

Greater Manchester Combined Authority

Date: 28 January 2022

Subject: Bid to the Zero Emission Bus Regional Areas (ZEBRA) Fund

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eamonn Boylan, Chief Executive Officer, GMCA & TfGM.

Purpose of Report

This is a report for approval of the submission of the GMCA ZEBRA fund bid.

Recommendations:

The GMCA is requested to:

1. Delegate approval to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester and the Chief Executive of Stockport MBC, to approve the GMCA ZEBRA fund bid that has been produced in combination with Stockport MBC and Stagecoach Group Plc (Stagecoach). The bid seeks DfT funds of £36.9m alongside Stagecoach investment of approx. £37.2m and a GMCA contribution of £12.5m to support the introduction of 170 Zero Emission Buses in the south of GM by 2024.
2. Note the conditions and details for this submission as set out in section 1 of this report.
3. Provisionally approve the GMCA financial contribution of £12.5m, that will be financed by prudential borrowings, noting that the borrowings will be repaid to GMCA over the lifetime of the assets through a subsidy control clawback mechanism; and further noting that in the event that the submission is successful, final approval will be sought once costs have been confirmed.

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Equalities Impact, Carbon and Sustainability Assessment:

Equalities Implications:

The GMCA ZEBRA submission has been developed to accelerate the modernisation of the GM bus fleet. If successful in securing DfT funds, this fund will help improve the bus fleet for approximately 10% of bus users in GM who will benefit from a modern fleet of buses that incorporate improved standards of passenger ambience and accessibility, whilst dramatically reducing the environmental footprint of approximately 10% of GM bus operations when compared to the current diesel fleet. This ZEBRA submission is a component of a broader ambition to improve the bus fleet across GM. These are judged to have positive and long term impacts and will help reduce inequalities in GM.

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	G	
Health	G	
Resilience and Adaptation	G	
Housing	G	
Economy	G	
Mobility and Connectivity	G	
Carbon, Nature and Environment	G	
Consumption and Production	A	
Contribution to achieving the GM Carbon Neutral 2038 target		
Further Assessment(s):	Equalities Impact Assessment and Carbon Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative , with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

Climate Change Impact Assessment and Mitigation Measures:

This bid if successful would accelerate the transition of 10% of the bus fleet to Zero Emission technology by 2024. This is forecast to reduce transport sector CO2e emission by approximately 100,000 tonnes of CO2e by 2038 and therefore is directly compatible with the GM ambition to become carbon neutral by 2038.

Carbon Assessment

Overall Score		Result		Justification/Mitigation	
Buildings					
New Build residential	N/A				
Residential building(s) renovation/maintenance	N/A				
New Build Commercial/Industrial	N/A				
Transport					
Active travel and public transport	N/A				
Roads, Parking and Vehicle Access	N/A				
Access to amenities					
Vehicle procurement					
Land Use					
Land use	N/A				
No associated carbon impacts expected.		High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

In the event that DfT funds are secured through this bid, established risk management process as set out in the GM capital programme assurance framework will be followed in the delivery of the project. A Risk Register and Risk Mitigation Plan has been established for this project.

Legal Considerations

If DfT funds are secured through this bid, Subsidy Control restrictions will apply. Legal opinion has been sought and a range of measures and mechanisms are incorporated in the bid to ensure the legal requirements relating to Subsidy Control can be fulfilled.

Financial Considerations - Revenue

It is anticipated that operating cost savings will accrue during the lifetime of the Zero Emission Bus assets and that these savings will pay back the GMCA capital cost contribution through the Subsidy Control related financial clawback mechanism.

Financial Considerations – Capital

The GMCA ZEBRA Fund submission seeks £36.9m of DfT funds to cover 75% of the cost increment between the capital costs of purchasing a Zero Emission bus fleet and associated depot electrification costs when compared with the costs of purchasing a diesel

bus fleet. Stagecoach will cover the cost of a diesel fleet equivalent (£37.2m) whilst GMCA will cover 25% (£12.5m) of the incremental cost of electrification.

