

# Leicester ZEBRA Bid

## Commercial Case

August 2021



# **Commercial Case**

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## Introduction

1. The purpose of this commercial case is to set out how Leicester City Council and its local bus operators plan to engage the market to deliver the proposed programme of electric buses and related infrastructure.

## Decision to Bid

### Expression of Interest Stage

2. The submission of the Expression of Interest in May 2021 followed a series of discussions with all bus operators serving Leicester/Leicestershire. First Bus and Arriva expressed firm interest from the outset and provided letters of 'in principle' support for the EOI.
3. Centrebus and Roberts Travel both confirmed that were not in a financial position to purchase electric buses for commercial routes but would support conversion to electric and depot works for existing or future contracted work, as long as the investment was made by the Council, or another partner, as contracting organisation.
4. Kinchbus confirmed that it had yet to complete its technical review of the bus market for the most appropriate solution for its specialised, long distance, 24-hour operation airport network.
5. Stagecoach confirmed that it was already investing in electric buses for its main bus service (48) between Coventry and Nottingham, as part of the Coventry Electric Bus Town bid. It was not in position to convert its other service commercially, having only recently upgraded to Euro 6 diesel.

### Commercial Options Considered

6. During this EOI process the Council considered four options for the purchase of ZEBs in Leicester:

- a. *Council purchase of 6 electric buses.*

These would be for service on its existing contracted Outer Orbital Centrebus service, supported by ZEBRA capital funding – see below for rationale.

- b. *Council purchase of 17 electric buses.*

These would be the 6 for the outer orbital Centrebus contract as above, together with a further 11 electric buses which form part of the Greenlines phase two expansion plans from 2024 – detailed in the Strategic Case – Complementary Measures section.

This option was discounted on the basis that the revenue funds to subsidise these services are reliant on the Council successfully introducing workplace parking levy

before 2024. Although the council is currently committed to this, this fund-raising initiative is subject to public consultation and then secretary of state approval. It was decided that this additional investment should be delayed and subject for future ZEBRA bidding.

c. *Purchase of 56 electric buses.*

These would be 6 for the proposed outer orbital Centrebus contract (a), together with 50 for leasing to operators for use on commercial bus routes. This was suggested as a possible way to accelerate deployment of electric buses on commercial routes.

This option was discounted on the grounds that:

- It was deemed very unlikely that a lease price that would be attractive to commercial operators would provide sufficient annual revenue to offset the Council's borrowing costs.
- Commercial operators still had to incur costs of power upgrade and other fixed infrastructure costs to their depots.
- It was difficult to structure a proposition which was fair to all operators without full knowledge of their commercial operations costs.
- There is greater risk involved with owning electric buses for the purpose of commercial lease – this is not a core council operation.
- There are potential operational/ownership/risk difficulties with operator owned electric charging equipment and council-owned buses.
- First Bus and Arriva indicated their intention for significant own-purchase in the bid at an early stage.
- The model is more challenging from the perspective of the current subsidy control regulations.

d. *Provide additional capital subsidy of £30,000 per bus for operator-owned electric buses employed on Leicester commercial bus routes. Limit of 50 buses.*

This was discounted on the grounds that it:

- Offered no potential Council revenue stream to offset grant borrowing costs.
- Made it more difficult for the council to have any control over the commercial service operation.
- The model is more challenging from the perspective of the current subsidy control regulations.

7. Prior to EOI submission, internal approval was given to support the commercial projects proposed by First Bus and Arriva through local grant administration for 86 buses, as well as purchasing 6 electric buses for the council's outer orbital contracted service.
8. This approach was also supported by Leicestershire County Council – the local transport authority that some of these proposed routes also serve and where two of the operators' depots are located.

## Rationale for Council Procuring Buses

9. There is constant budgetary pressure on Leicester City Council's revenue budgets, with priority given to its statutory functions. The provision of tendered services is discretionary, so there is greater emphasis to continually seek cost savings.
10. One way of doing this is to provide its own electric buses. This reduces the operator's contract price since it takes into account the fuel and maintenance savings that electric buses have over the operator's own diesel buses. This can be achieved through an invest-to-save initiative, taking into account the Council's favourable prudential borrowing rates.
11. Significantly, this also ensures that these contracts move to electric at an early stage, during consultation for the introduction of workplace parking levy. This demonstrates to the public and employers that the Council can quickly deliver high quality, zero emission transport.
12. Previous park and ride tendering rounds put out dual options – diesel and electric. Due to the upfront additional cost of depot upgrade and electric buses – and limited contract length of 5-8 years - no operator bid to deliver a solution using electric buses and charging equipment purchased by itself and therefore there is clear need for council support.
13. This is particularly the case for lower-cost, smaller operators, where most work is done under a diverse range of fixed-term contracts. Larger commercial bus operators have long established commercial bus routes on which to base their fleet investment decisions, with greater purchasing power and ability to spread risk across different operating areas.
14. The attached report (Appendix 1), shows the internal case for this capital investment route, taking into account the proposed associated ZEBRA capital funding. This shows a predicted annual saving over 17 years of £10,100 per bus, after taking into account prudential borrowing costs for the buses, equipment and replacement batteries.

<b><u>Contract operational gross costs per bus per year (£ 000 pa)</u></b>			
	Diesel	Electric	Difference
Fuel	20.5	12.1	8.5
BSOG	-9.2	-20.5	11.3
Maintenance (bus and chargers)	10.2	5.2	5.0
Insurance	0.0	0.7	-0.7
Depreciation (contractor)	11.7	0.0	11.7
Borrowing costs (council)	0.0	25.7	-25.7
<b>Saving per bus</b>			<b>10.1</b>
<b>Total savings pa</b>			<b>60.5</b>

15. The above shows the rationale for upfront council purchase, rather than bus or battery leasing by either the Council or its operating contractor. This is the stance that has already been taken with the previous purchase of 15 electric buses for the park and ride

and hospital contracts, and for the upcoming purchase of 3 electric buses for the new inner orbital service next Autumn – see Strategic Case : Complementary Measures section.

### Full Business Case Stage

16. Following the EOI stage, there have been weekly meetings with both First Bus and Arriva to take the bid to the Full Business Case stage. These have also coincided with other regular bus partnership meetings related to the formation of a Bus Services Improvement Plan and a formal Enhanced Partnership Scheme.
17. These discussions led to the decision of Arriva to want to increase the frequency of its bus routes 50 and 51 to the south of the City in order to facilitate growth of demand and match other complementary pro-bus highways investment. This has led to the proposal to increase its associated investment in electric buses from 18 to 22 – now reflected in this full business case.
18. The attached report (Appendix 1) led to the senior management decision to pursue the option in this proposal, namely, to support, co-ordinate and submit:
  - a. A bid to locally administer grant funding for two commercial operator’s projects: First Bus and Arriva, replacing 90 diesel buses on 21 commercial routes in Leicester with electric buses.
  - b. A bid to purchase six buses for a key orbital contracted route, subsidised by DfT ZEBRA capital funding, with the remainder from local funding.
19. The formal approval for this decision is contained in Appendix 1 from the City Council’s s151 officer, together with supporting operator letters from First Bus and Arriva, as main financing partners.

### **Procurement Specification**

20. Below is a summary of the items that are proposed to be procured should Leicester’s ZEBRA bid be successful.

<b>Leicester ZEBRA - summary</b>							
<b>Project / Ownership</b>	<b>Operator</b>	<b>E Buses</b>	<b>Bus Size</b>	<b>Charge Type</b>	<b>Double chargers</b>	<b>Grid upgrade</b>	<b>Supplier</b>
First	First	68	single decker	Overnight	35	3 MVA	
Arriva	Arriva	22	double decker	Overnight	13	2 MVA	
Council	Centrebus	6	single decker	Overnight	4	not required	TBD
	Total	96			52		

21. The broad specification for each bus type is shown below:

<b>Broad Specification by project</b>			
	<b>Council</b>	<b>First</b>	<b>Arriva</b>
<b>Supplier</b>			
<b>Model</b>			
<b>Type</b>			
<b>Length</b>			
<b>Weight</b>			
<b>Seating</b>			
<b>Battery</b>			
<b>Battery capacity</b>			
<b>Battery warranty</b>			
<b>Battery range</b>			
<b>Battery degradation (yr 8)</b>			
<b>Charger</b>			
<b>Charging type</b>			
<b>Air Con</b>			
<b>Heating</b>			
<b>Glazing</b>			
<b>Enhanced PSVAR</b>			

22. The table below shows the minimum warranty specification for each project preferred by each funding partner.

<b>Warranties</b>	<b>Firstbus</b>	<b>Arriva</b>	<b>Council</b>
	<b>Length (years)</b>	<b>Length (years)</b>	<b>Length (years)</b>
Vehicle			2
Battery			8
Powertrain			5
Structural			12

23. For the First Bus and Arriva buses, there are four main elements to their procurement:

- a. Fully electric buses with overnight depot charging
- b. Depot chargers jointly procured with the buses
- c. Internal cabling, associated switch gear, charger installation and civils – works contract
- d. Grid upgrade and a new substation

24. For the Council-owned buses there are only three elements

- a. Fully electric buses with overnight depot charging
- b. Depot chargers jointly procured with the buses
- c. Internal cabling, charger installation and civils – works contract

25. The necessary grid upgrade and switch gear works are already in place from a previous electric bus project at the Centrebus depot from where the contracted electric bus will operate.

