



Scottish Zero Emission Bus Challenge Fund (ScotZEB2) – update on SPT bid

Date of meeting 8 September 2023

Date of report 30 August 2023

Report by Chief Executive

1. Object of report

To update the committee on a recent application by SPT to phase two of the Scottish Zero Emission Bus Challenge Fund (ScotZEB2).

2. Background to report

ScotZEB2 is the latest challenge fund issued by the Scottish Government to support the decarbonisation of the bus fleet in Scotland. The £58 million fund was launched on 15 May 2023 by the Transport Minister and is managed by the Energy Savings Trust on behalf of Transport Scotland. The scheme offers part funding support for the purchase of zero emission buses, requiring the majority balance to be match funded by successful applicants. Support for associated charging infrastructure is also available. Further information on the fund (including phase 1) is available at: <https://www.transport.gov.scot/public-transport/buses/scottish-zero-emission-bus-challenge-fund/>

In terms of eligibility, the funding is designed to provide capital funding to forward-thinking companies to disrupt the bus and coach market and help make zero-emission vehicles the default choice for all operators from now on. The fund is mainly targeted at private sector entities (with or without public sector partners) and states clearly that bidders are strongly encouraged to put in place arrangements with partners or collaborators, to minimise the level of subsidy being requested. Notwithstanding this focus, SPT has considered how best, if at all, it could utilise the fund and for what.

To support delivery of many of our supported local bus services, SPT owns a small fleet of 41 diesel buses, ranging from 16 to 40 seaters, which are now between 8 and 12 years old. The buses in question are sub-leased on a full maintain and repair basis to operators of supported bus services ranging from PLC's, SME's and Charities (i.e. Community Transport operators). They were first introduced by SPT to encourage competition for supported service contracts, to support a best value approach and to drive innovation in the small bus sector. The scope for replacement of such buses to zero emission equivalents, or similar additions to the SPT fleet, has to date though been limited. However, new and more proven zero emission bus technology that may be suitable for many of our supported routes is increasingly available on the market. Details on SPT supported bus services is available at: <https://www.spt.co.uk/bus/bus-timetables/>

Members will recall the recent update on SPT's developing Climate Change Strategy which highlighted our aims to facilitate and influence emission reductions in transport services that are administered, managed and/or funded by SPT including supported bus services. For further information see: https://www.spt.co.uk/media/m24dapuk/p230623_agenda8.pdf

3. Outline of proposals

Key characteristics of the ScotZEB2 fund are as follows:

- Up to £58 million, capital-only, is being made available across Scotland, which would be available for drawdown during financial years 2023/2024, 2024/2025 and 2025/2026.

The following bodies are eligible to bid for funding from ScotZEB2:

- Financiers
- Bus and coach operators, including home-to-school and tour coach operators
- Community Transport Organisations
- Original Equipment Manufacturers, including repowering companies
- Infrastructure providers
- Local Authorities and Regional Transport Partnerships

Bidders are required to form a consortium, which should as a minimum include at least two bus operators classified as Small to Medium Sized Enterprises (SME's) and/or two Community Transport (CT) operators.

The maximum value thresholds for bids to ScotZEB2 are summarised below:

- Up to £50,000 for a diesel bus to be repowered with a zero-emission drive train.
- Up to £60,000 for a zero-emission bus or coach with at least 9 passenger seats and at least 1 wheelchair accessible space.
- Up to £105,000 for an accessible zero emission bus or coach with a total capacity for 32 or more passengers.
- Up to £135,000 for an accessible battery-electric zero emission bus or coach with at least 45 seats.
- £135,000 for zero emission bus or coach with a total capacity for 60 or more passengers.
- For infrastructure, subsidy will be no more than 70% of the total capital costs for electric charging, or hydrogen refuelling infrastructure.

Further to the above, bidders were informed by EST that bids requiring less capital support than the maximum value thresholds may be evaluated more favourably by the judging panel. However, it should be highlighted that any shortfall in ScotZEB2 support would require to be funded by the applicant, including public bodies such as SPT.

SPT's approach to the fund:

In keeping with SPT's general approach to such funding opportunities, extensive dialogue was undertaken with scheme officials, financiers, bus manufacturers, charge point providers and bus operators. Following these discussions, it was decided SPT would lead our own consortium bid to ScotZEB2. Details of the SPT consortium approach are summarised below:

- Majority Financier and Lead Applicant - SPT
- Owner of ScotZEB2 funded buses - SPT
- Bus Operators – to be determined through outcome of competitive tendering via SPT's Dynamic Purchasing System (DPS)
- Community Transport Operators – to be determined through competitive grant funding applications to SPT's Capital Programme (West of Scotland Community Transport Forum)

Subject to the outcome of competitive tendering and SPT's grant award process, we expect to be in a position to include at least two SMEs and CT operators as part of the final consortium. In terms of how the SPT Consortium bid was compiled, our general approach is summarised below:

