

APPENDIX 1: BUSINESS CASE AND PROCUREMENT STRATEGY REPORT

BUSINESS CASE

1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED

The Council will tender a Contract to procure a free-floating car sharing service (FFCS) in Hammersmith & Fulham (H&F).

LBHF currently has two round trip car clubs operating - the fully electric Blue City Car Club introduced in 2016 that operate from Source London charge points, and 50 car club only bays currently available to members in LBHF. The success of car clubs is clear, for example, the BlueCity scheme had nearly 8,000 rentals in 2018 resulting in nearly 80,000km being travelled.

A FFCS has already been adopted by a number of other London authorities which means that unlike the round-trip model, members are able to use the service across a much wider geographical area and are not constrained by having to finish their journey within a pre-determined time frame or by having to return the vehicle to a designated bay in a specific location. The one-way nature of the FFCS therefore provides greater journey possibilities and will complement our existing round-trip car clubs.

Adopting a FFCS in which cars can be hired on a pay-as-you-drive basis and picked-up from any permitted location, and then dropped-off in any permitted areas in H&F and in other London boroughs who provide the service. This will provide members with a wide geographical area to make one-way journeys.

Why are they needed?

Introducing FFCS will directly contribute to the administration's objective to be the greenest borough. The promotion of FFCS was identified by Transport for London's Roads Task Force as one of a number of demand management measures that can reduce overall car dependence by making access to cars more flexible, thereby reducing pressure on road space and encouraging sustainable transport.

Who uses or receives them?

There are around 10,000 members of the existing 'round-trip' car clubs in H&F which are provided by City Car Club (Enterprise), Zipcar (Avis Group) and Blue City (Bolloré Group). It is anticipated members of the existing 'round-trip' model will use a FFCS as the scheme caters for more journey types.

What are the most important objectives and benefits the new contract is aiming to deliver (and/or what are the most serious risks it is seeking to avoid?)

FFCS is recognised as a key tool in providing for Londoners' urban mobility needs by offering a realistic and economical alternative to private car ownership. The overall aim and objective of FFCS in H&F is to:

- Reduce private vehicle ownership
- Increase efficiency of personal transport
- Improve air quality and reduce NOX, PM and CO2 transport emissions

- Reduce parking stress
- Reduce congestion
- Rationalise business travel and reduce commuting by car
- Encourage social mobility and social inclusion by offering wider transport choices
- Increase walking, cycling and use of public transport for trips not undertaken by car.

Will the services, or supplies be shared with others or sovereign to just H&F?

FFCS currently operates in thirteen London boroughs and is provided by multiple providers where members can begin or end their journey. The growth of FFCS is expected to continue in 2019/20 as other authorities including Kensington & Chelsea, Ealing, Newham and Greenwich launch the service.

2. FINANCIAL INFORMATION

Each contract will incur no expenditure, they are revenue generating only. However, Parking Policy Team officer fees are budgeted for this work, to manage the agreement and will be funded from the parking reserve. It is recognised there will be some loss in P&D revenue and although this is difficult to estimate, it is expected to be minimal as the vehicles will be used during the day and parked overnight when parking charges do not apply.

The level of revenue that can be realised will not be determined until after the contract tender process has been completed and the successful provider(s) are identified. Up to three FFCS providers may be appointed with the highest scoring tenderer being awarded a contract to operate 100 vehicles the second 50 vehicles and the third 20 vehicles.

The level of revenue generated through the FFCS will be determined by the annual Pre-Payment Charge (PP) made in advance by the successful provider(s) for the total number of permitted vehicles they are awarded.

The annual PP is an advance payment by the provider to the Council for an assumed average number of vehicles that end journeys in H&F in any 24hr period, determined by the overall stock of internal combustion engines and fully electric vehicles in the providers' fleet. The PP is calculated as follows:

- Internal combustion engine vehicle permit charge – minimum value £1,400
- Fully electric vehicle permit charge – minimum value £800

Concessionaire	Vehicles	Estimated Number of petrol vehicles	Estimated Number of electric vehicles	Total	PP #
ONE	100	75	25	£125,000	£31,250
TWO	50	38	12	£62,800	£15,700
THREE	20	15	5	£25,000	£6,250
TOTAL	170	128	42	£212,800	£53,200

PP is based on 25% of total vehicles that end journeys in H&F on average, in a typical 24-hour period.