## Procurement – Broad Approach

26. It is proposed that each party – the City Council, First Bus and Arriva – owns and procures the buses and charging equipment as set out in the tables in the procurement specification section above. The City Council's buses and chargers will subsequently be leased to Centrebus within the operating contract for the service.
27. The current operating contract with Centrebus has up to 5 years remaining. The electric buses and chargers will be moved to another operator's depot should the service not be re-let to Centrebus. The only other operator of Council contracts is currently Roberts Travel Group who already have the necessary electric depot charging switch gear and power to take these additional buses, if appointed.
28. In three years' time, it is anticipated that – subject to this and other bids – First Bus, Arriva and Stagecoach – will also have suitable electric charging facilities to bid for tender work. The Council will also work with any other suitable local operator to enable sufficient power to their depot to operate this contract in the future, should they be chosen through tender. This will ensure a level playing field in future procurements.
29. The procurement process for each party will be both output and objective-based, taking into account the following:
  - a. Represent overall value for money – looking at all capital and revenue costs and benefits over the lifetime of the buses and infrastructure.
  - b. Maximise overall impact on air pollution, on a tank-to-wheel basis. This will include the impact of fleet cascade throughout each company.
  - c. Building on existing electric charging infrastructure work within Leicester, bringing in operational standardisation where possible.
  - d. Maximising flexibility of operations and charging across existing and new infrastructure.
  - e. Fully recognise the risks involved with this developing area, devising a clear process of mitigating actions to address the potential impacts associated with each risk area. This includes:
    - spreading overall procurement and delivery risk, by splitting across each project owner – the City Council, First Bus and Arriva.
    - the commissioning of external expertise in areas such as grid upgrade, battery management and charging technology to advise on detailed specifications.
    - include detailed in-house training within the procurement process in each new area, e.g. driving, maintenance, management.
    - outsourcing certain areas to specialists to spread risk, such as battery and energy management.
    - researching and building up local supply chains for spare parts, warranty and other maintenance work.
    - building in sufficient time contingency and management resource requirement within the build, testing, adaptation and training processes for both the bus and depot side. This is particularly the case where new market suppliers are chosen.
    - building in secondary back-up procurement plans should primary arrangements with preferred suppliers falter.

- use of dedicated experienced project management resource within the Council and each operator's organisations to ensure a fully co-ordinated, timely, joint delivery across each area of delivery: grid upgrade, depot civils and charger installation, buses and ongoing management.
  - use of experienced programme management staff within the City Council and operators.
  - project managers will make all parties involved in delivery continually aware of their own, and others, responsibilities, timescales and milestones at each stage of the project. Contracts will be financially devised to ensure adherence to these responsibilities throughout the delivery programme.
- f. Reducing overall management costs by spreading ongoing service contracts – such as remote charging and battery management – across existing and new fleet
  - g. Reducing overall management, servicing and operational risk, particularly in relation to battery, electric drive train and charging equipment – areas where local expertise is currently limited.
  - h. Enable the development of local expertise in battery, drive train and charging management – to reduce reliance on outside companies (currently limited in number)
  - i. Take into account recent and ongoing technical developments, particularly in relation to bus design, batteries and charging/battery management.
  - j. Focus on delivering overall cost savings - to drive down operating costs and reduce reliance on capital and ongoing subsidy – whilst recognising the need for a high quality specification to stimulate growth and modal shift.
  - k. Focus on providing additional customer-focussed features to assist a range of passenger needs.
30. It is proposed that the Council-owned buses and chargers will be procured jointly via a formal competitive tendering process. Their specification and the tender evaluation process will be consistent with those fifteen electric buses already purchased by the Council and being operated under contract by Centrebus and Roberts Travel Group. This will allow interworking and consistency in operation, management and maintenance.
31. The (relatively minor) civils works to install the chargers at the Centrebus depot will be done through an extension of the current ongoing contract with Zenobe Energy already in place for previous work. If the ZEBRA bid is awarded in October 2021, current contractors can remain on site and complete these works at a lower price as a result.
32. Procurement of the buses that will be owned by Arriva and First Bus will be undertaken directly by each of these companies using their own in-house corporate procurement processes, policies, and specifications. This will consider wider company objectives than those solely related to order – to ensure company-wide flexibility, bulk procurement benefits and fleet-wide management benefits.
33. Market testing has already been undertaken by all three parties for the three broad areas – buses, depot work and power upgrade.
34. The Council (in conjunction with Nottinghamshire County Council) undertook a formal tendering process through 2019/20 to procure electric buses to a similar specification to

the ZEBRA bid. It received pre-tender presentations from five interested suppliers – Volvo, Irizar, Optare, ADL/BYD and Pelican Yutong. It subsequently went on to formally assess tenders from Optare, ADL/BYD and Pelican Yutong.

35. It has also reviewed and trialled alternative suppliers that are not yet established in the UK, such as Solaris and Belkommunmash, alongside Nottingham City Council.
36. In addition, the council tendered for the civils and cabling works at two depots – assessing three compliant tenders and reviewed the alternative to using the local DNO for power upgrade with a recommended IDNO. The council is therefore experienced in conducting compliant and successful procurement processes for projects of this nature.
37. Both First Bus and Arriva have formal market testing as a key stage within their corporate procurement guidelines, with continuous trials and procurement discussions with a range of suppliers across different operating depots and routes.
38. As well as the considering the above bus suppliers (para 34 above) and **REDACTED**, both have also looked at other suppliers offering different charging methods – including in-service options provided by Wrightbus, Volvo and Solaris. These different charging methods were discounted for the reasons discussed in the Strategic Case: Preferred Solution section.
39. First Bus also has experience of innovatively looking at other zero and low carbon operations, such as its fleet of biomethane Scania buses in Bristol and x15 hydrogen Wrightbus double decker buses in Aberdeen. It also has several live depots operating with ADL/BYD, Optare and Yutong electric buses in Leeds, Glasgow and York.
40. A formal document will be sent out by the City Council detailing the conditions under which First Bus and Arriva will receive the ZEBRA grant from the Council. This must be consistent with the ZEBRA funding process both at EOI and full specification stages, to ensure equality across all operators.
41. Within this document, First Bus and Arriva's procurement process will need to be set out in advance by each company and will be independently reviewed by the City Council to ensure that it will deliver best value and consistency with the objectives of both the ZEBRA funding bid and Leicester's Enhanced Bus Partnership specification standards.
42. Both operators will agree to undertake all risk – including any cost overruns – for their own projects. There will be agreed contractual milestones within each operator's procurement process for partial release of associated ZEBRA grant by the Council.
43. All grant release will be consistent with current subsidy control rules, with a formal legal note on this is included below.

