

## Greater Manchester Combined Authority

Date: Friday 29<sup>th</sup> July 2022

Subject: Delivering the Bee Network: Bus Fares, Zero Emission Buses, Bus Depots and CRSTS

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

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### Purpose of Report

This report requests GMCA to approve, and delegate authority to deliver, a number of key components of the Bee Network including affordable bus fares, zero emission buses, the acquisition of a number of bus depots, and the allocation of City Region Sustainable Transport Settlement (CRSTS) funds into the capital programme.

### Recommendations:

The GMCA is requested to:

1. Delegate authority to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester, to allocate Bus Services Improvement Plan (BSIP) funding to reduce bus fares to a maximum of £2 single fares (£1 for children), with a maximum £5 day ticket (£2.50 for children), from 1 September 2022, subject to agreement with Government and bus operators;
2. Delegate authority to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester and the Chief Executive of Stockport MBC, to allocate the GMCA ZEBRA fund of £35.7m alongside match funds from Stagecoach Group Plc (Stagecoach) of £37.2m and a GMCA contribution of £12.5m to enable Stagecoach to procure 170 Zero Emission Buses and the associated electrification works for deployment on routes operating to and from Stockport Town Centre by 2024;
3. Delegate authority to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester to procure a further, 50 Zero Emission Buses initially, for deployment within Tranche 1 of bus franchising using the Crown Commercial Services national framework RM6060, to be funded from GMCA's City Regional Sustainable Transport Settlement. Further detail on the proposed method

of procurement, the preferred supplier and estimated cost is included in a report in Part B of this agenda;

4. Note that subsequent proposals for the deployment of additional CRSTS funded zero emission buses will be brought to the Combined Authority in a subsequent report; and
5. Delegate authority to the Chief Executive Officer GMCA and TfGM in consultation with the GM Mayor to negotiate and approve the acquisition of bus depots to support bus franchising, within previously approved capital and revenue budgets for bus franchising. Further details are provided in a report in Part B of this agenda.

## **Contact Officers**

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## Equalities Impact, Carbon and Sustainability Assessment:








### Equalities Implications:

The GMCA ZEB programme has been developed to accelerate the modernisation of the GM bus fleet. The funds will help improve the bus fleet for approximately one third 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 one third of GM bus operations when compared to the current diesel fleet. The GM ZEB programme is 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		
<b>Further Assessment(s):</b>	Equalities Impact Assessment and Carbon Assessment	
 <b>Positive</b> impacts overall, whether long or short term.	 <b>Mix of positive and negative</b> impacts. Trade-offs to consider.	 <b>Mostly negative</b> , with at least one <b>positive</b> aspect. Trade-offs to consider.
		 <b>Negative</b> impacts overall.

### Climate Change Impact Assessment and Mitigation Measures:

The ZEBRA project and the CRSTS Zero Emission Bus programme will accelerate the transition of one third of the bus fleet to Zero Emission technology by 2027. This is forecast to reduce transport sector CO2e emission by approximately 300,000 tonnes of CO2e by 2038 and therefore is directly compatible with the GM ambition to become carbon neutral by 2038. This reduction in GHG emissions will be offset by the embodied carbon of infrastructure required to support the charging of the fleet. This infrastructure will be constructed in accordance with PAS2080 guidance which will ensure embodied carbon will be minimised.

Carbon Assessment		
<b>Overall Score</b>		
<b>Buildings</b>	<b>Result</b>	<b>Justification/Mitigation</b>
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities		
Vehicle procurement		
<b>Land Use</b>		
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***

Established risk management processes 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 the ZEBRA project.

### ***Legal Considerations***

Legal advice was provided as part of the ZEBRA bid and during the development of the plan for the “First 50” CRSTS funded Zero Emission Buses, to ensure that legal risks associated with procurement, competition and subsidy control law were mitigated, and the programme will be progressed in accordance with the recommended measures to ensure that these risks remain mitigated.

### ***Financial Considerations - Revenue***

It is anticipated that operating cost savings will accrue during the lifetime of the Zero Emission Bus assets when compared to the operation of diesel buses. These savings associated with the operation of the ZEBRA fleet and the “First 50” CRSTS funded buses will be returned to the GMCA via a “No Financially Better, No Financially Worse” commercial principle with the bus operators. The GMCA contribution will be financed by prudential borrowings. The GMCA borrowings will be repaid over the lifetime of the assets

through anticipated whole life operating costs savings associated with the operation of Battery Electric Buses when compared with diesel buses.

At such time as Tranche 3 of Bus Franchising (which includes Stockport) is enacted, responsibility for the fleet assets will 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 valuation methodology; and the Residual Value paid would be in inverse proportion to the Public Sector funding received to purchase the asset.