It is anticipated that if three FFCS providers are appointed in H&F, the first year's baseline minimum revenue will be £53,200, which is based on 25% of total vehicles ending journeys in H&F in a typical 24-hours period. This annual revenue figure will increase based on (a) the value offered by the provider during the tender stage and (b) the number of vehicles that complete journeys in H&F.

There will be minimal cost implications for the Council from this initiative following appointment of the provider. All areas of expenditure will be the responsibility of the provider and although the value to the Council is not known at this time it will generate in excess of £100k over the lifetime of the contract, comprising as a minimum, income from the vehicle permits plus any additional income.

There is likely to be an impact on Pay & Display income, however, this is likely to be minimal as the FFCS vehicles will be parked for their longest periods over night when Pay & Display parking charges do not apply. The impact on Pay & Display income cannot be determined at this stage due to the constant flux of activity as the FFCS vehicles will be moving constantly throughout the day, however, the selected parking bays that will be used will be reviewed and any significant changes to parking income will be reported as part of monthly monitoring.

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

There are three options to consider for the future of car sharing in H&F:

Option 1 – Using a competitive tender to procure a FFCS scheme.

This will enable the Council to award a contract to a FFCS provider based on a rigid set of scoring criteria. Tendering by way of a consultation exercise will ensure that the most suitable providers are procured for H&F.

Option 2 – Procure provider(s) by way of a non-exclusivity agreement.

A non-exclusivity agreement is open to more than one party. Currently there are three main providers of FFCS in London; DriveNow (BMW), Zipcar Flex (Avis Group) and Ubeeqo (Europcar). In some London boroughs, multiple providers provide the free-floating service by way of a non-exclusivity agreement. As the popularity of FFCS is anticipated to grow in London, additional providers may join the market and operate the service. Under competition law, the Council would be required to offer the same terms of service to new providers. A disadvantage of this approach is that it would be difficult for the Council to restrict and manage the overall number of permitted vehicles in the borough as each provider would be entitled to the same number.

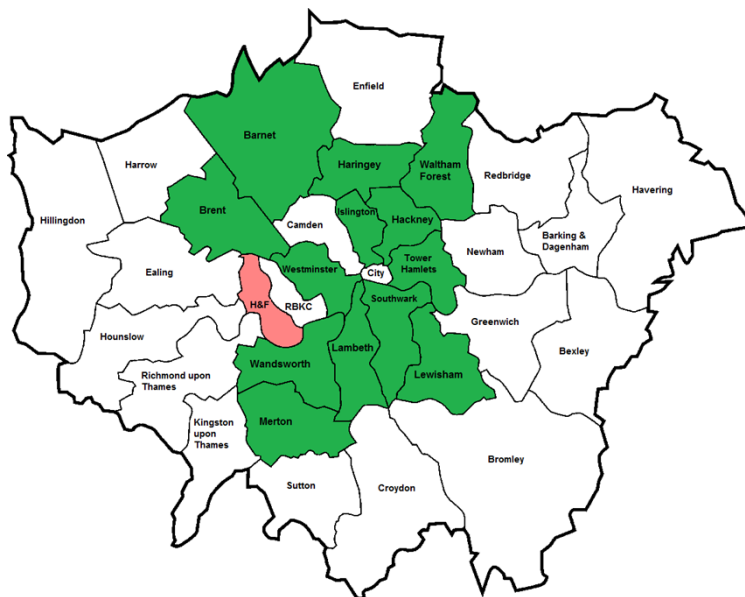
Option 3 - To not progress with the FFCS and retain the existing 'round-trip model' in Hammersmith & Fulham.

The 'round trip' model serves a much smaller catchment area of members as usage of this facility is usually confined to those who live or work within a reasonable walking distance of the fixed location. The 'round-trip' model also doesn't provide the same flexibility as a FFCS which allows one-way journeys and covers a much wider geographical area. Relying solely on a 'round trip' car club model is not sufficient in tackling the concerns of reducing private vehicle ownership, improving air quality and reducing congestion.