## **Procurement – Council Project**

### Tendering process - Buses

44. The Council will carry out a procurement process very similar to the one undertaken in 2020 for 15 electric saloon buses. The specification will be slightly modified to reflect:
- Need for interworking with the existing electric buses
  - Need to share existing charging infrastructure
  - Latest enhanced PSVAR specification
  - Higher mileages of specific routes involved
  - The latest developments in terms of warranty range and coverage
  - The minimum specification within the ZEBRA bidding guidelines
45. The tendering process will involve the following stages:
- Confirmation of ZEBRA funding
  - Internal approval to tender provided
  - Finalising the Supplier 'Compliance' specification and questionnaire
  - Finalising the minimum Specification following updated market analysis
  - Finalising a Tender evaluation process, including weighting of each qualitative aspect and relative weighting between 'quality' and 'price'.
  - Finalising the supplier 'Quality' questionnaire
  - Drawing up the supply contract
  - Finalising all tender documentation
  - Tender evaluation panel drawn up
  - Invitation to tender documents issued to suppliers
  - Supplier clarification questions and responses
  - Bids received from suppliers
  - Compliance checking & Qualification assessment
  - Evaluation of bids including scoring across all tendering suppliers
  - Selection of preferred bidder and agreement to award
  - Internal approval to award provided
  - Contract award
  - Standstill period
  - Contract signing
46. The release and submission of all tendering documentation will take place via the council's secure on-line tendering portal.
47. The tendering documentation will include the following:
- The draft compliance questionnaire
  - The minimum specification that will be used within the tendering process (appendix 2)
  - The draft evaluation process
  - The draft 'quality' questionnaire (appendix 3)
  - The draft contract
48. Each tendering supplier must submit the following:
- A detailed response to the 'Compliance' questionnaire
  - An all-inclusive price for the buses and associated charging equipment
  - A statement that it meets each and every element of the minimum specification
  - A detailed response to the 'Quality' questionnaire.

### Specification - Buses

49. All three partners have already decided that the preferred solution for zero emission bus investment is to use a plugged-in fully electric bus with overnight charging. A fully charged bus must therefore be able to operate a full daytime service without need for recharge. This must take into account any battery degradation over time.
50. Other options have been considered but have been discounted at this stage for the reasons detailed within the Strategic Case (Preferred Solution – Options Considered section).
51. Each partner will determine the precise specification of their own vehicles in terms of build quality, capacity, proposed maintenance regime, driving features, seating layout etc. However, all suppliers will be expected to meet a minimum specification as set out in Appendix 2.
52. This specification includes enhanced accessibility features such as:
  - a. additional room for a second wheelchair or two unfolded buggies
  - b. dedicated seats with leg room for a guide/assistance dog
  - c. on-board screens showing next bus arrival information
  - d. on-board public address systems alerting passengers of the upcoming stop and other route/timetable information
  - e. acoustic bus alert system for pedestrians when travelling at low speeds in areas of high pedestrian usage.
53. These enhanced accessibility features have been shown within the Equality Impact Assessment as providing significant additional benefits for passengers with a range different travelling needs.
54. The specification will take into account the fact that third-party peripherals will need to be fitted to the bus post-delivery, as part of the bus supplier contract. However, these will individually require internal wiring to take place during the production stage. These include wiring for:
  - a. electronic ticketing machines
  - b. automatic vehicle location equipment
  - c. CCTV systems
  - d. PA systems
  - e. On-board electronic passenger information screens
55. Each partner already has existing operating contracts and back office software/processes for each of these peripheral suppliers across the rest of their fleet. The bus supplier will be expected to procure these directly from the relevant suppliers, co-ordinate installation and ensure full operation by the time of launch.
56. The overall specification (Appendix 2) should provide an overall output that takes into account the objectives of the DfT ZEBRA bidding process as set out below.

<b>ZEBRA Objectives</b>		
<b>DfT objectives</b>		
1	Grow and Level Up the Economy	
2	Reduce Environmental Impacts	
3	Improve Transport for the User	
<b>ZEBRA objectives</b>		
4	Reduce CO2 emissions from transport	
5	Support Zero Emission Bus national roll out	
6	Support Zero Emission Bus manufacturing development	
7	Support local partnership working in line with National Bus Strategy	
8	Understand challenges with Zero Emission Bus roll out	
<b>Leicester ZEBRA</b>		
<b>Output</b>		<b>Objective</b>
1	Dft and local investment in ZEB	1,7,5,8
2	Introduction of 96 ZEBs by 2024	1,2,4,5,6,7,8
3	Reduction in tail pipe exhaust emissions	2,4
4	EV charging equipment at 3 different operator depots	1,6,8
5	Power upgrade to 2 depots	1,6,7,8
6	Introduction of three different types of ZEB manufacturers	1,6,8
7	Contracts with other associated third parties	5,6,7,8
8	Single and double decker ZEB investment	5,6,8
9	Different charging systems : AC and DC	5,6,8
10	Contracted and commercial route mix	5,6,7,8
11	ZEB routes introduced in each AQMA area	2,3
12	Enhanced PSVAR bus specification features	3,7
<b>Outcome</b>		<b>Objective</b>
1	Reduction in CO2 and NOx per year in local AQMA areas	2,7
2	Improvement to passenger experience, particularly vulnerable users	3,7
3	Develop constructive partnership : LCC, Arriva, Firstbus, Centrebus	3,7
4	Complementary projects within BSIP/EPS process as part of NBS	3,7
5	Improved bus route viability and accessibility in low income areas	1,8
6	Reduce commercial risk and stimulate ongoing commercial ZEB investment	1,7,8
7	Better understand commercial and LTA business case for ZEB investment	1,7,8
8	Reduce operational risk of ZEB introduction - to stimulate further investment	1,7,8
9	Trial range of different procurement and financing methods	1,6,7,8
10	Trial range of partnerships and use of third party expertise	1,6,7,8

57. The relative weighting between build quality specification and cost will be determined by each partner. For the Council procured buses this will be 60% quality: 40% cost. This ratio will be used within the final evaluation process set out below.

### Evaluation Process - Buses

58. In order to select the preferred supplier, the council will carry out the following evaluation process:

- Suppliers must confirm that their offered buses meet every element of the minimum specification stated. Any supplier not meeting this requirement will be excluded from the second stage of the evaluation. Any supplier submitting a price above the maximum stated budget will also be excluded.

- A panel of three council officers will independently score each of the tendering suppliers' 'Quality' questionnaire responses.
- Determination of each supplier's overall weighted scores on 'quality' questions using an average of the three officer's scores. Each operator may be awarded a maximum of 60 marks.
- Determination of each supplier's overall score on 'price' using the lowest compliant price as the base. Price will be evaluated based on a maximum of 40 marks for the lowest priced compliant bid. Other bids will be awarded a number of points in direct proportion to the variance between their bid and the lowest bid, using this formula:  
Marks = Lowest bid/Bid Price x Max Marks.
- Evaluation of the 'Compliance' questionnaire, including any more detailed investigation into the financial standing of each supplier.

59. Following this evaluation process an internal report will be prepared seeking approval to appoint the preferred supplier. This will give a summary of the evaluation process, a comparison of the weighted scored offers and compliance side, and any decisions required in relation to the prevailing budget.

60. After the supplier has been notified there will be a 10-day standstill period before contracts are formally signed.

#### Procurement Following Award - Buses

61. The next stages of the procurement process are as follows:

- Detailed supplier discussion on specification detail in relation to items such as base paint colour, build inspection process, minor add-ons, peripherals, wiring diagrams, livery work etc.
- Pre-delivery inspection process to determine quality of bus build before shipment
- Shipment to nominated point for final completion – livery, peripheral fitment etc.
- Final inspection of each vehicle
- Delivery to operating garage
- Testing of charging process
- Training of drivers, management and maintenance staff
- Formal hand over and transfer of ownership documentation, insurance etc.
- Marketing plan and publicity – partnership working
- Testing and operational familiarity – driving, charging, maintenance,
- Registration of any service changes – routes/timetable changes
- Launch of buses into service
- Monitoring and evaluation meetings
- Monitoring and evaluation reports – linked to contract/warranty

