? The point I would not want to lose is that transport projects in London are queueing up for funding because we have people squeezed like sardines within our existing public transport system. You do need to justify to those passengers morally and financially why the cable car is a desirable transport scheme when the cost-benefit analysis on other schemes is so much higher. Tell me where you have captured those benefits across the board and where we can read them.

Richard de Cani (Director of Strategy and Policy, TfL): It might help because there are a number of more formal mechanisms, if you like, where we do have to capture that information. One is around the European funding because, as people may be aware, the process of claiming is quite onerous and you have to provide a lot of evidence around the predicted impacts, so we have been collecting data on those aspects of the cable car impact.

Valerie Shawcross CBE AM: The actual impact, not the predicted impact?

Richard de Cani (Director of Strategy and Policy, TfL): No, the actual, so this is comparing what we said in the ERDF bid --

Valerie Shawcross CBE AM: Give us some examples, then.

Richard de Cani (Director of Strategy and Policy, TfL): -- with what has actually happened, so that bid --

Isabel Dedring (Deputy Mayor for Transport): Was that published information?

Richard de Cani (Director of Strategy and Policy, TfL): It is in the process of being collected. We have to collect it over a three-year period for the ERDF funding and that is looking at things like jobs generated, jobs safeguarded, direct and indirect jobs and the wider regeneration effects. We have that data already and we are in the process of updating that data over the third year of the period post-completion. Overall we are meeting all of those requirements around jobs, new jobs, safeguarded jobs. Some of the more difficult data to get hold of is around the more specific impacts on particular local employers, because you need to try to attribute what difference the cable car has had, versus other things that have gone on in the area, which is always quite difficult. That is where we are at the moment: we have some data and we are collecting more data as part of the ERDF bid and that deals with the more social impacts.

Then, in terms of the transport impact, Danny [Price] can talk about the continuous monitoring that goes on, but we also did a one year-on-year report looking at the cable car usage and who is using it, where they have come from, what they were doing beforehand and things like that, so if that has not been made available, we can certainly share that afterwards.

Isabel Dedring (Deputy Mayor for Transport): That is a good point. We report on trip statistics in one place and the regeneration impact is in the ERDF materials. There is not a single report card which you can track year on year that reflects the transport impact, the regeneration impact, and for that matter, the tourism impact. It is a fact that people are going out there for tourist purposes, but generally we think tourism in this city is a good thing because it brings footfall to the area, it brings broader economic activity to the area. What we could do is embrace all those aspects and track them in one place in a combined way, which at the moment is quite difficult to drive. We have a lot of stuff that in a narrative sense tried to tackle it and the data is reported in different places, but it would be good to try to have a systematic way of measuring and reporting on it, if that fits with the point that you are making.

Valerie Shawcross CBE AM: Personally I think so, because there have been multiple justifications and frameworks for this project and there are multiple reporting mechanisms for it.

Isabel Dedring (Deputy Mayor for Transport): Yes, but trying to reset the discussion and saying, "There are all four of these".

Valerie Shawcross CBE AM: Of course, the project has not turned out as it was originally expressed from a number of different dimensions, so the whole thing has been a moving feast and it does feel as though we are almost just, "Phew, lucky", that it has been as successful as it has.

There were a lot of estimates, for example, at the beginning about the commuter use and the cycle user use and those have turned out to be dramatically wrong. I am not used to TfL dramatically getting its projections wrong. Why was that? Why do you think that those projections were so dramatically wrong?

Richard de Cani (Director of Strategy and Policy, TfL): There are two aspects to that. At the time, when we were doing the demand forecasting, we were dealing a little bit with the unknown and a unique mode to London. Examples elsewhere in the world of an application of cable cars in this context were quite limited, so we were making assumptions. Normally we rely a lot on observed information about existing movements that we can predict with some accuracy because we know how people behave, so this was a new one for us. Hands up that we were dealing a little bit with the unknown, but also we were dealing with the quantum of --

Valerie Shawcross CBE AM: What was unknown about it, Richard? It was only the type of mode that was new. Getting from A to B and knowing how many people want to get from A to B for what possible reasons is something you do all the time with buses and trams, so why was it dramatically different in this scheme?

Richard de Cani (Director of Strategy and Policy, TfL): It was the introduction of this mode into that mix of existing modes and how people would respond to it, being a very different kind of mode. Some people would immediately respond positively because it is a great experience, it is not crowded, it suits what they are looking for; other people would respond differently to it. In terms of the overall demand matrix, number of trips, people moving in the area, you are right. We have a good handle on that from our existing data and what is happening on the ground. How those people choose to move between Jubilee line, the bus and cable car was the more challenging part. We got the overall quantum of demand pretty spot on, actually. What we had wrong was the mix and in the original business case, we were predicting a third, a third, a third with commuters, visitors to the O2 ExCel and tourists. As you have said, we have ended up with far more tourists and far fewer commuters.

Valerie Shawcross CBE AM: Do you think that the chosen fares policy actually influenced that mix really strongly? It is a premium fare, really. The tourists are paying a premium fare for what I think John has called a fairground ride. It is not integrated into the existing fare structure in what is an affordable way for commuters and so on. Is that why it has not come out the way you thought it would?

Jon Fox (Director, London Rail, TfL): We have always strived, with a single fare strategy at least, to cover its costs and provide an affordable fare for regular users, whether they are commuters or local residents. We have had that in place for quite some time now and that has always driven what the pricing of the fares was going to be. Yes, if you take it and say that it is not part of Travelcard, you will get a different answer in volume terms to whether Travelcard includes the cable car or not, but we always started out with a fare strategy of covering costs, in this case, within ten years. Therefore, to be fair, that does have an impact upon it, but that has been our strategy throughout, so we have delivered on the numbers, as Richard says, even if the split between commuters and leisure users is different from what we envisaged.

Valerie Shawcross CBE AM: If it was the case that we did not have the high number of tourists we have willing to pay the premium fare to cover the costs, do you think we would have had a serious difficulty then with the usage of the cable car?

Jon Fox (Director, London Rail, TfL): In terms of the financial situation, three-quarters of the cost scheme we have already covered, which we talked about before. Then we are talking about a quarter of the scheme, £15 million, to cover with fare surplus. In the strategy we have employed, that has so far worked, recovering our costs in the first two years of operations. We look like we are going to head for that delivery as we expected to, and that was the strategy all along.

Valerie Shawcross CBE AM: Does it matter in any way in terms of delivering on the original investment that it is tourists rather than commuters using it?

Jon Fox (Director, London Rail, TfL): Not in terms of actual amount. Some tourists will pay the cash fare, the cash fare being £1 or so more per journey that the Oyster fare, but 90% of all users - so 90% of mainly tourist users - are paying the Oyster fare. That is what we always worked out: that they would work out that to use Oyster would be a natural choice and that is what they are paying.

Valerie Shawcross CBE AM: Can you just confirm what the running costs are again, sorry, roughly?

Jon Fox (Director, London Rail, TfL): They are around £5 million per annum.

Danny Price (Head of Emirates Air Line, TfL): When we talk about tourists, it is slightly misleading. Half the people using the Emirates Air Line cable car are Londoners. The fact that a lot of these Londoners are using it for sightseeing purposes, it is interesting just how we see them being tourists, but they are Londoners. In terms of how we are viewed in value for money, it is extremely high, of which half of those people are Londoners themselves.

Valerie Shawcross CBE AM: We all understand that it is fantastically important that we have lots of visitors and people visit London. It is just that the original concept was this was a transport project and it is the lack of commuter use that is worrying. Going back in time, of course, the debate was about river crossings, proper river crossings that got substantial numbers of people across the river and this came into that mix. The original concept did seem to me to be about transport and it has transmuted over time.

Isabel Dedring (Deputy Mayor for Transport): Danny, could you just comment on the impact of the commuter fare that has been introduced effectively for residents and just what that impact has been in terms of usage?

Danny Price (Head of Emirates Air Line, TfL): Sure. We have seen within its first ten weeks around about 7,000 journeys from local residents taking up the offer. We are going to review that and have a look at the other options, not just rolling out this over a longer period of time but also how we can work with local businesses to encourage staff that are actually working in that area. At the end of this summer, we will be reviewing the options and putting recommendations to the TfL Board, and likewise to the Mayor's Office, to try to encourage those regular users because that is really what we want to do: encourage the regulars users and reward and incentivise them to use it as a form of transport, whether that be leisure or whether that be to work.

Richard de Cani (Director of Strategy and Policy, TfL): As well, though, we are quite dependent on development that is happening on both sides of the river and the timing and the nature of the development that is occurring. The plans for development in the Royal Docks and the Peninsula are changing. There is a major review of the master plan for the Greenwich Peninsula happening at the moment, which is changing some of the type of residential, the layout of it and the mix of employment on that site, so that will impact on who is living/working locally for this to be part of their offer of transport choices. Some of the development has accelerated and some of it has been delayed or changed and that does affect the composition of users on the cable car as well. Over time, we would expect to see as the area builds out, more people living and working locally who will use it as part of their daily journey.

Valerie Shawcross CBE AM: Commute, yes.

Richard de Cani (Director of Strategy and Policy, TfL): Yes.

John Biggs AM (Chairman): Except the fare structure is such that you can go one stop on the Jubilee line or one stop on the DLR to get between the destinations for half the price, can you not, and probably quicker?

Valerie Shawcross CBE AM: It is a premium cost.

Danny Price (Head of Emirates Air Line, TfL): Within the fares strategy, if you were to equate our regular user buying the carnet of ten tickets, the price point of £1.60 is the equivalent to the cheapest way of making that same journey.

John Biggs AM (Chairman): All right, but it is not integrated into the Oyster system?

Danny Price (Head of Emirates Air Line, TfL): It is not, no.