Option 1 is the recommended approach to enhance car sharing services in H&F. By realising the numerous benefits of the one-way FFCS model, this will support our target to become the greenest borough and air quality targets.

4. THE MARKET

A FFCS scheme currently operates in thirteen London boroughs and is provided by multiple providers as illustrated on the map below. Members are provided with a much broader area to begin and end their one-way journey. The growth of FFCS is expected to continue in 2019/20 as other authorities including Kensington & Chelsea, Ealing, Newham and Greenwich are planning to launch the service.



PROCUREMENT STRATEGY

5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION

The contract to operate a FFCS scheme in H&F will be for two years, with a further two-year extension provision built in. A competition tendering exercise will be undertaken enabling the Council to procure one or more FFCS providers in H&F.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

The FFCS will alter the way people make journeys in H&F and reduce private car ownership and use. Research from London Transport Demand Survey & Carplus Annual Survey 2016-2017 suggests that on average 2.2 people travel in a car share vehicle compared to 1.6 people in a private car which demonstrates increased efficiency in personal transport and use of road space and contributes to reducing air pollution.

7. OTHER STRATEGIC POLICY OBJECTIVES

The introduction of the FFCS scheme in H&F will complement the existing round-trip and fully electric car club models that already operate in H&F. The nature in which the FFCS scheme operates and the flexibility of where users can begin and end a journey, means that members across a wider geographical area will have access to the service.

8. STAKEHOLDER CONSULTATION

The successful provider(s) will consult with existing members in H&F and other boroughs who host the service to promote the FFCS scheme. The Parking Policy Team will communicate and promote the FFCS through the council media platforms including the website and Twitter.

9. PROCUREMENT PROCEDURE

A fully compliant open tender process will be undertaken through the Capital eSourcing system. The opportunity will be advertised in accordance with the Regulations. Accessing the open market will enable the council to realise best value. It is intended to procure up to three providers for the FFCS scheme.

10. CONTRACT AWARD CRITERIA

The evaluation process is to select the “Most Economically Advantageous Tender (MEAT). The “MEAT” is determined as the highest evaluated score in a 40:60 combination of method statement and financial scores respectively. Prior to the method statement and financial offer, a commercial response will be required that will cover the acceptance of the proposed contract on a pass/fail basis and will include matters such as insurance liabilities and quality procedures.

The method statement response will cover the operational aspects of providing and operating a FFCS in H&F, and this will include evaluating customer experience and satisfaction from current services elsewhere in London. The financial statement relates to how much a provider is willing to pay the Council for an annual permit with the minimum price accepted for each vehicle type being:

- Fully Electric Vehicle £800
- Other vehicles £1,400

The bidder that passes the commercial response evaluation and achieves the highest overall score for its proposal, once the method and financial statement weighted scores have been combined, will be awarded the contract. The option will exist for the council to award further contracts to the second and third place tenderers at a reduced vehicle fleet as described above.

The following evaluations and weightings will apply to the tendering process:

Commercial response	Pass/Fail
Method statement	40%
Financial statement	60%

PROJECT MANAGEMENT AND GOVERNANCE

11. PROJECT MANAGEMENT

The project team is comprised of the following officers:

Parking Policy Manager
Parking Projects Engineer
LBHF Procurement Lead

12. INDICATIVE TIMETABLE

Date	Action	Progress
March/April 2019	Prepare tender package for the FFCS scheme	Ongoing
April 2019	Cabinet report seeking permission to tender	In progress
May 2019	Finalise tender package for FFCS	
June 2019	Commence the procurement process and tender documentation issued	
July 2019	Deadline for submission of tenders in line with the applicable regulations	
September 2019	Likely commencement date: date the provider contract(s) are awarded	

CONTRACT MANAGEMENT

The Parking Policy Team will closely monitor the performance and usage of the FFCS scheme through data provided by the provider(s).

The provider(s) will be contractually required to provide data and information as part of the contract and upon request, at regular intervals on a quarterly basis. Key Performance Indicators (KPI's) will be employed to ascertain the effectiveness of the FFCS scheme in H&F and take appropriate action if there is are performance concerns.