#### Procurement Timescales - Buses

62. Indicative procurement timescales based on a similar process undertaken in 2020 are shown below.

<b>Zebra - Procurement Plan (Buses)</b>			
<b>Task</b>	<b>Task Area</b>	<b>Start</b>	<b>Finish</b>
1	Confirmation of Zebra funding	Sep-21	Oct-21
2	Internal approval to tender	Oct-21	Oct-21
3	Finalising the Supplier 'Compliance' specification and questionnaire	Sep-21	Dec-21
4	Finalising the minimum Specification following updated market analysis	Sep-21	Nov-21
5	Finalising a Tender evaluation process, including weighting of each qualitative aspect and relative weighting between 'quality' and 'price'.	Sep-21	Nov-21
6	Finalising the supplier 'Quality' questionnaire	Sep-21	Nov-21
7	Drawing up the supply contract	Sep-21	Nov-21
8	Finalising all tender documentation	Sep-21	Nov-21
9	Tender evaluation panel drawn up	Sep-21	Nov-21
10	Invitation to tender – access to tender documents by suppliers	Dec-21	Jan-22
11	Supplier clarification	Jan-22	Jan-22
12	Submitting the bid	Jan-21	Feb-22
13	Compliance checking & Qualification assessment	Mar-22	Mar-22
14	Evaluation of bids including scoring across tendering suppliers	Mar-22	Mar-22
15	Agreement to award	Mar-22	Mar-22
16	Internal approval to award	Apr-22	Apr-22
17	Award	Apr-22	Apr-22
18	Standstill period	Apr-22	Apr-22
19	Contract signing	May-22	May-22
20	Detailed supplier discussion on specification detail in relation to items such as base paint colour, build inspection process, minor add-ons, peripherals, wiring diagrams, livery work etc	Jun-22	Jun-22
21	Sign off detailed specification	Jul-22	Jul-22
22	Build process	Aug-22	Dec-22
23	Pre-delivery inspection process to determine quality of bus build before shipment.	Jan-22	Jan-22
24	Shipment to nominated point for final completion – livery, peripheral fitment etc	Feb-23	Mar-23
25	Final inspection of each vehicle	Mar-23	Mar-23
26	Delivery to operating garage	Apr-23	Apr-23
27	Testing of charging process	Apr-23	Apr-23
28	Training of drivers, management and maintenance staff	Apr-23	Jun-23
29	Formal hand over and transfer of ownership documentation, insurance etc.	May-23	May-23
30	Marketing plan and publicity - partnership	Jul-21	Sep-23
31	Testing and operational familiarity – driving, charging, maintenance,	May-23	Jul-23
32	Registration of any service changes – routes/timetable changes	Jul-23	Aug-23
33	Launch	Aug-23	Aug-23
34	Monitoring and evaluation meetings	Sep-23	Mar-25
35	Monitoring and evaluation reports (6 monthly)	Sep-23	Mar-25

63. Based on experience in the process undertaken in 2020 we believe this is a realistic timescale, which includes built in contingency to ensure the buses to come into service within two years of grant award. This is in line with the bid guidelines.

## Infrastructure : Depot Works and Charger Installation

64. The chargers will be installed within Centrebus's depot at Thurmston. This depot has already had its grid upgraded to accommodate up to 20 electric buses, together with internal switch gear, wiring and chargers for four buses.
65. This previous work was project managed by the Council's delivery partner Zenobe Energy, following detailed discussions with Pelican Yutong and Centrebus staff. The DC chargers that have been installed are Pihong EVSE, with dual CCS2 powering at either 60 Kwhr or 120 Kwhr.
66. Zenobe also delivered the necessary depot works for a similar electric bus depot at Roberts Travel Group, Hugglescote on behalf of the City Council. In both cases the depots are purely for the operation of contracted bus routes. The associated works contract and specification can be readily extended for this work.
67. For this reason, it is proposed that the additional works needed to accommodate a further 6 electric buses – wiring and installation of 3 double chargers – is undertaken via an extension to this contract with Zenobe.
68. Zenobe were selected following a competitive tendering process for the previous two electric bus projects at the Roberts and Centrebus depots. A contract was awarded to:
- a. Undertake all electrical and civils works at each depot, including switch gear, cabling and charger installation.
  - b. Maintain all charging equipment and remotely operate all smart-charger management systems to guarantee 100% overnight charge for up to 20 buses at each depot.
69. Resources are only available for chargers for up to x14 buses at Robert's depot and up to x8 buses at Centrebus in the current round of works. However, if the ZEBRA bid is successful, Zenobe can be directly employed to accommodate the additional 6 buses at the Centrebus depot.
70. This will be delivered to the following broad timelines in line with the linked bus purchase procurement plan.

<b>Zebra - Procurement Plan (Depot)</b>			
<b>Task</b>	<b>Task Area</b>	<b>Start</b>	<b>Finish</b>
1	Grid upgrade	Oct-21	Oct-22
2	Depot switchgear	Oct-21	Oct-22
3	Depot internal wiring	Oct-21	Oct-22
4	Chargers procured- tied into bus purchase	Jan-22	Aug-22
5	Charger installed	Jan-23	Jan-23
6	Depot civils	Oct-22	Dec-22
7	Testing	Feb-23	Feb-23
8	Certification	Mar-23	Mar-23
9	Switch on	Apr-23	Apr-23

## Energy and Charger Management

71. The City Council has already entered into a 5-year agreement with Zenobe for the following functions – aligned to the operating contracts with Roberts and Centrebus:
- a. Overnight battery remote management and charging – with the guarantee that all buses will be 100% charged at start of the next day's duty
  - b. Procurement of renewable energy to REGO specification to an agreed pricing structure
  - c. Software for state of charge and other battery and charging diagnostic information, remotely accessible by each operator's contract manager.
72. This contract can be readily extended to cover these additional 6 buses.

## **Procurement – First Bus Project**

### Buses

73. REDACTED

### Infrastructure

74. In 2019-20, First Bus employed consultants REDACTED to undertake a detailed review of its Leicester Abbey Lane bus depot with a view to guiding future investment in zero emission buses and associated energy infrastructure from this site. A summary of this review is shown in Appendix 4.

75. The review concluded that:

- The local DNO infrastructure is good at the 33kV level, but the site only needs c3MW of power, which is unlikely to be sufficient to justify connecting in at this level. There is one local substation that looks to have enough headroom, which is c1.5km away. There has been some demand interest at that substation over the past year so it may be prudent to secure capacity sooner rather than later.
- The closest National Grid substation is over 9km away, so this option was discounted. No local battery storage developments were identified. Pivot Power do not have any plans to connect to the closest National Grid substation.
- The local strategic plan has identified that the depot is at the heart of the area earmarked for significant development over the next few years. The North and East

of the city are likely to require significant new electrical infrastructure to support these developments. There are a limited number of infrastructure collaboration opportunities to the North of the site.

76. This advice has now led to the commissioning of detailed costing work to upgrade the power to the site and provide the detail of the associated switch gear, cabling and chargers required to power their proposed electric bus fleet.

77. First's Caledonia depot project is introducing x148 new electric vehicles between Sept 2021 and March 2023.

78. Redacted

## **Procurement – Arriva Project**

### Buses

79. The majority of Arriva's strong commercial routes in Leicester are operated with double decker buses. The four routes chosen by Arriva for early electric bus investment are all existing double decker routes, with heavy peak loads due to school/college movements.

80. The current supplier market for electric double decker routes with overnight charging only is very limited, with only [REDACTED] having a track record of previous delivery and successful operation in the UK.

81. Arriva already has well established corporate purchasing arrangements with [REDACTED] [REDACTED] proposed for this bid.

82. Arriva's corporate procurement policies are shown in Appendix 6. These use a similar approach to that adopted by the Council - with the specification being objective based and evaluated through a best value quality/price scoring method. However, the main difference is the use of preferred suppliers selected through a process including live trials. Once established, this makes the procurement process quicker to implement and has the potential to reduce overall risk.

83. This approach has been used to reach the internal decision to invest in this bid and to [REDACTED] as preferred supplier for the scheme.

### Infrastructure

84. Procurement of the necessary works at the charging depot will follow Arriva's Corporate Procurement guidelines and will be programme managed in conjunction with the bus purchase to ensure buses can come into operation soon after delivery.

85. It is Arriva's current preference to upgrade the site for these proposed 22 buses through a power upgrade to 2 MVA. This gives Arriva the ability to introduce a limited number of additional electric buses (upto 8) on top of those within the ZEBRA bid, planned in the

short term. A further upgrade to 4 MVA will be required at a later date to complete the rest of their fleet.

86. Arriva has received several cost estimates for the work being considered, with the current average being around £550,000 for the power upgrade side. This is likely to be procured directly from the DNO (WPD) rather than through an IDNO at this stage.
87. The rest of the works – cabling, switchgear and charger installation – are likely to be procured using existing purchasing agreements in line with other similar works that have taken place with [REDACTED] projects elsewhere in the group. These have provided Arriva with a good knowledge of the likely costings involved for the scale of this ZEBRA project, estimated at £1.22m, including all chargers for 22 buses plus a depot spare.