John Biggs AM (Chairman): No, so you would have to get off a perfectly reasonable means of transport if you are on a longer journey to do this one, rather than staying on it, perhaps.

Valerie Shawcross CBE AM: A quick service question in terms of commuters using it: how often is the cable car not operating because of bad weather, high winds or whatever?

Danny Price (Head of Emirates Air Line, TfL): It is around about 5%, mostly around winter and the winter months.

John Biggs AM (Chairman): Additionally, it travels slower at the non-peak times of day to give a more pleasant tourist experience, basically?

Danny Price (Head of Emirates Air Line, TfL): That is correct. Interestingly, even our commuters enjoy a longer experience. That is what the feedback tells us.

John Biggs AM (Chairman): They like it on the Tube as well, actually, don't they?

Valerie Shawcross CBE AM: There is a point there, because if you are a commuter, do you really want to get into the habit of using a mode of transport that is, firstly, not just more expensive but is, secondly, only operating 95% of the time? You want to get on something that is reliable, don't you?

Richard de Cani (Director of Strategy and Policy, TfL): It is still quite high, 95%, and a lot of that --

Valerie Shawcross CBE AM: I know, but you have to go into work every day, "I am going to go home because my cable car is not functioning".

Jon Fox (Director, London Rail, TfL): A lot of that has been at weekends and at other times when commuters are not travelling.

Caroline Pidgeon MBE (AM): I just wanted to pick up on the annual running costs. You are saying it is £5 million per annum, but do you include in that, for example, the huge publicity and marketing campaigns that TfL are having to spend on this project which they are not having to for any other mode of transport? Despite calculations, things like the overground suppress demand. People are desperate to use these modes of transport; they are not desperate to use the cable car. The data is four Oyster cardholders have the regular user discount of £1.60. It is hardly a mode of transport, so I am just wondering if you are factoring in some of these other costs, which are far higher than for any other mode of transport, in that £5 million a year.

Danny Price (Head of Emirates Air Line, TfL): The answer is, yes, we factor in all operating costs. We are running this as a business. The view is that it will cover its operating costs with fares revenue and we will create the surplus that returns its investment within the ten years. That is our challenge. That is what we are targeted to do.

In terms of commuter use, I know we talk about the four commuter users. I have seen the headlines, but the reality is if you look at the survey results, it is 3% of our users and it is consistently 3% since we opened. We are looking to do what we can to improve that and developments will have an impact to that. That equates to 45,000 commuter journeys. It is not 1.5 million, but it is 45,000, not four.

Caroline Pidgeon MBE (AM): In terms of some of the ways you have been trying to increase usage, you have a discount for local residents and you have been doing massive deals for schools so they can go in it. Are there any other groups where you have been offering discounts to try to encourage greater footfall?

Danny Price (Head of Emirates Air Line, TfL): We are currently looking at a number of options. I mentioned beforehand about local businesses. There is a great opportunity there, particularly for those local businesses like ABP that have big, large-scale developments in the very local area and likewise on the Greenwich Peninsula. We also are working with a number of partners, for example, Thames Clippers. The obvious package that people put together themselves is a river combination, so we are looking at working at putting package schemes together.

Are we looking at discounting further? I do not think we necessarily need to for a lot of these packages because people tell us we are delivering great value and the satisfaction levels are extremely high.

Caroline Pidgeon MBE (AM): What about in terms of working with your sponsor? What added value are they giving in terms of promoting? That is one of the things - I know we will get on to cycle hire scheme - that are looking at what added value you can get from the sponsor. What added value does TfL get from Emirates apart from having Emirates' name brand included in your job title here today? What is the added value they are giving in terms of trying to get more usage?

Danny Price (Head of Emirates Air Line, TfL): Emirates are committed to the scheme and they have invested quite a lot of money in a space right next to our terminal at the Greenwich Peninsula , which is a bit of a showcase for Emirates products, but actually it is not money they are going to get back. It is a way, from their perspective, of giving more to the local area to encourage people to visit. For an additional £1.20 you can visit this uniquely designed Emirates' experience location. That is just one aspect. They have been working with local schools to promote trips and we are discussing with them now in terms of rebrand and a lot of their rebrands have been focused on the scheme rather than its corporate face. We are working with them to look at how we improve the experience for those people that want to visit, but they are quite passionate ambassadors and whenever we speak to them they say this is one of the best projects that they have ever sponsored. I am sure it is just not for my ears they say that.

John Biggs AM (Chairman): Have they triggered any penalty clauses or sought any money back of any kind?

Danny Price (Head of Emirates Air Line, TfL): No.

John Biggs AM (Chairman): Not like the Barclays scheme, then? We will come to that in a minute. So, reputationally, they are very happy with this as well?

Danny Price (Head of Emirates Air Line, TfL): Yes.

Richard Tracey (AM): Quite a lot of it has probably been dealt with, but we are wanting to know from you the way you see the balance between tourists and commuters changing over the next six to ten years. Have you got any ideas? How are you projecting that? It sounds to me from the questions you have been getting from my colleagues, you have a lot of tourists and really very few commuters comparatively.

Jon Fox (Director, London Rail, TfL): I do not think we have done the analysis to be able to say it is X per cent by a certain year, to be honest. Our plans over the next ten years show that we will pay back, whatever the type of user is. To be honest with you, we have not done that, but clearly the growing level of footfall on the north side and the south side with ABP coming, with 20,000 jobs proposed and so on, we would expect to see those people using the cable car much more in the future. We see that percentage growing from 3% upwards, but I cannot quote you a number because we have not done so. What we have done is basically projected forward on the basis of growth that we have seen so far and the promotion that we have got. We certainly see that as increasing.

One other thing it is worth building on is we are talking about the next ten years to bring money back into a break-even at that point. The cable car is designed for 80 years before the columns have to be replaced.

Emirates has said, "This is our first sponsorship deal for ten years and we would be willing to consider a further sponsorship deal thereafter", so after that ten years, if the first two years of operation so far carries on to those ten years, there will be a surplus paid back into TfL. Indeed, if they were to sponsor it again for a second period, it would be 100% surplus straight into TfL's coffers. Over the length of time of 80 years, this is a revenue generator we plan to bring into TfL, so in that sense that perspective is sometimes lost.

Richard Tracey (AM): Richard [de Cani] or Isabel, do you see any particular steps that TfL can take to encourage more commuters? It has been mentioned that Oyster is not available, for example. Have you got any thoughts about applying the means you do with buses and underground and overground and so on to this to get more riders?

Isabel Dedring (Deputy Mayor for Transport): The first point is that the introduction of some of these regular user fares and the residents' discounts, that was the kind of, "Let us see how that goes. Let us see what kind of uptake we get. Is that going to tap into that market?" The idea is that the commuters would be people in a certain area because, as somebody said earlier, you are not going get off a long Jubilee line journey necessarily just to take the cable car. Once we are clearer, as Danny said, later this year, we will have a look at how is that going. Is it working? Clearly there is a theoretical limit to how many people you can get, given however many people are commuting across that sort of access. Are we getting a decent chunk of those people? Then we will continue to review it. That would be my perspective.

Jon Fox (Director, London Rail, TfL): Just to clarify the point on Oyster, you can use Oyster for it, so you can turn up, you do not have to pay, you go on, you just go through the gates as normal, so Oyster pay-as-you-go is usable on the Emirates Air Line. It is just that you pay an additional sum for doing so, which is automatically charged. If you do so regularly, you automatically get the refund parallel to the tube and DLR fare.

Richard Tracey (AM): You mentioned earlier on that you were working with Thames Clippers, tour companies and tour operators to get them to sell tickets in advance for tourists coming specifically to ride on the cable car. What about the local authorities, Newham, Greenwich? How much are you doing with them also to promote?

Danny Price (Head of Emirates Air Line, TfL): When we introduced a local residents' rate, we did a lot of promotion locally. We worked closely with people like Visit Greenwich, who are heavily associated with Greenwich, and with the Royal Docks Group, GLA and the local borough within Newham to support the destination marketing plans as well, so we are quite integrated with the local businesses and with the local boroughs.

Stephen Knight AM (Deputy Chair): Clearly your ambition for this project to pay back the capital costs within ten years is dependent on quite ambitious projections on fare revenue; that is the underlying main ongoing income for this scheme. I noticed that, for instance, in the last four years' data, the total fare box was £5.5 million roughly and within six years you project it will be £14 million per annum. That is a very steep rise. I wonder if you can say just how much confidence you have got around these figures, because clearly they are fundamental to the whole projection of the costs of this scheme.

Jon Fox (Director, London Rail, TfL): If I deal with the fares and Danny can deal with the promotion, there are two elements of that, quantum and price.

Stephen Knight AM (Deputy Chair): Yes. Clearly it is to do with ridership and the average fare.

I will follow that in a second, but you are confident overall you can achieve those kind of levels, £14 million within six years.

Danny Price (Head of Emirates Air Line, TfL): The forecast reflects the plan, and within the plan there are a number of factors that are considered, including how the immediate area is expected to change over time. It is also acknowledging the fact that we still have some way to go to increase awareness that the Emirates Air Line is there, whether that be tour trade, whether that just be people coming into London who are actually Londoners themselves. It is a very new business. Like a lot of new businesses, it will take time to increase awareness across. We are actively doing a number of things to make the experience better, so that people perhaps would visit what for them would be an unfamiliar part of London and feel that they do not just have a fantastic view of something and have no idea what that is, so we are actually working on improving the in-cabin tour element. The reason why this is really important is there is a ceiling to the number of overseas tourists or UK tourists, unless you cater to their needs, unless they know they can go to a place where they can be familiarised, learn things. The way London is going in terms of the growth impact expected over the next few years, London will need new places for tourists to go to and we are very much part of that plan.

