

Transport for London



Your ref:
Our ref:

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Dear 

Thank you for outlining the findings of the Budget and Performance Committee's inquiry into the case for the New Routemaster following our meeting at City Hall on September 2. We take note of your concerns about the investment decision-making process and desire for greater public transparency. This letter responds to the points raised under amalgamations of the group headings provided.

Concept, design and development, and timeframe;

TfL is proud of its record for designing and building the New Routemaster within challenging but achievable timeframes. The bus was ahead of its time for low emissions, fuel consumption and interior and exterior styling compared to conventional hybrids, and was supported by a robust business case. The benefit-cost ratio (BCR) is one element of the business case and with wider considerations made it worthwhile.

We have delivered a reliable and iconic product within a compressed timeframe – as industry advice suggested we could. This enabled us to reap the investment benefits as early as possible such as significant reductions in oxides of nitrogen and carbon dioxide. The vehicle's iconic status has helped attract consistently higher customer satisfaction scores and is now leading to adoption of its 'DNA' on current Euro VI vehicles. The type of minor teething issues experienced by the New Routemaster are common to new generation vehicles, regardless of testing and proving ground work. Some issues, such as battery life, were linked to externally-sourced components, not bus manufacturing or design matters. The project remains on course to roll out 800 vehicles by 2016. All will now have opening windows – not because the air chill system was not functioning as intended – but as we have listened to customers who tell us this would make journeys more comfortable.

Achieving Iconic Status

TfL is continually improving business case processes to ensure justifications are more rounded and compelling, and look beyond the benefit cost ratio (BCR) – whether the BCR is high or not. The experience of designing a bus with 'iconic status' will inform this progression and help us better consider a product that is hugely popular and immediately associable with London, reinforcing the city's brand, personality and

appeal. In terms of the commercial success of the vehicle outside of London, both in sales of New Routemasters and vehicles adopting its DNA, it is too early to reach a view on this. At this time, we know it has raised the profile of UK manufacturing abroad and is leading to the greater integration of product innovation and design.

Benefits

As we have emphasised, the benefit-cost ratio is only one element of the business case. The type of financial methodology applied is a universal project management metric including monetarised values but the case for the vehicle goes far beyond this. As far as New Routemaster *modus operandi* is concerned, we took decisions on buses operating with opened or closed platforms on a route-by-route basis. Routes could not be pre-selected for conversion as this approach would have prevented us extracting best value through the route tender process and obtaining commercially-competitive bids from private bus operators.

Emission and Fuel Consumption Benefits, and Assessing Actual Benefits

TfL constantly monitors advances in engine and exhaust after-treatment technology to make the fleet as clean as possible. This may result in further modifications to buses between 2016 and 2020 but decisions will be taken in light of achieving the greatest benefit through the most cost efficient route at the time. As technology changes rapidly, we cannot predict what options might be available in several years time. We do believe, however, that the New Routemaster will help uphold customer satisfaction, reinforce the London brand and deliver lower CO2 emissions than current hybrids. A full refresh of the earlier business case would not have altered this.

The Cost of Having to Purchase the Fleet

TfL ultimately pays for the cost of fleet through revenue expenditure, normally without the need to pay up front. As it is anticipated the New Routemaster will operate on London's streets for the full 14-year term, we do not attach a significant risk to owning, operating and potentially enhancing them for this period. It is designed and styled to a higher standard than conventional vehicles and like its classic predecessor is now part of the fabric of the city, reinforcing the capital's brand. After its service here, it could still make its way into the second-hand market outside London.

Further Bus Orders

TfL plans to deliver a commitment for 800 New Routemasters by 2016 and is already seeing new standard double-deck hybrid versions become available. The route tender process allows flexibility to upgrade the fleet with an average of 700 new buses a year. If TfL develops a new vehicle again or departs from its usual financial model for bus ownership and operation, this will be formulated in a business case and sufficient explanation will be included in the narrative to help the public understand the reasons why this approach is desirable for London.

Yours sincerely,



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Mike Weston
Director of Buses