### **Grant release – Council to Operator**

88. It should be stressed that First Bus and Arriva are each financing over 60% of the total capital costs of their buses and associated equipment. They therefore have significant incentive to ensure their procurement procedures are best value and meet their in-house company objectives.
89. To ensure best value there will be a local grant agreement requiring Arriva and First Bus to carry out all procurements on the basis of a genuinely fair, open and transparent competition in which all eligible suppliers can participate. This will also act as a mitigation measure to ensure bus operators are not effectively passing on a subsidy to their chosen bus manufacturers and infrastructure suppliers.
90. To ensure these procedures also meet DfT and the Council's output-led objectives of the ZEBRA grant funding, it is proposed that a further 'checking' process is undertaken prior to any order being taken, linked to the authorisation of future associated grant release by the Council.
91. It is proposed that each operator is subject to an evaluation process of their chosen supplier using the process being undertaken by the Council for the procurement of its own buses (suitably adjusted to allow for specific order differences). The Council will then compare the results of each operator's evaluation with its own procurement evaluation process.
92. If this evaluation is not reasonably close, the Council will look for the operator to renegotiate, re-evaluate its specification or provide further detailed rationale for the decision. This will have to be agreed by the DfT prior to actioning staged release of associated grant by the Council.
93. Staged release of the grant will be in line with the procurement process of each organisation and its supplier contracts. These have yet to be determined but could be as follows:

<b>Grant payment schedule - provisional</b>				
	Buses	Power	Chargers	Depot works
Ordered	25%	100%	25%	25%
Pre-delivery inspection	0%	0%	0%	0%
Final sign off /certification	75%	50%	75%	75%

94. Each grant payment will require detailed evidence relating to the payment made by the operator to the appropriate supplier, together with contractual details including timescales and specification to ensure compliance with the agreed ZEBRA funding process.

### **Subsidy Control – Legal Advice**

95. Independent legal advice has been commissioned from DLA Piper to ensure that the above procurement process adheres to the latest subsidy control regulations. Full advice is shown at Appendix 7, given at both the EOI stage and updated at Full Business Case stage.
96. The legal advice states that the proposed bid for ZEBRA funding is capable of implementation consistent with the current UK government position on subsidy control, in particular in compliance with the principles set out in the Trade and Co-operation Agreement (TCA).
97. The risks associated are minimised by the Council ensuring that all operators in the area have had an equal opportunity to apply for funding within the bidding process, and that this funding is then made available to them all on an equivalent basis.
98. DLA has set out additional mitigations for the Council to carry out to minimise the risk of such aid breaching the TCA principles in the future, in particular because a competitive procedure has not been used to allocate limited funding, but rather the funding is being made available on an equivalent basis to all operators.
99. From a procurement perspective, it advises that the Council will also need to ensure that the basis upon which it procures secured services which utilise electric vehicles that it would purchase does not distort competition in the market. To address this, the Council will ensure that the vehicles are made available on a non-discriminatory basis to the successful bidder, and that the terms of tendering, and the terms of funding will not provide any bidder with an unfair advantage or distort competition.
100. These mitigations have been or are being actioned by the council as follows:
- a. All local operators were engaged in the bidding process from the outset, making them fully aware of the details of the funding opportunity and allowing adequate time to respond. All operator responses and interaction was fully documented.
  - b. The council will act as the local grant administrator to ensure that all expenditure and matched grant provided is in line with the ZEBRA bidding guidance and TCA principles.

- c. The local grant agreement will require Arriva and First Bus to carry out all procurements on the basis of a genuinely fair, open and transparent competition in which all eligible suppliers can participate.
- d. Grant will not be made available for any elements of expenditure over and above those agreed through the ZEBRA specification, including cost overruns.
- e. There will be a transparent process for each operator to receive grant based on actual spend to specification. Any budgeted grant not spent in accordance to the agreed matched percentages will be retained by the Council and repurposed with the agreement of the DfT.
- f. No operator will receive grant in excess of 75% of the agreed difference between the price of the electric bus and its diesel equivalent, and no more than 75% of the agreed infrastructure costs.
- g. All operators will have equal access to council-owned electric buses and chargers purchased through the ZEBRA scheme when these are used in the operation of contracted tendered services.

101. The procurements carried out by the two commercial operators would be not be subject to regulation 13 of the Public Contracts Regulations 2015. The buses would only be used on exclusively commercial deregulated bus services without public subsidy. The proposed grants will finance around 40% of overall capital cost of the buses and infrastructure used on these services.

## **Marketing and Promotion Plan**

102. The draft marketing plan for ZEBs in Leicester is currently being developed and is proposed to run from July 2021 onwards. It encompasses existing electric 'Greenline' buses, each operator's ZEBRA funded buses, together with all future planned electric buses.

103. The partnership is taking early action in this area to ensure consistency and continuous development connected to route and network bus branding currently being developed within the BSIP/EPS process.

104. The plan will be delivered and funded in a co-ordinated way across the three partners. Funding will be in proportion to the number of buses being introduced by each party, together with a contribution from the City Council associated with its complementary linked capital initiatives including within the overall Enhanced Partnership Scheme.

105. The costings for this area have yet to be drawn up. However, the council's recent project introducing electric buses on its three park and ride routes used a budget of £12,000 to cover bus livery design costs, new timetables and posters, a launch event, social media management and promotional material. It is likely that the scale of this bid will warrant a budget of at least £100,000 – less than 0.25% of the overall programme capital cost.

106. Appendix 8 sets out the proposal for route/route group bus branding, together with its connectivity with the network timetable, route, fare and ticketing integration. This is strongly aligned with the aspirations of the National Bus Strategy, focussed at making bus travel simpler, easier to understand and co-ordinated across all operators.

107. These broad route branding principals have been seen to work in several other cities (Derby, Nottingham, Harrogate), with research showing that they build customer loyalty and ownership. They also allow further additional personalisation such as route naming, together with the conventional and still-necessary route numbering. It builds on partial colour route-branding work already started by several operators, including First's distinctive orange 'Saffron Line' and purple 'Braunstone Bus'.

108. The Partnership's ongoing and proposed investment in electric buses will provide a catalyst and ideal opportunity to affect this significant customer-focussed proposal. Already a suite of professional marketing and branding tools has been developed for the Greenlines group of routes, following consultation with all stakeholders. These include the following:

- Full bus branding
  - Exterior livery
  - Internal coving information
  - Seat moquette and flooring
- Printed information
  - Timetables
  - Mapping
  - Posters at P&R sites and bus stations
- Website and Fact Sheet.
- Promotional campaigns including the promotional video, currently being played on on-board passenger information display

109. This has already had a significant impact both on-street and for users travelling on the three electric Greenline routes which have been in operation since May 2021. These links<sup>1</sup> show the website fact sheet and promotional video now being played on board each bus.

110. The below photographs show examples of the electric buses recently introduced on Leicester's park and ride services.



1. <https://www.choosehowyoumove.co.uk/park-ride/greenlines/>  
<https://youtu.be/tStKphHOnvc>



111. This borrows from a similar process undertaken with Nottingham's electric 'Linkbuses' from 2010 onwards. Their inner orbital Centrelink service experienced an 8% year-on-year increase in usage simply by moving to electric and being fully branded and promoted.
112. This material will be used and developed within the specification of all future Greenlines routes, including the Outer Orbital proposed within this ZEBRA bid, together with the Hospital Hopper and Inner Orbital electric services coming on stream over the next year.
113. Branding work needs to be fully thought through in advance of determination of the final specification of each bus ordered - since the bus paintwork, vinyling and interior seating, panelling, flooring and poles are all dependent on the agreed brand.
114. In addition to route/route group branding, the Partnership is currently finalising a wider 'Network Leicester' brand (Appendix 9). This has the aim of integrating all route brands across all operators – to promote a single integrated co-ordinated bus network.
115. This is closely associated with the proposed route branding in style and legibility in order to provide tiered branding for different journeys and types of travel. It will cover the following areas:
- All 1500 new bus stop 'totems' being installed across bus stops on all electric bus routes
  - On each bus that is part of this integrated network and ticketing scheme – as a prominent vinyl

- On all printed information at stops, bus stations and other interchanges
- On the planned integrated 'Leicester Buses' website – with integrated scheduled and real time information and ticketing portal
- For all planned promotional, consultation and stakeholder engagement

116. As well as local marketing focussed on the particular routes, it is also proposed that the Leicester Bus Partnership will engage in dissemination of learnings from all aspects of their electric bus work to other authorities, operators and suppliers. This will take the form of the following

- Website with full up to date fact sheets on each project
- Participation at workshops such as those held by the LowCVP and OLEV
- Holding technical open days.