Stephen Knight AM (Deputy Chair): So you are confident you are going to meet that. As part of that, of course, you have got fairly big growth built in even for the current financial year over last year, with a projected fare box of nearly £7 million for this year. I just wondered how close you are to that forecast in terms of your actual fare income this year. Can you comment on that and the average fare you have so far achieved this year?

Jon Fox (Director, London Rail, TfL): In basic concepts, 2 million passengers per annum, so if you look at that as an aspiration, we have done 4 million passengers in two years - it will be two years on Saturday since the cable car opened - so 2 million at an average fare of £3.30 or so gives you the £6.5 million or so revenue that you are looking for, so I do not think it is that ambitious in terms --

Stephen Knight AM (Deputy Chair): The projection for 2014/15 we have in front of us is an average fare of £3.83, and I just want to know whether you are achieving that in the first few months so far that we have seen of this financial year.

Danny Price (Head of Emirates Air Line, TfL): Yes, the average yield is actually slightly complicated because it is phased over certain times of the year where there is a high proportion of families and perhaps the yield slightly goes down as you have a higher ratio of children, but the general increase in yield is delivered not just by the general fares increase. It is delivered by a higher proportion of people that are choosing a package to stay on for the full journey and enjoy a guide book with it, which is our tourist package, but that is driving additional income. Part of the revenue that you are looking at includes a volume increase, as well as an overall yield increase.

Stephen Knight AM (Deputy Chair): I appreciate there is a volume increase, but you are projecting for this year a 10% increase on the average fare per passenger over the last financial year. The question for you is in the first three months, because we are almost at the end of the first quarter, has the average fare take, average yield per passenger for the first quarter of this year, been ten percentage points up on the average for the first quarter of last year, because if you are on track, then you ought to be able to demonstrate that.

Danny Price (Head of Emirates Air Line, TfL): In the first quarter of the year, the average yield is slightly above what we had put in our forecast that delivers that average yield that you mentioned.

Stephen Knight AM (Deputy Chair): You think you are slightly above 10% up on the first quarter of the last year?

Danny Price (Head of Emirates Air Line, TfL): At the moment, but we have still got the summer to go.

Stephen Knight AM (Deputy Chair): I appreciate that, but looking at like-for-like, first quarter, first quarter, you think you are above where you would expect it to be?

Danny Price (Head of Emirates Air Line, TfL): Yes.

Stephen Knight AM (Deputy Chair): In terms of passenger numbers, the same question?

Danny Price (Head of Emirates Air Line, TfL): In line with our forecast. We are about 4% under our current forecast to deliver that number that you mentioned, but we also have a lot of activities coming up this summer in terms of marketing and promoting the new experience to actually drive additional footfall.

Stephen Knight AM (Deputy Chair): You are confident you will meet £7 million this financial year in terms of fares?

Danny Price (Head of Emirates Air Line, TfL): In terms of revenue, yes.

John Biggs AM (Chairman): Richard de Cani mentioned some data that had been collected recently and it would be nice if we could see that, if that could be shared with us.

Richard de Cani (Director of Strategy and Policy, TfL): Yes.

John Biggs AM (Chairman): In looking at the consultation response on the Silvertown Crossing, the question was positive, whether this was going to be a tunnel under the Thames, whether it would have facilities for pedestrians and cyclists, and the answer was it would not because the cable car fulfilled that transport need. That suggests that in transport planning terms, the cable car is meant to be a serious bit of transport infrastructure. That is my understanding. Is that the case?

Isabel Dedring (Deputy Mayor for Transport): Sorry, your question being is it meant to be a serious piece of transport infrastructure? Yes is the answer to that.

John Biggs AM (Chairman): Yes, OK. So if you are a cyclist trying to get across the Thames at that time of day, it would be an option for you to get on the cable car and it would take you across?

Isabel Dedring (Deputy Mayor for Transport): Yes. Richard could talk a little bit more about why anyway in Silvertown, irrespective of the cable car, it would be quite tricky for cyclists and pedestrians.

Richard de Cani (Director of Strategy and Policy, TfL): If you go back to the Mayor's transport strategy, which sets out the policy context for this, it talks about the need. It recognises that you need crossings for different purposes and you need crossings for vehicles and for pedestrians and cyclists and you cannot necessarily deal with them in the same way because of the width of the river and the environment that creates. Because of the length of the Silvertown tunnel and that kind of environment for pedestrians and cyclists of a tunnel of just under a mile and a half, we came to the conclusion that was not the right environment to put people on bikes and on foot. You cannot build a footbridge at grade. It would have to be a lifting footbridge.

That was one of the options we assessed historically. The cable car would be the solution for people on foot and cycle to use instead of the Silvertown crossing.

John Biggs AM (Chairman): That then feeds into the other question which has underpinned a lot of our questioning, which is about the yields and the costs. I think it is accepted - and maybe Professor Metz can comment on this - that wherever you go in the world, transport systems in cities tend to require subsidies in order to operate. There may be bits that make a surplus, but by and large they require subsidies and some sort of integrated ticketing to make them work. Yet this - and I think the Thames Clippers are the other exception - are excluded from the transport network.

I suppose it begs a question and this is a political question as well. If you have an integrated transport system, are there circumstances in which bits of it should not be integrated within it, and does that fit into the strategic planning of transport as well? This is about how we deploy our money and I know we are at risk of becoming the Transport Committee here when we are the Budget and Performance Committee and we are looking at how we spend our money. However, it is reasonable, I would put it, that subsidies for public transport are an integral part of operating city government and therefore you could hypothesise about having a cable car which had pretty hefty losses, but which was integrated into the transport system. I do not really understand why that is not the case, unless you are accepting implicitly that it is not really a transport scheme, which is why you might as well bleed the tourists to make it work.

Isabel Dedring (Deputy Mayor for Transport): It is an interesting point. As you know, it is not as scientific as we would all like it to be. There is a coach system which is not subsidised but which performs a key transport function. Should cycle hire be more of a mainstream public transport mode? Should it be fully integrated with the ticketing system? There are a lot of choices there and there are a lot of grey areas.

I guess it goes back to the point about how the ridership is going to evolve over time. You could say that even over the last couple of months, seeing how the commuting pattern behaves, I do not think anyone would feel it was the -- imagine that the cable car was 100% tourist usage and that it was effectively a London Eye-type experience entirely. In that case, I do not think anyone would think it appropriate for there to be a large-scale public transport subsidy going into that because it is not performing a public transport role. What we are seeing is that it is performing a public transport role for a big chunk of people using it, but what is the right percentage of people who need to use it for a more pure public transport experience for us all to feel politically that that is a valid mode to subsidise? The balance might change quite a lot over the next couple of years because you are seeing a lot more people move into the area and businesses come into the area. It goes to the fare strategy on the cable car.

John Biggs AM (Chairman): In defence of the Mayor - and it is my job to defend the Mayor, of course - I would totally defend the argument that said it is a bit of a folly, it is a very nice thing to have, it is not really a transport scheme and we quite like having it, but we just need to get real about the fact that it is not really a transport project. Let us get over that and get on with the rest of our lives. That is a perfectly valid conclusion and we would all be very forgiving as Londoners if we reached that conclusion because for every wise decision by a Mayor, there may be the occasional foolish decision, and this may not be a foolish decision. It is a very nice tourist project. It is not really a transport project.

Isabel Dedring (Deputy Mayor for Transport): I do not think that would be a valid conclusion because of the changes that are happening in that area. If you had built it ten years ago, everyone would say, "That is completely mad. There are some containers on the north side and there is some scrub land on the south side". The city is changing drastically in that area. In five or ten years' time, everyone will say, "How could you not have thought that this was the right place to build a cable car?" It will become absolutely part of everybody's mind-set about that area. There is a timing question there and therefore that is not the right permanent conclusion to draw.

John Biggs AM (Chairman): Good, so this is the opportunity, then, Isabel, for you to announce where the second cable car is going to be.

Isabel Dedring (Deputy Mayor for Transport): I am sure you will not be surprised to know there are ongoing discussions about where else to put a cable car. There may be places where it is appropriate.

John Biggs AM (Chairman): Really? Are you thinking of putting a second cable car in somewhere in London?

Isabel Dedring (Deputy Mayor for Transport): There are always lots of discussions about a lot of things. There are no active discussions about a second cable car.

John Biggs AM (Chairman): So there is no serious proposition?

Isabel Dedring (Deputy Mayor for Transport): It has been suggested by people other than the people in this building. It is something developers have raised in various locations in terms of local connectivity. There are some discussions with Canary Wharf about connecting the existing south side of the cable car to Canary Wharf. That is an example of where there have been discussions, not instigated by us, so it is not completely out of the realm of possibility. Look at where it is at the moment. It is performing a fundamental transport task and that role will grow over time.

John Biggs AM (Chairman): Connectivity with Canary Wharf might be an option?

Isabel Dedring (Deputy Mayor for Transport): It is something that has been discussed with Canary Wharf previously. There are various reasons why people have concerns. Some of the people who own the buildings there and who are in the buildings there have reservations about cable cars going past their windows, but it is something that has been considered in the past. We have participated in those discussions but not necessarily instigated them.

Professor David Metz (Centre for Transport Studies, UCL): Most of the analysis, whether it is financial or economic, looks at short-term benefits. In the long run, transport investment makes land more accessible for development, so we are seeing the regeneration of east London based on public investment in the rail system. It is hard to anticipate the scale of this, but it can be very substantial. In that context, one can see the cable car as one small element in a broadly rail-type investment in east London. Its contribution will take quite some time to be clear.

It is right that TfL and the Mayor do undertake a speculative investment and undertake some risk in the hope of benefit. If something does not work, it is not the end of the world, but I would have thought there are reasonable prospects from what we have heard today that this will prove in the long run to be a sensible thing to have done.

