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24 November 2017

**Confidential**

Dear Nick,

**London Highways Alliance Contract (LoHAC) – Strictly Confidential & Without Prejudice**

I refer to our recent discussions and your letter dated 13 November 2017 concerning TfL's budgetary pressures resultant from the removal of DfT grant funding coupled with reduced revenue through fares, commercial property and advertising. This is combined with a general downturn in the economy and low confidence levels around Brexit and other global pressures.

I would first of all like to assure you that CVU and our parent companies remain committed to working with you to support TfL through these difficult and uncertain times. As a business we are proud of our work in London and have striven to maintain our reputation as the highest performer for TfL.

In response to your letter we have considered a number of scenarios based upon the proposed budget reductions and undertaken some preliminary financial and operational modelling to understand the impacts, propose mitigation and most importantly to consider how we could start to build beyond 2021.

There is clearly further refinement of this modelling which needs to be done once we have a firmer idea of the specific workflow implications on each geographical LoHAC area.

As a result of this modelling we have considered three key options:

1. Continue as we are with the proposed reduction in budgets
2. Continue with additional volume from other LoHAC areas
3. Terminate the contract by mutual agreement.

We propose to discuss the detail of our consideration of each of these scenarios including costs, mitigation, service options and impact to London when we meet face-to-face on Monday 27 November 2017.



We are also acutely aware of the impact that decisions made in relation to the TfL call off under the LoHAC framework has on the individual borough call off contracts of which we currently have four with a fifth borough imminently signing up to a new call off contract and a sixth potential signing later in 2018. This is further compounded by the situation with Lambeth who wish to expand their existing call off arrangement to incorporate a wider range of services delivered through CVU from summer 2018 as their current term maintenance expires. Any decisions taken under the TfL call off will impact on the borough call offs under the LoHAC framework to differing degrees.

We do strongly feel that there is a lot of benefit in considering the move to a new operating model beyond the existing LoHAC term and using the current negative financial situation to positively transition to new arrangements which benefit London.

We look forward to discussing this further with you on 27 November.

Yours Sincerely,



**Managing Director – CVU**  
[www.cvu.com](http://www.cvu.com)

cc: CVU Joint Venture Board