117. Below are suggested timescales for each element of the overall marketing plan.

<b>Marketing Plan - summary areas</b>		
<b>Area</b>	<b>Start</b>	<b>Finish</b>
<b>As part of BSIP/EPS process</b>		
Market research - desk based process	Jul-21	Oct-21
Wider network partnership branding agreed as part of BSIP/EPS	Jul-21	Oct-21
Route and route group branding review and principles agreed	Jul-21	Oct-21
Review of existing Greenlines electric bus branding	Jul-21	Oct-21
Agree overall e bus marketing objectives - across partnership	Jul-21	Oct-21
Determine principles for 'electric' sub-brand and link within each brand tiers	Jul-21	Oct-21
<b>Following Zebra Fastrack funding</b>		
Determine project brief for each area and phase of roll out.	Oct-21	Dec-21
Appoint marketing and branding external consultant	Dec-21	Feb-22
Develop suite of materials for each area of promotion:	Mar-22	Jul-22
Bus external liveries	Mar-22	Jul-22
Bus interiors - seats, covings, rails, floor, panels	Mar-22	Jul-22
Printed timetables and maps	Jul-22	Sep-22
Website and Fact Sheets	Jul-22	Sep-22
Poster campaigns - on street/bus stations	Jul-22	Sep-22
Social media	Jul-22	Sep-22
Launch events	Sep-22	Sep-25
User group dissemination - other operators/authorities	Sep-22	Sep-25
Technical demonstration events to other parties.	Sep-22	Sep-25

## **Skills Audit**

118. A skills audit has been conducted across the three main parties to ensure that the required expertise is available across the following areas:

<b>Zebra Programme - Skills Audit</b>						
		<b>In-House</b>	<b>In-House</b>	<b>In-House</b>	<b>In-House</b>	<b>Commission</b>
<b>Area</b>	<b>Subject</b>	<b>Council</b>	<b>Centrebus</b>	<b>Firstbus</b>	<b>Arriva</b>	<b>External</b>
1	Technical bus specification	yes	yes	yes	yes	yes
2	Technical charger depot specification	no	no	no	no	yes
3	Technical grid upgrade specification	no	no	no	no	yes
4	Procurement management	yes	yes	yes	yes	no
5	Contract formulation	yes	yes	yes	yes	no
6	Contract adherence	yes	yes	yes	yes	no
7	Maintenance	no	yes	yes	yes	no
8	Operations management	no	yes	yes	yes	no
9	Driving skills - electric buses	no	yes	yes	yes	no
10	Marketing	yes	yes	yes	yes	yes
11	Livery Branding	no	no	no	no	yes
12	Market research/consultation	yes	yes	yes	yes	no
13	Energy procurement	no	no	no	no	yes
14	Charging management - remote	no	no	no	no	yes
15	Diagnostics management	no	yes	yes	yes	yes
16	Project management	yes	yes	yes	yes	no
17	Programme management	yes	no	no	no	no
18	Warranty specification	yes	yes	yes	yes	no
19	Insurance management	no	yes	yes	yes	no
20	Legal compliance	yes	yes	yes	yes	yes
21	Grant management	yes	no	no	no	no
22	Governance process	yes	no	no	no	yes
23	Equality impact assessment	yes	no	no	no	no
24	Monitoring and Evaluation	yes	yes	yes	yes	yes

119. There are partnership arrangements in place for all those areas where externally commissioned assistance is required.

## Conclusions

120. The following can be concluded from the proposed commercial case set out above:

- a. Both the City Council and two operators have extensive experience in procurement of projects to a similar technical specification as is required to meet the ZEBRA objectives.
- b. The commercial risks on both cost and delivery are being spread out across several parties – the individual project owners together with several external contractors.
- c. REDACTED
- d. There are two broad approaches to procurement – both to similar minimum specification standards. The open tender approach of the City Council and the best value preferred supplier approach of each operator.
- e. The Council must ensure that allocated capital grant is passported to the operators such that it represents best value to taxpayers. It can use its own evaluation process to assess each operator's chosen supplier on a consistent basis.

- f. External legal advice concludes that this procurement and grant award process is compliant with subsidy control rules.
- g. The scale of this overall programme demands significant marketing to ensure that this transformation is sufficiently promoted to all relevant parties.

## **Appendix 1**

### **Internal management report to support the bid**

#### **DfT ZEBRA Electric Bus Funding Bid 2021/2**

#### **Internal Briefing Report**

**3 August 2021**

#### **Introduction**

1. Leicester City Council submitted an expression of interest for DfT ZEBRA Fast Track funding in late May 2021. It was shortlisted together with 5 other authorities, with each having to complete a full business case for submission by 21 August 2021. The six authorities bid requests exceed the £70m available, so the bidding process remains competitive, with awarding in Sept 2021.
2. A draft version of the full business case had to be submitted by 2 August – this has now been done. Finalised version needs formal sign off from all three funding parties : City Council, First Bus and Arriva.
3. The bid pays for 75% of the cost difference between an electric and diesel bus, together with 75% of the cost of any associated charging infrastructure.
4. It was agreed that the Council would make a bid on behalf of itself, Arriva and First Bus. Operators were excluded from bidding directly.

#### **Expression of Interest**

The outline bid summary financials were:

REDACTED TABLE

5. For the commercial buses belonging to First Bus and Arriva, the City Council would be responsible for locally administering the grant towards their purchases, under conditions set out below.
6. The rationale for the Council purchasing buses was in order to bring savings to contracted bus services where the diesel buses are currently provided by the operator. This was calculated as approximated £8000 pa per bus, after taking into account the cost of borrowing.



	Total cost	Zebra Grant	First	Arriva	Council	Total - Local
EOI	£ 39,165,294	£ 16,871,471	£ 15,539,000	£ 5,502,324	£ 1,252,500	£ 22,293,824
FBC	£ 47,053,129	£ 18,996,847	£ 15,776,116	£ 10,166,500	£ 2,113,666	£ 28,056,282
Difference	£ 7,887,835	£ 2,125,376	£ 237,116	£ 4,664,176	£ 861,166	£ 5,762,459

10. The reasons for the changes are as follows :

- a. Inclusion of battery replacement/extended warranty.
- b. REDACTED
- c. Arriva's ask has gone up from 18 buses to 22 buses
- d. Arriva's grid connection costs have risen
- e. More accurate prices for the Council buses
- f. More accurate prices for diesel bus equivalents

<b>Grant Increase summary</b>			
	Costs	Cost	% of total
<b>Cost increase on EOI estimate :</b>		£ 999,847	47%
Bus	£ 1,240,500		
Infrastructure	-£ 240,653		
<b>Additional scope :</b>		£ 1,125,529	53%
Buses	£ 672,000		
Infrastructure	£ 453,529		
<b>Total</b>	£ 2,125,376	£ 2,125,376	

The impact on the bid is to increase it by £2.125m. We currently understand that this could still be acceptable to DfT for final submission.

#### **Council-owned buses.**

11. Once the following changes have been taken into account, it is now calculated that the proposed council investment will give around £10,100 net savings per bus per year, giving of £60,500 pa saving for the 6 buses proposed. These are slightly better than at the EOI stage.

<b>Contract operational gross costs per bus per year (£ 000 pa)</b>			
	Diesel	Electric	Difference
Fuel	20.5	12.1	8.5
BSOG	-9.2	-20.5	11.3
Maintenance (bus and chargers)	10.2	5.2	5.0
Insurance	0.0	0.7	-0.7
Depreciation (contractor)	11.7	0.0	11.7
Borrowing costs (council)	0.0	25.7	-25.7
<b>Saving per bus</b>			<b>10.1</b>
<b>Total savings pa</b>			<b>60.5</b>

12. These costs are based on a 17 year bus life, with borrowing over the same period. It includes battery replacement costs REDACTED. (Previous working based on 8-10 year life and no battery replacement).
13. It should be noted that that lifetime project costs for the City Council have risen by £866,116. This rise comprises of :.