John Biggs AM (Chairman): Thank you very much. We can move on to the cycle section. Can you tell us, Isabel, how the role that sponsorship was expected to play in funding the cycle hire scheme has changed over time? It is a very open question.

Isabel Dedring (Deputy Mayor for Transport): I might not be the best person to ask about that. I do not know whether, Garrett, you might be a bit better, just because I came into the brief halfway through the process. If you want the live-on-the-ground commentary, Garrett, would you be in a position to talk about that?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): The question was about how the role of sponsorship has changed?

John Biggs AM (Chairman): How has the role of sponsorship changed as cycle hire has evolved?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I suppose at one level I am not sure it has changed. It is very much similar to the discussion about the Emirates Air Line cable car. Sponsorship was conceived as being part of the funding of the scheme from the outset and that it would make a contribution to the overall capital operating costs. It was never perceived to be the total contribution to the scheme. Obviously, income and so on would play a role as well.

What has changed quite a lot is our understanding and experience of how to work with a sponsor. Graeme may well be able to talk more eloquently about this than me. At the time we got into this, it was TfL's first major excursion into sponsorship. Indeed, from a cycle hire point of view, it was something new pretty much anywhere, so we did not have a lot of experience in terms of what would work and what would not work. To some extent, the experience with the Emirates Air Line cable car was based on some of the learnings we saw from delivering cycle hire a couple of years earlier. Therefore, the role and the relationship with the sponsor has changed and evolved over time.

For example, you asked the question directly about the Emirates Air Line cable car as to whether there were metrics involved in the sponsorship, penalty deductions based on the performance of the operation of the transport scheme, which there are in the cycle hire scheme as we have it at the moment but which there are not in the Emirates scheme. That is very much a learning point that we will take on board in the future. We are learning and the next iteration of sponsorship on cycle hire will be a different type of partnership and a different type of agreement. The basic premise, however, is that sponsorship is there to provide support to the cost of providing a benefit to the community.

Before I go on, could I also just apologise for having been late, which I meant to do at the beginning of this?

John Biggs AM (Chairman): That is all right. You can blame the cable car.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I was very tempted to get a bicycle as being the quickest way, but I came by taxi. To be honest, my diary was put together on the basis of teleportation being available, which unfortunately has not been invented yet.

John Biggs AM (Chairman): Maybe that is the Mayor's next project. To go back to this often-repeated point, then, the Mayor's manifesto said that the cycle hire scheme would be delivered at no cost to taxpayers because of sponsorship. Your defence, I guess, is that he wrote that in a manifesto as a politician and it had not been subject to rigorous scrutiny by TfL. Was that a reckless proposal by him?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I certainly would not suggest that. If you look back, as I am sure you are going to quiz me on the analysis that was done before the scheme was put in place, where we are and knowing what we know now, you will see that the original predictions around usage were significantly above those that we see today. That will of course have made a much more substantial contribution to the overall costs of the scheme. I do not believe it was an unreasonable expectation to make at the time. It has not worked out in practice and City Hall has made pretty clear comments that we do not now see that to be the case. It is easy to be wise with hindsight. I go back to what I said in the answer to the previous question. We were treading new territory in developing this, very much so, and we have learned a lot in doing it.

John Biggs AM (Chairman): What then happened was that you over-learned from the folly of your Mayor in that he said it would pay for itself totally. You then put together a business case in 2009 which said that only 6% of its income would be covered by sponsorship, so it shot back in the opposite direction and conceded then that it would have to be a highly subsidised scheme. Was that the right thing to do?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): As it turned out, we were able to eventually secure significantly more sponsorship, which of course has made a positive contribution to the – operation.

John Biggs AM (Chairman): If I was a cynic, I would say that is a win-win for you if you say, "We are all doomed. It is not going to raise anything", and it raises a bit more than nothing and, therefore, you have succeeded.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): With the benefit of hindsight, you can see that there have been swings and roundabouts in the whole economic case. The sponsorship we ultimately received was significantly more than we originally thought we might get. The usage of the scheme is not as high as was originally estimated.

There are some pretty clear reasons for that around the scheme that was ultimately delivered. The original assumptions anticipated achieving a much higher density of provision both in terms of the number of docking stations and the size of those docking stations. We predicted at the time and we thought docking stations of 27 docking points or bigger to be viable. That has proved to be surprisingly accurate. We had to develop the scheme with a lot of docking stations particularly in central London that were much smaller than that and of much lower density than we would have ideally liked. We have gradually been intensifying the scheme and getting more docking stations in as we are identifying more sites. We are working with the boroughs on local streets and so on. We are moving closer to the position that we would have ideally liked to be in.

We have seen with other schemes around the world that the density of provision is actually key, not only to usage in terms of the number of hires but also in terms of the cost of operation. The more density you have of docking stations and docking points, the more use you get out of the bikes, the more self-distribution you have and therefore the less it costs you to run the scheme. Redistribution is one of the major costs of running the scheme, so the more self-redistribution you have, the lower the cost and the higher the usage and the higher the income. What we thought originally to be important has turned out to be incredibly important. However, we are not, even now, where we originally ideally wanted to be in terms of density.

John Biggs AM (Chairman): OK. Sponsorship, however, now covers over 40% of all operating income. What percentage of operating costs is that?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I will do the maths briefly. The overall operating cost is around the £20 million mark, so it is around 25%. I would have to give you the accurate figures.

John Biggs AM (Chairman): Yes, OK. If you were doing this all over again, how would you invent it differently in terms of structuring the sponsorship to make it more effective and efficient? Leaving aside the perturbations of Barclays when deciding whether or not to proceed with it, how would you have made it more attractive?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): Given that we have the opportunity to do that with the success of the scheme, we now know a lot more. The scheme is a known quantity in terms of a sponsorship proposition. Again, I am sure Graeme will be able to talk more expansively about the opportunities that brings. Going back to 2008/09, it was an unknown quantity.

From our perspective operating-wise, linking the original sponsorship payments to the performance and operation of the scheme was based particularly around several unknowns. There are plenty of unknowns around levels of ridership, the weather being one of the biggest. We know that for every degree of temperature variation over an average temperature per month, you can see a 40,000 to 50,000 drop or rise in cycle hires, so we know usage of the scheme is very dependent. We see some great fluctuations and we get plenty of questions in certain months to say, "Why has cycle hire usage gone down so much from last year?" The answer is, "Because it is a darn sight colder than it was this time last year", and vice versa. Linking sponsorship sums and usage directly to operating costs is not of any great benefit to us and actually not of any great benefit to the sponsor, either, so we do not believe we need to do that.

We think the way forward is much more of a partnership in terms of promotion of the overall benefits of the scheme and the overall benefits the scheme delivers to Londoners. Again, that is what we will be looking to do in terms of a successor to the current sponsorship.

Caroline Pidgeon MBE AM: You said the scheme is now a known quantity, which makes it easier in the future. When the scheme was first developed, it was not the first scheme of this kind in the world and I am wondering what international best practice in terms of sponsorship you may have looked at to help inform your original sponsorship deal. Then, have you also been looking at other international comparators in order to shape your thinking?

Graeme Craig (Commercial Director, TfL): Yes and yes is the answer, but it is significantly more straightforward this time around because there are more comparators, I guess, most specifically the scheme in New York.

Back in 2010, we were looking at other schemes elsewhere in the world, but of those even now something like only 5% are actually funded through sponsorship. The most prominent model is through advertising, so we looked at advertising models. To the extent that there were any, but there were not really any, we looked at sponsorship arrangements. We also looked at other sponsorship deals at stadia in London and elsewhere and other transport schemes around the world. The team that was working on it sought to join the dots on the basis of the best comparators they could. The world has moved on a great deal in sponsorship in the four years since and that has made my task more straightforward, as well as the learnings we have had from operating this scheme over the past four years.

We are feeling more confident about the numbers we would expect to get from a sponsor. We signed up to a deal with Barclays for £25 million over five years. The Citibank scheme in New York is getting almost the same amount of money from its two sponsors, so we feel as if going out with a request now at this stage saying that we are expecting to get from a sponsor at least £5.5 million over the life of the next sponsorship deal is something the market would accept. It is something that we feel more confident about on the basis of the experience we have had in London where it is now not an unknown quantity, as well as the experience we have had in New York.

Caroline Pidgeon MBE AM: That is very helpful, thank you.

Isabel Dedring (Deputy Mayor for Transport): It is £5.5 million a year.

Graeme Craig (Commercial Director, TfL): Sorry, £5.5 million per year, yes.

Caroline Pidgeon MBE AM: Yes, that is what I thought you meant. Just picking up what Garrett said, one of the issues in terms of the cost of the scheme is the operating costs and redistribution is one of the significant factors in that. Have you been looking at international best practice in terms of how you can reduce those costs? Paris has a scheme which incentivises users to actually take the bikes to docking stations that are often empty, so then you get them back into circulation quicker and so on. Are you looking at mechanisms like that to help bring the costs down of this scheme as well?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): We certainly look at all of those and continuously compare what we do. The Parisian scheme is quite different. It operates, for instance, with a lot fewer bikes along the street and therefore a lot more empty docking stations, so there is not such an issue with full and empty docking stations.

Caroline Pidgeon MBE AM: They still have an incentive scheme.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): That is something else we are looking at in terms of what we can do to improve that.

We think, ultimately, getting more casual usage of the scheme, non-member usage, because it is much less tidal and so on, actually is probably the most effective way to do that. There is a lot of work that has been going on and is currently going on to promote more casual usage. It is also financially more cost-effective because it costs less to provide an equivalent journey for a casual user who is moving around the city in different ways than it does to provide a single commute that involves a lot more redistribution of bikes from point B back to point A to keep the flow going.