- All 215 SPT supported services were assessed for zero emission bus compatibility.
- Key factors of the assessment included service vehicle requirements, daily range, likely availability of zero emission equivalents and depot charging requirements.
- Supported services where SPT part fund operations e.g., night-time or weekend operation, were ruled out of scope.
- Following assessment, at total of 34 services (including 3 community bus services), requiring 43 buses to operate, were identified as being within scope of zero emission operation ScotZEB2 bid.
- This includes services in operation in the following Local Authorities – East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire.
- Management and administration of SPT's current fleet of 41 diesel buses is currently undertaken by the Network Analysis and Design section. Subject to the outcome of the ScotZEB2 bid, SPT officers will undertake to review such arrangements to ensure they remain fit for purpose going forward, including to support a managed disposal of the current diesel fleet, alongside introduction of the zero emission buses in question.

In terms of the specifics of the SPT bid, the key elements are summarised below.

Scope:

- 12 number 40-seater full sized single deck battery electric zero emission buses @ estimated £395,000 per bus (excluding VAT) = £4.7m in total.
- 18 number 25-seater battery electric zero emission midi buses @ estimated £365,000 per bus (excluding VAT) = £6.6m in total.
- 13 number 16-seater battery electric zero emission minibuses @ estimated £250,000 per bus (excluding VAT) = £3.3m in total.
- An estimated up to 9 number bus operator depot upgrades to support operation of full sized, midi and mini electric buses – both AC and DC charging @ estimated £2.2m in total.
- Procurement of the services relating to the above vehicle acquisitions will be undertaken by a competitive tendering process, as will the vehicles themselves.
- It would be intended to introduce zero emission supported bus services across Strathclyde, including within deprived urban communities and remote rural and island communities.

Scale:

- The table below summarises the financial split of the SPT ScotZEB2 bid:

| | 2023/2024 | 2024/2025 | 2025/2026 | Total Funding Required |
|----------------------------|------------------|------------------|------------------|-------------------------------|
| ScotZEB Funding Required | 0 | £3,075,000 | £2,720,000 | £5,795,000 |
| SPT Match Funding Required | 0 | £5,425,000 | £5,490,000 | £10,915,000 |
| Total Funding Required | 0 | £8,500,000 | £8,210,000 | £16,710,000 |

- Key points from the above table are the total value of the SPT project is estimated at

£16.7m.

- A total of £5.8m in support is sought from the SPT ScotZEB2 bid.
- The balance of £10.9m would require to be match funded by SPT, should the ScotZEB2 bid be successful (subject to Partnership approvals), split £5.42m in 2024/2025 and £5.49m in 2025/2026 to align with supported service contract renewals.
- The SPT bid is based upon the maximum value thresholds for support noted above.
- However, the SPT bid is scalable should the full amount sought from the ScotZEB2 not be awarded.

Bid evaluation:

- Following receipt of ScotZEB2 bids, they will be assessed by a panel of experts before any final recommendations to Transport Scotland.
- Evaluation of bids is based on the following criteria:
 - Market Transformation (20%)
 - Financial (40%)
 - Deliverability (30%)
 - Wider Community and Decarbonisation Benefit (10%)

Next steps:

- Feedback on the outcome of the SPT ScotZEB2 bid is anticipated to be received later in 2023 and will be shared with members in due course.

Benefits to SPT/our communities:

- Assists SPT in addressing our Climate change obligations – ‘phase 3’ emissions.
- Drives innovation – there currently is not a suitable market of scale for small bus EV fleets in West of Scotland (16 seats +) – SPT’s intervention will stimulate this.
- Potentially increases competition/scope for competition (particularly for SME’s and CT’s) for SPT supported services contracts.
- Allows SPT to support a ‘Just Transition’ by providing zero emission bus services to the most deprived, remote and rural communities in Strathclyde.
- Future proofs SPT’s position in respect of any outcomes which may arise from the SRBS – giving the organisation access to a high quality, flexible, zero emission fleet.

4. Committee action

The Committee is recommended to note the contents of this report, including the scope and scale of the ScotZEB2 bid submitted, indicative levels of funding support that may be required and significant scope to reduce carbon emissions associated with socially necessary bus services across Strathclyde.

5. Consequences

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| Policy consequences | <i>Supports the RTS vision for low carbon transport.</i> |
| Legal consequences | <i>If bid is successful, appropriate contracts will be entered into with all required parties.</i> |
| Financial consequences | <i>The potential purchase of up to 43 zero emission buses, together with the necessary charging infrastructure, would be incorporated into SPT’s</i> |

future Capital Plan proposals for 2024/2025 and 2025/2026.

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| Personnel consequences | <i>None directly.</i> |
| Equalities consequences | <i>None directly.</i> |
| Risk consequences | <i>None within this report.</i> |
| Climate Change, Adaptation & Carbon consequences | <i>Supports the transition to a low carbon transport fleet and delivery of RTS targets for reduced emissions.</i> |

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|--------------|--|--------------|------------------------|
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