<b>Reasons for Operator Cost Increase since EOI</b>			
			<b>Council</b>
Increase in bus price to meet specification			£ 58,500
Additional buses in bid			£ -
Infrastructure cost / scope increase			£ 22,666
Inclusion of battery replacement costs			£ 780,000
<b>Total</b>			<b>£ 861,166</b>

14. It should be noted that at this stage the actual price and timing of battery replacement are unknown. Many electric buses purchased over 14 years ago are still operational with their existing batteries. However, for cautious reasons, their costs are built into the able annual savings estimated on the basis of replacement in year 9.
15. The current estimated costs by year to the Council are submitted as :

<b>Council/Centrebus Project</b>						
	Unit Cost	Total	2021	2022	2023	2032
Delivery		6		0	6	0
Bus cost - deisel	£ 160,000					
Bus cost - electric	£ 359,000	£ 2,934,000	£ -	£ -	£2,154,000	£ 780,000
Bus Grant	£ 149,250	£ 895,500	£ -	£ -	£ 895,500	£ -
Infrastructure	£ 300,664	£ 300,664	£ -	£300,664	£ -	£ -
Infra Grant	£ 225,498	£ 225,498	£ -	£225,498	£ -	£ -
Total Grant		£ 1,120,998	£ -	£225,498	£ 895,500	£ -
Total Operator		£ 2,113,666	£ -	£ 75,166	£1,258,500	£ 780,000
Total Cost		£ 3,234,664	£ -	£300,664	£2,154,000	£ 780,000

### Grant process

16. Commissioning of the buses must take place over a 2 year period, with all money having to be spent and buses in operation by Sept 2023. If the bid is successful the FULL amount will be given over to the Council by the DfT by October 2021.
17. Any underspend over this period can be repurposed through agreement with the DfT, but must be consistent with the bid funding objectives. Any not approved will need to be returned.
18. Any proposed change in spend profile across projects or time needs to be agreed with the DfT and the Local Assurance Framework.
19. Any overspend has to be met by the party owning the relevant buses and depot equipment.
20. It is the Council's responsibility to manage the process of moving grant to each operator in accordance with the agreed procurement procedures within the bid and in line with the subsidy control advice locally obtained. This was obtained from DLA Piper at EOI stage, but will be refreshed for the final bid.
21. Requirement of the LAF to approve the business case can take place after submission date of 21 August.

### Conclusions

22. A draft Final Business Case has been submitted to the DfT by 2 August. The final version needs to be submitted by 21 August.
23. The main changes to the original Expression of Interest are that :
  - The overall grant ask has risen by £2.125m.
  - The Council commitment has risen by £861,116 from £1,120,998 in the EOI.
    - i. Only £81,116 of this increase needs be committed in 2022/3.

- ii. Most of the increase (£780,000) is dependent on the time and need for battery replacement beyond year 9.
- iii. The financial case for Council investment has risen by around £12,000 per year due to recent changes in revenue grant for electric buses.

24. The DfT grant conditions are clear that any delivery delays or cost increases relating to First Bus and Arriva's projects are their responsibility and not the Council's as grant administrators.

## Support Letters from Proposed ZEBRA local Investors

Please ask for: Colin Sharpe  
Tel:  
Email: [colin.sharpe@leicester.gov.uk](mailto:colin.sharpe@leicester.gov.uk)  
Website: [www.leicester.gov.uk](http://www.leicester.gov.uk)  
Our ref:  
Date: 19<sup>th</sup> August 2021



Matthew Bentley  
Green Bus Policy Lead, Buses, Light Rail and Taxis  
Department for Transport  
Great Minster House  
33 Horseferry Rd  
London SW1P 4DR

Dear Matthew,

### **ZEBRA Fast Track Grant Funding Bid**

I can confirm as Deputy Director of Finance of Leicester City Council that match funding is available for the DfT ZEBRA Fast Track Funding.

Leicester City Council will provide match funding up to £ 2,113,666 from its own resources to match the associated ZEBRA grant funding bid of £ 1,120,998.

In addition, the Council will administer the grant to the bus operations FirstBus and Arriva in accordance with DfT guidelines.

Yours sincerely



Colin Sharpe  
Deputy Director of Finance

REDACTED

First Bus Letter of Support

Arriva Letter of Support

## **Appendix 2.**

### **Draft Minimum Bus Specification**

#### **OVERVIEW**

1. Purchase of XX ultra-low electric buses and their associated depot charging equipment.
2. Each vehicle must comply with the following specifications. Full technical specifications of the vehicles must be supplied, to supplement the specific information required below. Any reference in the specifications, directly or indirectly, to proprietary/branded vehicles or equipment is indicative only of LCC's requirement and is not intended to exclude consideration of any alternative offering equivalent performance, functionality or quality. It is incumbent on the tenderer to provide evidence of any such equivalence.
3. The vehicle types required are as follows: fully electric, low floor, Equality Act 2010 compliant, accessible buses with zero emission drive train (along with tethered plug-in charging equipment),. These are to be supplied to the detailed specification provided.

#### **GENERAL**

4. There is a maximum stated budget for all vehicles equipment. Any bids over this budget will be excluded from further evaluation.
5. There is a minimum stated specification
6. The vehicles and tethered plug-in charging equipment are to deliver the bus services specified within this document. We would like to see the best technical solution put forward to achieve this aim, taking into account factors such as, off-road time for servicing and maintenance. We want to achieve the maximum zero-emission coverage of the route possible with no disturbance to the operational timetable. Each vehicle must be capable of operating a full day of service without the need for opportunity charging or vehicle swapping. Method statements detailing how this will be accomplished are required as part of your submission.

7. Each vehicle must be certified as an Ultra-Low Emission Bus. The relevant Ultra-Low Emission Bus certificate or evidence that it will be certified before delivery should be supplied with your tender response.
8. These vehicles and associated charging equipment must be delivered within 9 months from receipt of order in order to meet the requirements of the Ultra-Low Emission Bus Scheme.
9. The successful bidder shall be responsible for ensuring that the complete vehicles meet all relevant regulations and are fit for use and in accordance with the specification provided herein.
10. Vehicle maintenance and safety inspections of these vehicles will be the responsibility of the appointed bus operator, which may be sub-contracted to a third party.
11. The vehicles supplied shall be to the manufacturer's full UK specification and bespoke requirements of LCC detailed herein this document.
12. All the specifications and any modifications referred to in the schedules must be approved by the vehicle manufacturer and in no way nullify any part of the vehicle / chassis warranties.
13. Failure to supply a specification and technical details (including requested method statements) may result in a tender being rejected. This should also include guarantees of legal payload/weight & occupancy limits, ULEB Certificate or evidence that it will be certified before delivery and where possible, illustrations of the vehicle layout.
14. LCC will require pre-build meetings to discuss the final layout of the vehicles including locations for mounting ticketing equipment and installing CCTV systems, details of which will be provided by LCC.
15. Manufacturer's recommended tyre, axle and GVM loadings must not be exceeded.
16. The body weight and equipment should be distributed in a manner to ensure suitable braking and handling performance.
17. The vehicles must be constructed and designed for the specific purpose of transporting a mix of passengers and must meet European and UK Type Approvals.
18. Tenderers to provide confirmation of Vehicle Type Approval – evidence should be provided by manufacturers of adherence to these environmental and safety standards.
19. The vehicles must meet the minimum requirements of the [Public Service Vehicle Accessibility Regulations 2000 as amended by the Public Services Vehicles Accessibility \(Amendment\) Regulations 2000](#) (PSVAR).
20. The vehicles must meet some or all of the emerging Enhanced PSVAR requirements, as outlined in the National Bus Strategy. <https://www.gov.uk/government/publications/bus-back-better>
21. The design and construction of the vehicles must conform where required to the latest Construction and Use Regulations, Road Traffic Acts, current and proposed Health and Safety Regulations and all other appropriate statutory requirements and legislation with certification provided. All seat and seat belt anchorages must conform to (EEC 76/115 and ECE 14.03 or equivalent as appropriate) at least M2 standard and appropriate

certificates must be supplied.