This goes along with more operational improvements in terms of how we can target the resources we do have, optimising the shifts we have at the right times and the right places. We have quite effectively incentivised Serco as the operator to do that and we have just had them sign up to higher targets around availability of bikes in stations, which was the not-full or not-empty metric.

Incidentally, there is sometimes some confusion between the target we have on bike availability, which is how many of the 10,500 bikes are actually out there at any one time, and the not-full and not-empty docking stations target, which is effectively a measure of interest to the customer. The customer does not really care how many thousand bikes are out there as long as there is one for them. What they do care about is whether there is one in the docking station when they get there and, when they finish with it, whether there is an empty space for them to put the bike back. We have moved the targeting and the incentivisation of the scheme and we have revised the arrangements with Serco very much more to focus on that customer outcome rather than the overall availability of bikes, which is similar to the Parisian model.

Caroline Pidgeon MBE AM: That will actually bring down some of the operating costs?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): Yes. We have seen a consistent lowering of the subsidy per trip as we have become better at managing the scheme. Whilst we certainly have not covered all of the cost, we are seeing a steady improvement in efficiency and we are anticipating seeing a continuation of that.

Gareth Bacon AM: You just talked about encouraging more casual usage. Can you flesh out how you would do that?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): A lot of it is about getting more sophisticated at the way we promote the scheme to potential customers, whether they are tourists or not. Again, similar to the airline's experience, a substantial part of our market is tourists and we do not see there is anything wrong with that. Tourists have to get around the city just as much as Londoners and commuters do and cycle hire is a very effective and often very pleasant way for them to do that. There is a lot more we can and we are doing to improve the sophistication of the way we target those trips.

Gareth Bacon AM: Such as? Sorry, can you give me an example?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): In terms of marketing, in terms of doing more work promoting through hotels, promoting through tourist opportunities, promoting specific trips where it potentially makes sense to use the scheme as one way of getting around. We have seen a lot of casual usage in places like Hyde Park. One of the future aspirations would be for us to extend, for instance, to the Queen Elizabeth Park if we can find the resources to do that, working with the London Legacy Development Corporation (LLDC). That would potentially make the scheme more useful for tourists and so on.

Also, there is improving the infrastructure. We should not look at the cycle hire scheme in isolation from the rest of the cycling agenda. One of the big components of the wider cycling agenda is the Central London Grid, for instance, which is going to put a network of cycle-friendly routes across central London where the scheme operates. That also has a big part to play in encouraging more usage.

Further down the road as we develop and evolve the scheme, I am sure we will come on to discussions about tariffs and Oysterisation and what-have-you, and there is a question of whether we should integrate the cycle hire scheme with the wider public transport network. We do know that that is one of the big barriers to wider usage. There are potential advantages in greater integration with the pay-as-you-go/Oyster system and so on that will generate much more ridership. The question is whether they are value for money in terms of the cost it would take to make that happen.

John Biggs AM (Chairman): OK. Just remind me in one sentence. The Cycle Superhighways are part of the sponsorship package or not?

Graeme Craig (Commercial Director, TfL): They will not be part of the next sponsorship package.

John Biggs AM (Chairman): But they are presently?

Graeme Craig (Commercial Director, TfL): They are at the moment, yes.

John Biggs AM (Chairman): Professor Metz, in terms of novel approaches to sponsorship in transport schemes, can you shed any light? The TfL boffins have clearly been around the world on, I am sure, very frugal trips to look at how these things operate. I am sure you have been on some very lavish ones yourself, so can you tell us what you have discovered?

Professor David Metz (Centre for Transport Studies, UCL): I am not an expert on sponsorship. I would make the point, though, that the benefits of the cycle hire scheme are potentially much greater than those taken into account in the business case analysis. It is about promoting cycling. It is about sending a signal that London is a suitable city for cycling and giving people who do not have a bike the chance to have a go. If after having a go they buy their own bikes, it might actually reduce the ridership of the hire scheme but, nevertheless, it might be what you want to do because of the scope for cycling at peak hours to reduce pressure on public transport. On radial routes coming in, if cycle trips cover the last few miles, relieving pressure, it might enable you to defer some very expensive rail investment. Perhaps in the long run, if you really promote cycling, you may actually avoid very expensive rail investment and the benefits of that are huge.

The causal relationship between what you do in marketing a cycle hire scheme and these potentially large benefits is quite a long chain, but one should not forget this and bear it in mind in the view one takes of the sponsorship of the particular scheme in question.

Darren Johnson AM: Why has the cycle hire scheme not managed to attract the number of riders it was expected to in the forecast?

Isabel Dedring (Deputy Mayor for Transport): The density point cannot be underestimated. If you look at a map of cycle hire docking points in New York versus here, it is extremely striking. It is much, much denser. One of the benefits of having a slightly more distributed scheme the way we do here is that there is much more of a regeneration and inclusion type of dimension. The scheme in New York is totally focused on downtown Manhattan. There is no attempt to loop in parts of the city where potentially you want people to start trying cycling who have never cycled before, or where it may be a cheaper option than some of the alternatives they have because we have the first half-hour free. What you see in the cycle hire scheme is that some of these more far-flung locations have much lower usage, but it does create that inclusion element, which is unique for the London scheme. It is just saying that the density point obviously drives trips very dramatically.

Darren Johnson AM: I completely understand that, but I was not comparing the London figures to New York's. I was simply looking at your business case forecast to the actual and in 2010/11 it was only 86%, then in 2011/12 it came down to 67%, in 2012/13 it was 73% and in 2013/14 it was 61% of the target.

Isabel Dedring (Deputy Mayor for Transport): I am sorry if I was not being clear. What these guys were saying earlier was that there was no experience in London, so a lot of the business case was based on what we saw around the world. Many of those schemes generally will tend to be denser than the schemes we have here. Therefore, we understood that there was a correlation between those two things - trip rates and density - but not quite the degree to which there was that correlation and also the number of docking points at a docking station.

My own view is that the two things that we need to tackle to continue to drive trip growth are, firstly, confusion about the scheme or, "Wow, it all looks really complicated". When you touch the screen, it all looks complex. There is a key. There is a code. There is a kind of barrier that people need to get over to use it for the first time and then they discover, "Oh, it is not that complicated after all". We are trying to do a lot more in terms of marketing materials and who we are reaching out to and how we are trying to explain the scheme that just tries to get over that hurdle of, "Oh, this all feels a bit complex".

Darren Johnson AM: It is not just the cycle-phobia thing we were mentioning earlier in terms of safety concerns, but it is a technophobia issue?

Isabel Dedring (Deputy Mayor for Transport): Anecdotally, I know a lot of people who say, "Yes, I would love to try that, but I never have because it is not swiping an Oyster card". You might try a bus because you have been on the Tube and it all looks quite similar. There is a yellow pad and you say, "Hey, it is not that hard", whereas here it is just a completely different system and a completely different user interface.

There are also niggles around when people have a bad experience once or twice and they are potentially not going to use the scheme again, or if their key broke or any of these things. It is just sorting out the small niggles within the system. We have been doing a lot of work and have had a lot of discussions over the last 12 months about what we can do about some of these small-scale things that actually do impact whether people fall out of the scheme, or will not try it initially.

Darren Johnson AM: Could it not be made more like using an Oyster card on the Tube --

Isabel Dedring (Deputy Mayor for Transport): That was my last point. My personal view is that the kind of utopia here is that we need to be moving towards --

Darren Johnson AM: -- with a yellow cycle and a blue Oyster card?

Isabel Dedring (Deputy Mayor for Transport): There are two issues. There is Oyster integration and also fares integration. How do you think about this as a mainstream public transport mode? It is an expensive proposition. Putting lots of Oyster readers all over the place has a big cost associated with it, so how do you construct the argument for why this is a good thing? What do you need to believe in terms of what the trip uplift could be on the scheme?

We are moving towards a point where the scheme is going to be re-let and the Serco contract is coming to an end, so there is an opportunity to think about these things. Garrett [Emmerson] and I are in intense discussions about how we can think about this question in this new phase that the scheme is entering. Personally, I think that would be the single biggest driver of trip growth, also.

Darren Johnson AM: I am pleased that you are saying this because one of the things I thought with the sponsorship break was that it provided a useful opportunity not just to review the sponsorship in its narrowest sense but to review the scheme in terms of how you make it as effective as possible and as user-friendly as possible and to have a review of the whole pricing structure and so on.

Isabel Dedring (Deputy Mayor for Transport): Mechanically, the opportunity to do that is in the Serco contract rather than the Barclays sponsorship. In terms of internal mechanics, that is the opportunity, but the broad point is right.

With the Barclays opportunity - and Graeme [Craig] will want to comment on this - we want a sponsor who is as enthusiastic about the scheme as we are and who believes in this as a growing scheme that can still deliver very, very significant trip growth. We want a sponsor who is really passionate and enthusiastic about this scheme. Barclays did not feel to me like that sponsor anymore. Maybe they were at the outset. We want somebody coming along on the journey who is in that same place with us. That is more the opportunity with the sponsorship break, whereas the questions about fare integration are more around the Serco contract, but that is a mechanical issue.

Darren Johnson AM: My suggestion for free is that you should approach Twitter because you could get loads of promotion on social media and you would not need to repaint the colour of the bikes, either.

Isabel Dedring (Deputy Mayor for Transport): I am sure Graeme could not comment on whether they have approached us.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): Just a couple of points that largely support what Isabel was saying. It is a hypothetical point, but we would be reasonably confident that had we been able to achieve the densities that the original estimates were based on, we would be looking at the same order of trips as we predicted. In that sense, our predictions were correct, but we were not able to deliver the physical scheme on the ground that was assumed.