The acquisition and capital financing / depreciation costs of the bus depots to support Bus Franchising, will be funded from a combination of the approved capital budgets, of c£86m, and the approved revenue budgets, of c£134.5 million, associated with the transition to bus franchising; and from net revenues generated from bus franchising for the period beyond transition.

### ***Financial Considerations – Capital***

The DfT ZEBRA Fund award of £35.7m funds will be matched by £37.2m of Stagecoach Group Plc funds and £12.5m of GMCA funds. This capital amount of £85.4m will fund the purchase of 170 Zero Emission Buses, and associated charging equipment and infrastructure works to enable their operation. The GMCA contribution will be financed by prudential borrowings. The GMCA borrowings – and the capital financing costs - will be repaid over the lifetime of the assets through anticipated whole life operating costs savings associated with the operation of Battery Electric Buses when compared with diesel buses.

The “First 50” CRSTS funded zero emission bus fleet, will be funded from GMCA’s City Regional Sustainable Transport Settlement. Proposals for the deployment of additional CRSTS funded zero emission buses will be brought to the Combined Authority in a subsequent report.

The acquisition and capital financing / depreciation costs of the bus depots to support Bus Franchising, will be funded from a combination of the approved capital budgets, of c£86m, and the approved revenue budgets, of c£134.5 million, associated with the transition to bus franchising; and from net revenues generated from bus franchising for the period beyond transition.

### ***Number of attachments to the report:***

None

## **Comments/recommendations from Overview & Scrutiny Committee**

N/A

### ***Background Papers***

- GMCA Report 24/06/2022 Towards the Bee Network - Network Review, Market Renewal and Bus Service Improvement Plan
- GMCA Report 28/01/2022 Bid to the Zero Emission Bus Regional Areas (ZEBRA) Fund
- GMCA Report 24/06/2022 City Region Sustainable Transport Settlement - Final Scheme List

## **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?

No.

## **GM Transport Committee**

N/A

## **Overview and Scrutiny Committee**

N/A

## 1. Introduction

- 1.1 The Bee Network is Greater Manchester’s vision for an integrated ‘London-style’ transport system, which will change the way people travel across the city region.
- 1.2 Transformed bus services are a key part the Bee Network and this report sets out proposals to begin that transformation by lowering bus fares; acquiring new zero emission electric buses, which will help reduce carbon emissions and improve air quality; and by acquiring bus depots to support the first tranche of bus franchising and the new electric fleet.
- 1.3 It is proposed to fund these key elements of the Bee Network by allocating funds from a number of sources including funding that Greater Manchester has successfully secured from Government, including the City Region Sustainable Transport Settlement (CRSTS), the Bus Service Implementation Plan fund (BSIP) and the Zero Emission Bus Regional Areas fund (ZEBRA; and from funding allocated to transition to bus franchising.
- 1.4 If approved, these initiatives will represent the start of a new phase of significant investment in Greater Manchester’s public transport and delivery of the Bee Network.

## 2. Bus Service Improvement Plan

- 2.1 The Bus Services Improvement Plan (BSIP) is a key output from the National Bus Strategy. [Greater Manchester’s BSIP](#) was submitted to Government on 29<sup>th</sup> October 2021 and indicative funding of £94.8m has been awarded.
- 2.2 GM submitted a draft BSIP Delivery Plan to the Department of Transport on 30<sup>th</sup> June 2022. The draft BSIP Delivery Plan sets out GM’s proposed BSIP priorities and indicative costs as follows:

Intervention	Total
Reduced Fares	£68.0m
Integrated ticketing and information measures	£21.0m
Network stabilisation	£5.8m
<b>Total Cost</b>	<b>£94.8m</b>

- 2.3 At the meeting in June 2022, GMCA noted the proposal to use BSIP funds to reduce bus fare in response to the cost of living crisis, specifically the implementation of maximum £2 single bus fares (£1 for children), with a maximum £5 day bus ticket (£2.50 for children), from September for an initial 12 month period, subject to agreement with Government and bus operators, at an indicative cost of up to c£25m.
- 2.4 Discussions have now commenced, and subject to an agreement being reached with operators, and receipt of funding from Government, members are recommended to approve allocation of BSIP funds to implement reduced fares.
- 2.5 The fares initiative will be supported by a targeted public transport campaign to drive patronage as part of a wider programme of insight-led network and market renewal.

### **3. Zero Emission Bus Programme**

- 3.1 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.
- 3.2 TfGM has been successful in securing significant funds from the Zero Emission Bus Regional Areas fund (ZEBRA) and the City Region Sustainable Transport Settlement (CRSTS) to support the transition to Zero Emission Bus technology.
- 3.3 The GMCA ZEBRA fund will replace the 170 diesel buses that operate from Stockport Bus Depot with Zero Emission technology, by spring 2024. In addition, GM's CRSTS allocation included £115m for zero emission buses and associated infrastructure.
- 3.4 These proposals, including the schedule of deployment, are fully aligned with GM Clean Air Plan, of which cleaner buses are a key element.