The GMCA ZEBRA project is dependent upon the foundational “Stockport Depot Relocation Project”. This project is being progressed by Stockport MBC and Stagecoach with design assurance and business case development support from TfGM.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

- GMCA Bus Service Improvement Plan
- DfT ZEBRA Fund Submission Guidance Zero Emission Bus Regional Areas (ZEBRA) scheme - GOV.UK (www.gov.uk)

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes.

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

Yes. Subject to the GMCA’s approval, the bid will be submitted to DfT for consideration on 31 January 2022.

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction and Background

- 1.1 There is a pressing need to decarbonise the transport sector across the UK, including the bus system. However, the capital costs of Zero Emission Buses are currently approximately twice that for diesel buses. Operating cost savings do not offset these extra purchase costs and therefore whilst viable Zero Emission buses are now available to purchase, roll out across the UK has been slow.
- 1.2 In order to help accelerate the decarbonisation of the bus fleets, the Department for Transport (DfT) announced a funding competition in March 2021. The DfT invited Local Transport Authorities in England (outside London), to submit expressions of interest in receiving funding to become a Zero Emission Bus Regional Area. GMCA submitted an Expression of Interest in July 2021 and were invited by the DfT (alongside 16 other LTA's) to develop our proposal further and submit a Full Business Case to the DfT by 31 January 2022.
- 1.3 This report summarises the basis of the Full Business Case submission for approval by the Combined Authority.

2 GMCA ZEBRA Bid

- 2.1 The GMCA ZEBRA submission, if successful, would replace the 170 diesel buses that operate from Stockport Bus Depot to Zero Emission technology, by spring 2024.
- 2.2 The ZEBRA fund can only be accessed by Local Transport Authorities but requires full support of a named operator and specificity with regards to which bus routes operated by which bus company or companies will be converted to Zero Emission Bus technology. TfGM consulted all bus operators across Greater Manchester to gauge their interest in collaborating on a ZEBRA fund submission. The only operator who expressed an interest in pursuing this opportunity was Stagecoach.
- 2.3 Further discussions with both Stockport MBC and Stagecoach suggested that the Stockport proposal could form the basis of a compelling submission to the DfT whilst simultaneously meeting and furthering the objectives and strategic vision of each party.

Scheme Details

- 2.4 The existing Stockport Bus Depot is located within the town centre of Stockport in an area that has been identified for redevelopment and urban renewal. The

Stockport Mayoral Development Corporation was set up in September 2019 as part of an ambitious plan to transform this part of the town centre and deliver 3,500 new homes and up to 1,000,000 sq. ft of commercial space. The current bus depot site is planned to be released for redevelopment and is key to the long term regeneration vision. Stagecoach and Stockport MBC have agreed to jointly progress the relocation of the existing depot to a new Stockport Town Centre location to facilitate this vision.

- 2.5 This ZEBRA proposal seeks to build on the depot relocation by securing sufficient additional funds to purchase a Zero Emission, rather than a Diesel, Bus fleet of 170 Battery Electric Buses ('BEBs') for Stockport. ZEBRA funding would also ensure that the new depot facility is equipped to operate this Zero Emission fleet by covering the depot infrastructure costs associated with upgrading the grid connection and paying for charging plant and associated infrastructure works.
- 2.6 It is anticipated that the depot could be complete in time to support the deployment of the full Zero Emission Bus ('ZEB') fleet by the end of Q1 2024.

Alignment with Bus Reform and the GM Bus Service Improvement Plan

- 2.7 It is understood by all parties that creating a delivery plan that is consistent with GM's Bus Reform proposals would be the bedrock for a successful submission and this requirement will underpin the submission.
- 2.8 The proposal will help to commence the delivery of the fleet vision contained in the GM Bus Service Improvement Plan. Specifically, the ZEBRA submission would convert approximately 10% of the GM bus fleet to Zero Emission technology and result in a reductions of CO₂e emission from the bus fleet of approximately 100,000 tCO₂e by 2038.