The other thing I would add in relation to benefit-cost ratios and things like that is that once you get past 2012, you are not actually comparing like-for-like, because the original business case was built around the central London scheme. As we have extended with phase 2 and the further southwest London extension, the trips were always going to be at a lower level. It was Isabel's point that as soon as you start going away from the core central city location, the business case has to become more about promoting cycling and the wider benefits rather than the dry economic case.

Darren Johnson AM: Has that been the main reason why the business case has been so far off the mark in terms of financial forecasting? I am looking at capital of costs of £15,000 per bike compared with £9,000 in the business case. TfL is paying £1.36 towards the operational costs of each bike hire, but the business case was assuming it would generate surplus revenue of 0.47 pence. Is this all down to the density question and then expanding the scheme further to less dense areas?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): It is down to all of those factors, yes. It is a combination of the pros and cons. Actually, I just did some checking while you were debating the business case assumptions in the Emirates Air Line cable car. There was sponsorship income included in the original business case for cycle hire, but it was not included at the levels we actually received, ultimately. It was included around the £1 million to £2 million mark. It is a combination of things that have moved one way or another to put us into a different position today than we were when we were making those estimates in 2008/09.

John Biggs AM (Chairman): Did you lose control of the costs, then?

Isabel Dedring (Deputy Mayor for Transport): Surely the answer to that is no.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I do not believe we did.

John Biggs AM (Chairman): You gave a wry smile when saying that, so the answer is yes, I think.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): No. The costs were in line with what we expected them to be. As I say, achieving the density and achieving the ridership was the main variation.

John Biggs AM (Chairman): Our briefing tells us it cost you two and a half times as much as you originally anticipated.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): That relates to the amount of usage. Is that not the net cost?

John Biggs AM (Chairman): No.

Stephen Knight AM (Deputy Chair): No, it is the capital cost.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): The capital? I do not have those figures to hand, I have to say, but I can go back and check that.

John Biggs AM (Chairman): We had better check that offline. It is quite a significant issue.

Darren Johnson AM: Professor Metz, how common is it for business cases for transport schemes to overstate the benefits and understate the costs by so much? We accept that they were dealing with the unknown in terms of the density issues around London and so on, but how common is this?

Professor David Metz (Centre for Transport Studies, UCL): There is a generic problem of appraisal optimism, whereby protagonists of schemes want to see them go ahead and therefore, where there is uncertainty, they take an optimistic view about keeping the costs down and an optimistic view about demand. For schemes like this which have not been done before, the range of uncertainty is greater. In general, professionals will do the best job they can. If you have in place a suitable methodology for dealing with appraisal optimism, which is part of Treasury advice, you can make sensible side-by-side comparisons of different investment options.

The problem arises when there is a political commitment to do something before the analysis is done. If the political commitment comes after the analysis is done, that is fine. However, if, in this case the Mayor comes into office with a commitment in his manifesto to do something, the professionals may then be faced with reconciling their duty to support their Mayor and his proposal with their professional analysis. In that case, the uncertainty comes into play and you will get an outcome which makes the case for the scheme going ahead but then, when you come to look later on at how it turned out, you find it fell rather short of expectation. Ideally, you would have politicians who put in their manifestos, "I will do this scheme subject to a proper cost-benefit analysis being done", and hopefully they will get the credit for that. Maybe that is asking a bit much.

Against that, there is a very important role for political leadership in the transport sector. One of the virtues of London is that you have very strong political leadership for transport improvement, much more than you have nationally and much more than in any other city in the country. I would not be too critical of this difficulty of judging and balancing up the different influences and I would not be critical in this context of the cycle scheme for the reasons I mentioned earlier.

Darren Johnson AM: Given those political imperatives, is there any way of operating within that climate so that TfL could have produced a more accurate forecast on which to base its business case?

Professor David Metz (Centre for Transport Studies, UCL): There is an argument for some kind of external vetting of scheme appraisal rather in the way the Office for Budget Responsibility does an external analysis of the Government's forecasts. That came about because of criticisms of the past Government's forecasts, which might have been influenced by political reasons. Therefore, there would be an argument, not specifically for TfL but generally, for big infrastructure schemes to be vetted, maybe by the Office for Budget Responsibility for national schemes or some independent vetting. Whether there is time to do that and whether it is really feasible, I am not sure. I just offer this as a thought if you think there is a problem here.

Isabel Dedring (Deputy Mayor for Transport): Just to comment about the Independent Investment Programme Advisory Group (IIPAG), we have an independent group called IIPAG which reviewed the investment programme. They were pretty robust. Let us put it that way.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I do not believe that was in existence at the time this scheme was originally developed.

Isabel Dedring (Deputy Mayor for Transport): Yes, but certainly the current cycling programme is going through them in great detail, so I agree with you. That is our attempt to deliver that, but again this postdates this particular business case.

Darren Johnson AM: We should not see these sorts of gap in future schemes, then, sitting here in four years' or eight years' time?

Isabel Dedring (Deputy Mayor for Transport): If you see that, then you should blame IIPAG, I guess.

Darren Johnson AM: We would not be looking at gaps of 14% and 39% in each of our targets?

Isabel Dedring (Deputy Mayor for Transport): This was totally unfamiliar. It was a completely new mode. We had never had one in London before. The way ours operates is a bit different from other schemes, inevitably. It is hard to get these numbers right sometimes. I do not think anybody would want to be out by two-and-a-half times. I do not have those figures in front of me but, if those numbers are correct, nobody wants to end up there.

Darren Johnson AM: We want to help you get them a bit more right in future.

Isabel Dedring (Deputy Mayor for Transport): Yes. Again, IIPAG has had a huge impact on the organisation's capital programme across the board, including in this type of area, which is around getting your numbers right in the first place.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): One of the reasons I struggle with the costs of the original estimates in the first scheme is that I was not responsible for the scheme at that time, but certainly for phase 2 and phase 3, when I have been responsible for it, both of those phases have been delivered within budget.

Darren Johnson AM: That is useful. In terms of the original business plan, looking at the other side of the argument, are there any additional benefits that should be noted that were not captured in the original business plan?

Isabel Dedring (Deputy Mayor for Transport): One is that there has been some work recently on what the impact is on property values. With having a cycle hire station outside a property, there is some evidence showing an uplift of about 20% in property values off the back of that, which is something that we were discussing anyway.

We are trying to push this. We have written to a lot of private property owners - businesses in the City, for example - and said, "Would you be interested in paying for a docking station outside your premises?" We are not expecting there to be a massive uptake, but we have a very clear programme to intensify the scheme within the footprint of the scheme in order to increase density. One of the ways we have tried to do that is by putting additional docking stations on private land, rather than on borough land, for example, or borough parking spaces. There has been some response to that. I never thought we would get hundreds of people saying yes, but the idea would be to bring private funding into the scheme through another means. It is not sponsorship, but it is them seeing the benefits for their image. People will come to meetings at their headquarters and they will look like a green and progressive company because they have cycle hire stands outside. There has been some interest in that.

It is an interesting dimension to the scheme. On rail schemes people talk about that kind of thing all the time, but on cycling interventions they are seen as having no impact on land values and that discussion does not even happen, but this illustrates that perhaps that kind of black-and-white distinction is not correct.

John Biggs AM (Chairman): How many have you sold?

Isabel Dedring (Deputy Mayor for Transport): I would need to check the numbers. We have had some discussions with various --

John Biggs AM (Chairman): None have actually sealed the deal yet?

Isabel Dedring (Deputy Mayor for Transport): I am not sure that is right, actually. I would need to check. I have not looked into it recently. We had a conversation about it about a month ago and they were ongoing discussions. I will get back to you.

John Biggs AM (Chairman): Probably not yet?

Isabel Dedring (Deputy Mayor for Transport): I do not know. It is very recent. We wrote to them only two or three months ago.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): There are a few with what you might call serious interest, but I am not aware that we have signed on the dotted line yet.

John Biggs AM (Chairman): Would they lose it if they did not behave themselves?

Isabel Dedring (Deputy Mayor for Transport): In what respect?

John Biggs AM (Chairman): I do not know.

Isabel Dedring (Deputy Mayor for Transport): Money laundering or something like that? Once we get to the point where somebody is ready to sign on the dotted line, we will be so happy and we will look at that.

Darren Johnson AM: What benefit-to-cost ratio could we expect if the original analysis was repeated today and we used more accurate estimates for ridership levels, based on what we know now?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): That would entirely depend on where you were developing or expanding the scheme because, as I say, the usage of a scheme is dependent on the location, as well as on the scheme you put in. You can develop within reason any cost-benefit you want depending on what you do, the intensity, the density in which you do it, where you do it and so on. It is difficult to put a number on anything like that.

Darren Johnson AM: The big challenge is to get people returning the bikes to the unused docking stations more, doing some of your job for you.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): Yes. The absolutely critical issue is around the density of the scheme because that relates to the intensity of usage. It is a win-win because the more density you get, the more use the scheme it is to people, the more the bikes are redistributed by the users and the less it costs you to operate the scheme. The physical operation is something like two-thirds of the overall cost of operating the scheme.

Isabel Dedring (Deputy Mayor for Transport): To answer your question, the cycle hire intensification business case, though, went through the TfL Board. It had a neutral business case, so the benefits and costs were roughly equal. If you imagine that you are growing trips, it would get that back into a more positive balance.

Darren Johnson AM: I am assuming that for the foreseeable future TfL is anticipating continued expenditure on this and it will not be revenue-neutral for the foreseeable future?

Isabel Dedring (Deputy Mayor for Transport): That is true and I have said the priority for the scheme must be trip growth. We want people to use the scheme. We want it to be a successful scheme in terms of the role that it is playing for Londoners and visitors as a public transport mode. The financial issue is very important but second to the fact that this needs to be working for people and is well used.

Darren Johnson AM: In terms of the cost of that expenditure, can I have an assurance that that is in addition to the budget that has been earmarked for cycle spend generally over the coming years?