#### **GMCA ZEBRA Scheme**

- 3.5 The GMCA ZEBRA funding package will replace the 170 diesel buses that operate from Stockport Bus Depot with Zero Emission technology, by Spring 2024.
- 3.6 The DfT ZEBRA Fund award of £35.7m funds will be matched by £37.2m of Stagecoach Group Plc funds and £12.5m of GMCA funds. This capital amount of



£85.4m will fund the purchase of 170 Zero Emission Buses, and associated charging equipment and infrastructure works to enable their operation.

- 3.7 It is anticipated that operating cost savings will accrue during the lifetime of the Zero Emission Bus assets when compared to the operation of diesel buses. These savings associated with the operation of the ZEBRA fleet and the “First 50” CRSTS funded buses referred to below will be returned to the GMCA via a “No Financially Better, No Financially Worse” commercial principle with the bus operators. The GMCA contribution will, as previously approved, be financed by prudential borrowings. The GMCA borrowings will be repaid over the lifetime of the assets through anticipated whole life operating costs savings associated with the operation of Battery Electric Buses when compared with diesel buses.
- 3.8 It is understood and agreed by all parties that at such time as Tranche 3 of Bus Franchising (which includes Stockport) is enacted, responsibility for the fleet assets will 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 valuation methodology; and the Residual Value paid would be in inverse proportion to the Public Sector funding received to purchase the asset
- 3.9 Further detail of the commercial and financial agreements for the ZEBRA funded fleet are set out in a report in Part B of this agenda. Subject to GMCA approval, the ZEBRA project will fully mobilise in August 2022.

### **Stockport Bus Depot Relocation**

- 3.10 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 established 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.
- 3.11 Detailed plans to design and construct a new depot in Stockport are currently being developed.
- 3.12 TfGM will oversee and assure the depot design and construction and will commission Stagecoach Group Plc to procure and manage the design, construction and commission of the new depot.

- 3.13 Further detail about the estimated costs to design and build the relocated bus depot facility in Stockport are included in a report in Part B of this agenda.
- 3.14 Subject to approval, it is currently anticipated that the depot will be complete in time to support the deployment of the full Zero Emission Bus ('ZEB') fleet in Stockport by the end of Q1 2024.

### **Bus Franchising Tranche 1 ZEB Deployment**

- 3.15 It is proposed that 50 Zero Emission Buses will be available to be deployed across the first franchised area (Wigan and Bolton) from Tranche 1 of Bus Franchising September 2023. The buses will be funded from an allocation from GMCA's City Regional Sustainable Transport Settlement.
- 3.16 Following a review of options, it is proposed that procurement of the vehicles will be made using the Crown Commercial Services national framework RM6060 and a preferred supplier has been identified. Further detail on the proposed method of procurement, the potential supplier and estimated cost is included in a report in Part B of this agenda.
- 3.17 Proposals for the deployment of additional CRSTS funded Zero Emission Buses will be brought to the Combined Authority in a subsequent report.

## **4. Bus Franchising Depots**

- 4.1 The previously approved depot strategy for bus franchising is for GMCA to control a strategic depot for each large franchise, with those depots being made available to large franchise operators for the delivery of franchise operations. Those depots were identified due to their strategic importance. This strategy will reduce the impact on existing operators in the event of otherwise having a 'stranded asset'; and will reduce transition risks by avoiding a significant reorganisation of depot provision.
- 4.2 The Depot Strategy proposed that GMCA would voluntarily negotiate depot transfers from operators. Negotiations are now underway to acquire depots to support Tranche 1 - and later tranches - of Bus Franchising. The current status of these negotiations is outlined in a report in Part B of this agenda, and GMCA is recommended to delegate authority to the Chief Executive Officer GMCA and TfGM, in consultation with the GM Mayor, to finalise negotiations and to acquire the depots for Tranche 1 - and later tranches - of Bus Franchising 1 within overall agreed budgets.

## **5. City Region Sustainable Transport Settlement**

5.1 On 24<sup>th</sup> June 2022, GMCA delegated approval and submission to Government of the final CRSTS Scheme List to the Chief Executive Officer GMCA and TfGM in consultation with the GM Mayor. That has been submitted to DfT and a Ministerial announcement is anticipated shortly. A further report will be brought to the CA following that announcement. The GMCA Capital Programme, which is included in another report on the agenda for this meeting, includes the currently forecast expenditure on CRSTS in 2022/23 which has been added to the Capital Programme for approval. This will be updated, if required, in the further Capital Outturn forecasts which will be presented to GMCA during the remainder of the year.

## **6. Recommendations**

6.1 See front sheet for recommendations.