3 Financial and Commercial Agreements

- 3.1 The costs that are set out below are indicative and based on current best available quotes and costings information. They will be the subject to detailed Value for Money checks and optimisation through the appropriate procurement mechanisms in the event that the bid is successful.
- 3.2 Stagecoach will contribute the equivalent cost of replacing the Stockport fleet with diesel buses (approx. £37.2m). The DfT will contribute 75% of the incremental

capital cost to electrify the fleet (£36.9m) and GMCA would contribute 25% of the incremental cost to electrify the fleet (£12.5m).

- 3.3 The capital costs and proposed funding included in the bid are summarised and set out in the following table:

ZEBRA Bid	
Capital costs reflected in bid:	£millions (current prices)
Electric vehicle procurement (170)	75.5
Charging Infrastructure	8.70
Electricity North West	1.50
Other	0.85
Total capex	86.55
Proposed funding:	
Stagecoach Group Plc	(37.20)
Department for Transport grant	(36.90)
GMCA, Prudential Borrowings	(12.50)
Total	(86.55)

- 3.4 In the event that the submission is successful, final approval, including specifically in relation to prudential borrowings, will be sought once costs have been confirmed.
- 3.5 Capital costs would be incurred over financial years 2022/23 to 2023/24. In the event of a successful outcome, it is proposed GMCA's capital cost contribution would be financed from incremental borrowings on the basis that it is anticipated that operating cost savings will accrue during the lifetime of the Zero Emission Bus assets and that these savings will pay back the GMCA capital cost contribution.
- 3.6 The GMCA contribution would be returned to the GMCA via a "Subsidy Control/State Aid Financial Clawback" mechanism. The "clawback mechanism" is required as Subsidy Control/State Aid rules require that grant aid only covers the net additional costs required to meet the specific objectives of the grant. In the event that significant operating cost savings occur as a result of deploying the Zero Emission Bus fleet as forecast, there is the potential that the ZEBRA/GMCA grant recipient could be 'over-compensated'. The "clawback mechanism" will ensure that the ZEBRA bid does not breach this legal obligation. TfGM are working to finalise heads of terms with Stagecoach that embody this requirement. These Heads of Terms will also incorporate the following principles with regards the bus fleet:

- a) TfGM will be required, under the conditions of the ZEBRA Fund, to assure VfM and State Aid/Subsidy Control requirements are fully met. All parties will agree to full transparency and application of “open book” accounting for all financial transactions relating to the purchase, ownership and operation/maintenance costs of these assets; and will agree suitable “claw back” mechanism to ensure unfair financial competitive advantage is not conferred upon Stagecoach in breach of Subsidy Control rules.
- b) It is understood and agreed by all parties that at such time as the Bus Franchise Area 3 Plan (that includes Stockport) is enacted, responsibility for the fleet assets would transfer to GMCA in a manner consistent with the proposals set out in the Bus Franchising Assessment. The residual value of these fleet assets would be based on an agreed depreciation curve; and the Residual Value paid would be in inverse proportion to the Public Sector funding received to purchase the asset.

3.7 Separate Heads of Terms will also be established between TfGM, Stockport MBC and Stagecoach to ensure the “Depot Relocation Foundational Project” is similarly underpinned by agreements that ensure full alignment and consistency with Bus Reform plans. It is envisaged that a contractual mechanism that ensures transfer of ownership of the depot asset at an equitable and fair price will underpin these Heads of Terms.

4 Next Steps

- 4.1 Subject to the GMCA’s approval, the bid will be submitted to DfT for consideration on 31 January 2022. A funding announcement is expected by Easter 2022.
- 4.2 TfGM officers will progress the project in collaboration with Stockport MBC and Stagecoach, and will seek to maintain close dialogue with DfT officials so as to inform GMCA on the progress of this submission, the outcome of which will be reported formally once it is confirmed.