Isabel Dedring (Deputy Mayor for Transport): Do you mean any funding that is going into the scheme?

Darren Johnson AM: Yes.

Isabel Dedring (Deputy Mayor for Transport): I am trying to remember because I know you had a written Mayor's Question on this as well. Broadly speaking, yes, I think there are some little bits within the £913 million which are relating to cycle hire, but anything new that we would be doing in cycle hire is not going to come out of the £913 million. It would come out of additional funding. Do I have that right, Garrett?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): In terms of the business planning around that we are going into, yes.

Isabel Dedring (Deputy Mayor for Transport): Yes. All the questions around 2017, the re-let of the scheme, potential new ticketing options and all of that stuff would not come out of the £913 million. That is all a new discussion that would come on top.

Darren Johnson AM: Whatever unknowns there are in terms of the cycle hire scheme, we will not be seeing that eat into large chunks of the general cycling fund for London?

Isabel Dedring (Deputy Mayor for Transport): No. I just want to distinguish between whether there is cycle hire funding within the £913 million. I think there is --

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): Yes, there is.

Isabel Dedring (Deputy Mayor for Transport): -- but that is for previously announced stuff.

Darren Johnson AM: Yes, but there will not be future funding coming out of the £913 million?

Isabel Dedring (Deputy Mayor for Transport): Absolutely and that is what is being bid for in the current business planning round for this financial year for the business plan that comes out in December.

John Biggs AM (Chairman): You could, with this distribution problem, look at dynamic pricing. Let us not delay the meeting with that, but you could, so you would pay more to go to a high-demand rank than to go to a low-demand one.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): That is a technology-related question and it goes back to what Isabel [Dedring] was saying about the successor to the Serco contract and what shape or form that takes.

John Biggs AM (Chairman): Yes, so you could look at that?

Isabel Dedring (Deputy Mayor for Transport): We are looking at that. It could only be possible once the re-let has happened, but we are looking at it. Both Garrett and I are very interested in that; hence it is being actively looked at.

The counterargument is that you do not want to complicate things for everyone. One of the things people say about the scheme is that it is £2 for the first half-hour and then it is £4 and it is completely confusing. Our intention is to try to simplify the tariff for the scheme so it is very, very clear. When you start to introduce dynamic pricing, potentially you will start to lose people again in terms of bringing new people into using the scheme because it is easy to understand. That is the thing we need to weigh up.

John Biggs AM (Chairman): There is a fairly clear view from the discussion today that you want to remove sponsors' performance metrics as part of their sponsorship, but there must be some bottom line. If the thing became totally disreputable, Barclays might want to walk away from it. There have to be triggers within the contract. Given that this session is ostensibly about sponsorship, I guess we should be interested in how you do that.

Graeme Craig (Commercial Director, TfL): The clear thing is that we would want to have measures that are within our control. That is obvious and that is what we would seek to have in place. We would want to be in a position in which we are clear that there are performance measures that are within our control. We would also want to make sure that we sit down with the sponsor or potential sponsor and understand from them what they are looking for from this particular deal. What is the partnership they are looking for? Isabel [Dedring] was quite right. We were a little harsh on Barclays, but we are wanting someone --

Isabel Dedring (Deputy Mayor for Transport): I thought I said something very moderate and measured.

Graeme Craig (Commercial Director, TfL): We want someone who is keen, very keen, desperate, to make this scheme as successful as it can be. Yes, they are investing money and the money is important, but beyond that we want someone who is investing their brightest and best and their organisational resources to make this scheme as successful as it can be.

John Biggs AM (Chairman): You might accept one who is giving you less sponsorship but who is more committed?

Graeme Craig (Commercial Director, TfL): Yes. It ends up being a trade-off. There are things that we are looking to measure --

Isabel Dedring (Deputy Mayor for Transport): At the margins.

Graeme Craig (Commercial Director, TfL): We are looking for an overall package and that overall package includes a financial contribution and a contribution in terms of the activation. Ultimately, we are looking for the organisation that is most committed - and part of the measure of that is financial - to making the scheme a success.

John Biggs AM (Chairman): If we take it to its absurd extreme, say Goldman Sachs says, "We will do it for £6 million a year", and Sustrans says, "We will do it for £2 million, but as part of the package we are going actively to promote cycling as a lifestyle and we are going to massively change the mode of travel of people in London", how would you balance those?

Graeme Craig (Commercial Director, TfL): I can confirm that neither of those organisations have expressed an interest!

John Biggs AM (Chairman): As with all my questions, there is a serious question within it.

Isabel Dedring (Deputy Mayor for Transport): It is an interesting question, but it is probably fair to say we will not get the £2 million type of offer. Graeme is sending a very clear message that we are looking for something in this territory financially. Obviously, there is wriggle room around that, but probably not to that degree. It is very unlikely that we would get anybody coming forward with that kind of proposition.

Graeme Craig (Commercial Director, TfL): We have been very clear about what we are looking for, both in terms of financial and beyond the financial. Hopefully, we will have a range of interested parties from which we will be able to choose the ideal partner. It will be an overall package and we will be looking to get the best overall package we can.

Gareth Bacon AM: I am not always a cheerleader for TfL, but some of the questioning has been a little bit gloomy around this particular subject today. Looking at the figures for ridership in 2011/12, which was the lowest point, there were 7.5 million journeys taken in that year and you overachieved on sponsorship by 150% on your original intention, so my position is that this scheme has been a success.

John Biggs AM (Chairman): Just to put that in balance, this was an excellent idea of Ken Livingstone as Mayor. I think we all agree that. Carry on.

Caroline Pidgeon MBE AM: Finally. Lynne Featherstone [former London Assembly Member] suggested it to him in 2001.

Darren Johnson AM: My questions all came as a fan of the scheme and a supporter of the scheme who wants it to succeed.

Gareth Bacon AM: That is good to hear, but the point is what we can learn from where we have got so far in order to make it better as we go forward into the future. If there is anything that you have not already said about how you can make the scheme better value for money in answer to my colleagues' questions, is there anything you would like to bring out now?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): You have touched on the future pay-as-you-go and the Oyster thing. That is a big question for the scheme and there is clearly a substantial cost in going down that route. The thing that we know from the research we are undertaking is that the benefits in terms of ridership are potentially substantial. We are talking, cautiously, of a 20-25% growth in ridership for a scheme that is fully integrated in terms of paying mechanisms and so on. That is the next great step forward, along with intensification and so on.

Whilst the scheme has been very successful in terms of the number of riders, it is sometimes easy to say that 25,000-30,000 trips in central London is not massive compared to even the total amount of cycling in London, but in central London it is a lot of people on bikes using road space very efficiently. Cycle use and bus use are by far our most efficient ways to get people around the centre of London where space is at a premium. Anything we can do to deliver that sort of substantial increase in the number of people using the scheme and people travelling around central London by bike will have some very substantial benefits to the city as a whole. Some of that, as the Professor [David Metz] says, you cannot readily quantify in terms of business cases and what-have-you.

To me, that is the future. It is continuing to improve the offer for the customer and make it more attractive. We loosely refer to commuters equals 'members' and casual use equals 'non-members'. That is not entirely true, because there are an increasing number of people who are doing commuter or work-related trips and choosing to do it by means other than being a member. The future will be a much more integrated approach. It will be much more akin to the way we offer transport services on other modes. If that happens, we will see the scheme playing an increasing role in the future in getting people around.

Gareth Bacon AM: You and Isabel have both touched on the idea of integrating this with Oyster to make it more user-friendly from a consumer perspective. How does a 25% increase in ridership stack up in terms of the cost of integrating?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): That is what we have not yet got to. That is what we are working through in terms of what the potential options are around the successor to the current Serco contract. We know we have to replace that contract in 2017. We know we have a number of options around the way we do that. It will not necessarily be a straight new contract for a Son of Serco or whoever it is to come and take over. It could be done in any one of a number of different ways. It is not only about the payment mechanisms, the back office systems and the billing systems. It is about the customer services systems and the on-street regenerations. There are a number of different aspects to how we might do that differently in the future that have to come together. One of those variables is this whole question about integration with the public transport ticketing system.

Isabel Dedring (Deputy Mayor for Transport): Just to be clear, this goes beyond Oyster. It is about ticketing and Oyster integration. In other words, it is not just that you swipe your Oyster card and pay the existing tariffs. It would be about whether there is a way to include it in your pay-as-you-go daily cap. If you are a Travelcard holder, is this covered as one of the modes that are covered? We are looking at both of those questions, not just whether you can swipe your Oyster card on a yellow pad, but whether it is integrated into fares and tariff terms as well.

You cannot do it in exactly the same way as getting on a bus because when you get on a bus you swipe your Oyster card and then you could ride on that bus all day, but in terms of the cycle hire scheme we do not want people taking the bike, parking it up in their flat for three days and then bringing it back into the scheme. Therefore, it does not work in quite the same way, but to what extent could you bring it much closer to existing mainstream modes?

That was just to clarify that we are looking at both of those questions and I think that 25% is an extremely conservative number.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): I did say it was conservative.

Isabel Dedring (Deputy Mayor for Transport): Yes, but it is the wrong number to be looking at.

Gareth Bacon AM: Good. I like the optimism.

Isabel Dedring (Deputy Mayor for Transport): We should assume the uplift would be higher, but we are going to try to bottom-out the figure. The last thing I was going to say is on the value-for-money point. The more that we can have a discussion about the revenue side of value for money - clearly, we are trying to drive down the costs of the scheme over time - and the historical questions around capital expenditure, the more we can move the debate to how we get more out of this scheme, how we get more people using it and how we get a broader range of Londoners using the scheme. That would be fantastic, as far as I am concerned, because there is a lot more opportunity in ridership there.

Gareth Bacon AM: Sure. The final question I wanted to ask is really about timing. Obviously, you are analysing different ways for customers to pay to hire bikes. What sort of timescale do you have for coming to some decisions about that? Analysing it and thinking about it are great. When are we going to hear what your thoughts are?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): The timescale in terms of the business planning process generally and also the development of the business case for the successor contract arrangements for this --

Gareth Bacon AM: It will fit in with the new sponsor?

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): -- fits into that and you are looking, from memory, at this getting to the TfL Board around November time, by which time it will be in the public domain.

Isabel Dedring (Deputy Mayor for Transport): The intention will be to get clarity around all of that this calendar year.

Gareth Bacon AM: It would dovetail with the announcement of the new sponsor, which I believe is going to be New Year time, is it not?

Graeme Craig (Commercial Director, TfL): We would hope to be in a position to have a new sponsor agreed before the end of the calendar year, possibly just into early 2015.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): They are not tied to the same timescales.

Graeme Craig (Commercial Director, TfL): No, they are not.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): It is just a happy coincidence that all of that information will come together at around the same sort of time.

Valerie Shawcross CBE AM: We have talked in the past about ethical frameworks and we have all supported the move towards TfL only contracting with organisations that pay at least the London Living Wage, etc. I just had a thought about the ultimate contradiction we often see, of the public sector paying for contracts with or seeking sponsorship from organisations that carry out aggressive tax planning and do not pay what most people would consider to be a fair corporate tax in the UK, even though they have substantial operations here. It may be a new topic for the table, but there were issues that people felt about Barclays, which were reputational issues. Fairness, equality of income, etc, are issues for us.

Do you think there might come a moment when the GLA family and TfL think about whether or not the tax status of a sponsor or a contractor is an issue?

Isabel Dedring (Deputy Mayor for Transport): What is the current provision in their sponsorship policy?

John Biggs AM (Chairman): It is a reputational issue, is it not?

Graeme Craig (Commercial Director, TfL): We have a sponsorship policy. One of the lessons learned from the original Barclays deal was that we did not actually have a pan-TfL/pan-GLA sponsorship policy. There are a number of criteria set out in that policy in relation to the sorts of organisations with whom we work. It does not specifically cover the point you raise and off the top of my head I think one would have to think carefully about how one words it, which is always difficult. We now have a policy that sets out criteria that a sponsor has to meet. It is fair that we should reflect from time to time as to whether that is the right criteria that we have. Sitting here, I would struggle with how to define something which would go beyond what is legal.

Valerie Shawcross CBE AM: I understand what you are saying, Graeme, and I can see it is potentially a problem, but public opinion has moved very strongly on this issue. Public opinion would say that organisations that do not pay their corporation taxes principally in the UK are basically shifting the playing field and making it unfair for other companies. Already in the ethical sponsorship framework, we should look at what is morally right and what is in alignment with our social priorities, as well as what is legal. I just would put that to you as a new issue.

Isabel Dedring (Deputy Mayor for Transport): Presumably, what you have in mind is that most people are dodging tax in a technically legal way, so how do we frame it so that they would say we are behaving legally? I get that you are making an entirely different point, but it is just how one would frame that.

We will take that away. We will have a think about it. It is an interesting point and the Mayor has spoken out on that kind of subject before.

Darren Johnson AM: You make ethical judgements on advertising. You do not make purely legal judgements on whether to take advertising or not.

Valerie Shawcross CBE AM: Yes, exactly. That is the point I was making.

Graeme Craig (Commercial Director, TfL): Just to be clear, in other criteria we have - and I have the list in front of me - we would not, for example, enter into agreements with political parties, pressure groups, manufacturers or sellers of tobacco, etc. There are a range of organisations with whom we would work and what they are doing is perfectly legal but we choose not to work with them. On the specific element of tax, we would have to come up with criteria that are clear.

Isabel Dedring (Deputy Mayor for Transport): It does say that "this list is not exhaustive and we retain the right to not work with anyone, at our sole discretion, who we do not want work with".

John Biggs AM (Chairman): Perhaps we could throw this question at you and you can come back and we will talk about it then.

Valerie Shawcross CBE AM: It was a new thought.

Isabel Dedring (Deputy Mayor for Transport): If you wanted to shoehorn anything in there, you could. That is the point.

Stephen Knight AM (Deputy Chair): I had a question about the overall value for money of the scheme. Whilst it may have been a success in terms of modal shift and encouraging cycling, it has certainly been an expensive scheme. We know that the capital cost has been almost £140 million, it costs £15,000 per bike and there is an ongoing subsidy of £11 million or thereabouts to the running costs. For the same sort of money, arguably, you could have just gone out and bought half a million bicycles and given them to Londoners. Actually, you might have had a much bigger modal shift and you might have had a much bigger effect on getting Londoners on their bikes by doing that. Arguably, for probably less money you could have bought half a million bikes.

With the benefit of hindsight, had you known it was going to cost this much, would there have been better ways of achieving the same or a better modal shift to cycling?

Isabel Dedring (Deputy Mayor for Transport): Obviously, point one is that if you give out a bunch of bicycles, the first thing that is going to happen is they are all going to be sold to Africa or wherever. That does not work because they will not be retained within London and there is no evidence that people would use them.

Stephen Knight AM (Deputy Chair): There are ways in which you could do it. You could give every school-leaver a bike or every --

Isabel Dedring (Deputy Mayor for Transport): Who can then sell them to Africa.

Stephen Knight AM (Deputy Chair): I am not suggesting a particular scheme. I am merely saying, for the sort of money we are talking about, there are clearly other things you could do to drive modal shift.

Isabel Dedring (Deputy Mayor for Transport): Presumably that is not an entirely seriously proposition, but I do not see how that could be made to work. Let us move on to your --

John Biggs AM (Chairman): There may be a question within this about whether it was over-engineered, for example, as well.

Isabel Dedring (Deputy Mayor for Transport): Yes. Just to move on to your underlying point, there are two things. Observing TfL institutionally, because cycle hire is a proper transport investment in the sense that there is a capital investment and it costs more than three pence, it is treated as a proper public transport mode. The behaviour of the organisation towards the cycle hire scheme is the way the organisation behaves towards the bus network or the Tube network. That must be a good thing if we all believe that in a progressive city we want to be seeing substantial increases in cycling over the long term, substantial increases in walking, green vehicles, etc, and treating this not as some Birkenstock-wearing, crazed, 1970s activity but a proper, mainstream way of getting around the city. Actually, a cycle hire scheme and all the emblem that it has with it, that it has a capital element, that it is properly resourced and supported, has a very interesting and substantial effect within the organisation.

That aside, if you look at it in transport infrastructure terms, it sadly is not that expensive. The level of subsidy and the cost entailed per trip is not wildly out of line with what we would be doing on the rail network and other modes. You might ask about the cost of transport infrastructure generally. All of it might be too expensive and all of it should become cheaper over time and that is where [TfL's] Independent Investment Programme Advisory Group and pressures in terms of removal of government grant is bringing down the cost of transport across the board. It has been too expensive. It is still too expensive. It needs to continue to come down in cost, but I would not say cycle hire is out of line with other transport capital investment.

John Biggs AM (Chairman): Maybe it was a little bit over-engineered.

Stephen Knight AM (Deputy Chair): I would be interested in Professor Metz's view on whether as a scheme it has been value for money in terms of driving cycling compared with the alternatives.

Professor David Metz (Centre for Transport Studies, UCL): As I mentioned earlier, the interesting impact is the broader impact on promoting cycling and I would give the scheme the benefit of the doubt.

For the future, one of the interesting developments is the electric bicycle. Maybe there is scope for a premium service within your scheme for those of us who are getting a bit older and would like a bit of support to get around.

Isabel Dedring (Deputy Mayor for Transport): I think Paris has just announced an electric bicycle scheme. What has been proposed in the past is adding electric bike points at existing docking stations, but you do not then get the density because that is the same thing as having two bikes per docking station, which does not work. At one level, it would have to be a standalone scheme that runs in parallel. Electric bikes are so expensive, to Stephen's [Knight] point. They are extraordinarily expensive, so it is just figuring out how that might work. It is something that we keep looking at and we keep coming back to and people do keep raising it.

John Biggs AM (Chairman): It does beg a question about fitness, though.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): The only thing I would add around that is on whether it would have been possible to deliver a cheaper cycle hire scheme. Yes, sure, you could have devised a scheme that was cheaper.

John Biggs AM (Chairman): We could have bikes that feed electricity into the grid.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): The operating environment that we have to deliver the scheme in is one in central London. The public expectation and the expectation of you as a Committee would have been that the scheme functions reliably, that customers get a decent level of service and that satisfaction is reasonable. We would potentially be having an entirely different conversation today if we delivered a scheme that did not achieve all of those things. In common with all of the public transport modes that we deliver, our absolute priority is to deliver a scheme that works for Londoners.

John Biggs AM (Chairman): All right. Certainly there are a whole range of other things we could talk about today, but time is against us. The Transport Committee exists to take those questions further. It is an interesting question about modal split. Is it still white, middle-class men who ride them, then, or has it become a bit more diverse?

Caroline Pidgeon MBE AM: Middle-aged as well.

Isabel Dedring (Deputy Mayor for Transport): No, it is quite mixed. I do not have the numbers with me. They are definitely the minority in terms of users, but they are probably the biggest single group. White males aged 25 to 45 are the biggest single chunk, but they are well below 50% in terms of users.

Garrett Emmerson (Chief Operating Officer, Surface Transport, TfL): They are broadly in line with cycling generally. I do not think the mix of cycle hire users is any different from the mix of people who cycle as a whole.

John Biggs AM (Chairman): I thank our witnesses for coming today. It has been very useful.