22. LCC reserve the right to carry out a pre-delivery inspection during the manufacturing process to ensure all specifications have been met prior to the vehicles being dispatched from the factory.
23. Typical daily mileage of each vehicle, including expected dead mileage will not exceed XX miles.
24. The manufacturer warrants that if any part of the Vehicle (chassis, body, battery packs and any other equipment) or charging equipment becomes defective due to faulty manufacture or materials within the warranty period stated herein or otherwise agreed, the Contractor undertakes to rectify such defects, free of charge and without any undue delay. All claims will be dealt with through LCC and/or their nominated fleet maintenance contractor.
25. Tenderers must state their precise delivery lead times for the vehicles and charging equipment in their response, which should be submitted in your response to this tender.
26. Should any delay to the delivery of the vehicle lead to LCC having its external funding withdrawn LCC reserves the right to cancel the contract.
27. Should any delay to the delivery not affect this funding and delivery is not achieved by the confirmed delivery lead time and no satisfactory alternative vehicle provision offered the Authority reserves the right to invoice the contractor any cost incurred for a suitable replacement vehicle including fuel. The Fleet Manager nominated by LCC must be kept informed at all stages of production for protracted lead times.
28. Prior to delivery each vehicle the supplier must:
  - a. Register each vehicle with the DVSA and ensure it is ready for immediate use upon delivery.
  - b. Prepare each vehicle to PCV specification and supply it with an Individual Vehicle Approval (IVA) Certificate.
29. Pre-delivery inspections will be carried-out by LCC or it's nominated sub-contractor and any issues identified at this stage will need to be rectified before final payment is made.
30. Delivery of the completed vehicles and associated charging equipment is to be to a Leicestershire address which will be confirmed at point of order.
31. The vehicles should be delivered fully charged.
32. All vehicles to be registered, include fitted number plates and be supplied with 12 months Vehicle Excise Duty.
33. Each vehicle to be supplied with the relevant manuals, vehicle registration document (log book), any relevant CD's, online facilities, parts manuals and warranty book - these are to be updated accordingly throughout the vehicle's lives. These should include all routine service requirements and also cover body work, specialist equipment and ancillaries.
34. Tenderers to provide a comprehensive parts price list detailing any discounts that are available.

#### **DETAILED MINIMUM SPECIFICATION**

35. The vehicle shall be a wheel-chair accessible electric bus with a zero-emission drive train.
36. The successful tenderer(s) shall be responsible for ensuring that the complete vehicles meet all relevant regulations and are fit for use and are in accordance with the specification provided herein.
37. The specifications enclosed within this document are indicative of the vehicles and associated equipment considered to be suitable for the purposes intended.
38. The vehicles supplied shall be to the manufacturer's full UK specification and bespoke requirements of the Council detailed herein this document.
39. Each vehicle shall be capable of operating the most demanding duty cycle for a single bus associated with operation of the relevant timetable and route in the Leicester/Leicestershire area (having due regard to unexpected road works, high traffic volumes, gradients, night travel, travel to and from depot/place of overnight charging or any other factors that may affect battery performance).
40. The vehicle must be built to Passenger Carrying Vehicle (PCV) standard, in right-hand drive configuration and include the following minimum requirements:-
41. The vehicles must meet the minimum and enhanced requirements of the PSVAR [Public Service Vehicle Accessibility Regulations 2000 as amended by the Public Services Vehicles Accessibility \(Amendment\) Regulations 2000](#)
42. Current Vehicle Type Approval – evidence should be provided by the manufacturer of adherence to these environmental and safety standards, as without authentic certification, vehicle specifications could be compromised. It should be noted that as of October 2011, significant changes were made to this set of regulations. If certification is yet to be completed, please provide written confirmation that Vehicle Type Approval will be provided prior to delivery of vehicles
43. Power Train: To be 100% electrically driven with zero emissions and with electrical regeneration capability on deceleration.
44. The vehicle must be constructed to allow easy access for driver checks and scheduled maintenance
45. A strong light body to be mounted on a suitable low floor chassis design which must be provided with adequate under body protection against corrosion. The lower body must be designed to be easily repairable and allow adequate access to all areas of the vehicle for maintenance and repair.
46. Braking system: ABS brakes.
47. Vehicle Immobiliser which is to an approved standard.
48. Speed limiter set at 62mph/100kph for forward movement and 2mph/3kph for reverse movements.
49. Capable of carrying at least XX seated passengers and XX standing passengers, excluding the wheelchair space.
50. Designed to accommodate 1 wheelchair passenger and an additional space to accommodate either another wheelchair or space for at least 2 unfolded pushchairs.

51. Provide at least one seat designed to safely accommodate an assistance dog without impeding other passengers.
52. Vehicle Dimensions: Maximum overall length: XX metres; Maximum width: X metres.
53. Vehicle Finish: The exterior of the vehicle to be suitably primed and undercoated and finished to a high standard in two coats of lead-free gloss paint to LCC's design, which will be provided at time of order. The roof should be in gel coat finish, or suitable alternative, to assist with heat reflection.
54. On-board fault diagnostic monitoring equipment, with logging capability.
55. On-board vehicle-use monitoring equipment capable of providing real time desktop remote analysis, reports including: vehicle's current range; vehicle's range on a single refuelling; battery - state of charge and cell condition; regenerative braking yield; distance covered; and vehicle velocity. It must also be possible to set remote alarms indicating when the vehicle charge cycle has ended before 100 percent SOC is reached.
56. Single Passenger Entrance to be located at the front of the vehicle which includes side power operated entry doors with sufficient opening for ramp and wheelchair access.
57. Each door to be equipped with a grab rail on the inner side.
58. Independent kneeling suspension fitted to the front of the vehicle to allow improved access.
59. Vehicle "ferry lift" system or equivalent to allow the vehicle to be raised where ground clearance is limited.
60. Steps: The entrance step to be constructed to ensure that the first step does not exceed 250mm, with the suspension in the kneeling position.
61. Fold-out ramp to passenger entrance door to allow wheelchair access.
62. Rear View Mirrors: The vehicle is to be supplied with extra-large rear-view mirrors or type approved camera system equivalent, designed so that the rear vision will not be restricted by sun visors. A rear-view intensifier and a suitable mirror with which the driver may view the saloon are also to be provided. The exact location to be determined at the pre-build meeting.
63. Mud Flaps: Mud flaps to be fitted to all wheel arches with a suitable spray suppressant
64. Towing Eye: A towing eye or other vehicle recovery equipment to be fitted to the front and the rear of the vehicle.
65. Electronic Destination Blinds: The buses are to be supplied and installed with high quality electronic destination equipment as set out in the PSVAR, and include related software.
66. A reversing sensor eye/camera is to be suitably located to provide an audible and visual warning to the driver.
67. All door handles to be marked to show method of operation.
68. Handrails: Hand poles, rails and grab handles are to be fitted in accordance with PSVAR regulations. Individual bell pushes are to be provided on each hand pole (at least one needs to be provided near the front of the bus for passengers waiting to exit the vehicle).
69. Heating: A suitable zero-emission heating system to be installed throughout the vehicle including windscreen demister unit, with all controls of the heating system located near

the driver. An independent zero-emission heating/air conditioning system for the driver cab is also required. Please specify type of equipment used and its impact on battery SOC.

70. Ventilation: The vehicle must be fitted with adequate ventilation in the passenger cabin, including opening Hopper windows fitted in alternate windows on each side of the vehicle. Emergency hammers or suitable alternative punch button window breaking equipment to be fitted in relevant positions in the saloon.
71. Raised Driver Cab area with small luggage pen and full height bulkhead behind driver incorporating centre section with safety glass (allowance for driver seat adjustment), night blind and drivers coat hook.
72. Fully adjustable steering wheel and instrument binnacle.
73. Driver Cab: An electronically operated driver's sun blind to be provided to cover the front screen.
74. Driver's signalling slide back window at side.
75. A written technical brochure for the buses and their charging equipment for approval by LCC as part of their response to this invitation to tender.
76. Manufacturers detailed specifications and illustrations must be submitted and all major external and internal measurements must be provided together with a drawing of the interior showing seating arrangements, wheelchair position(s) and listing covering materials to be used. This should also include guarantees of legal payloads/weight & occupancy limits and where possible, illustrations of the intended vehicle layout.
77. Evidence of expected battery performance over the expected lifetime of the vehicle. This information should be submitted as part of the tender response.
78. Battery pack with sufficient battery storage capacity to ensure that the depletion of the battery at the end of the last journey, before entering the overnight depot at the end of a full day of operation, will not fall below the manufacturers recommended minimum percentage of a full charge for each respective route specified.
79. The supplier shall provide all necessary tethered plug-in charging equipment for the overnight charging of the bus. This should also include technical support during installation if required.
80. The supplier shall also provide an additional 'spare' set of charging equipment for every 20 buses purchased.
81. All charging equipment shall be built and tested to a recognised standard which is compliant with UK safety regulations and shall use a recognised charging protocol and connector. To be compatible with existing depot chargers, this must be DC CCS2 x 2 (dual) chargers with 120KWhr combined charging.
82. The vehicle must be immobilised while a connector is tethered to it to avoid the vehicle moving and damaging the connector.
83. The supplier does not have to install the charging equipment – just deliver it to the nominated address.
84. The buses must be capable of using existing DC CCS2 dual charging equipment at two depot locations in Leicester – Roberts Travel Group, Hugglesote and Centrebus, Thurmaston. These have 60KWhr charging (one lead) or 120KWhr charging (two leads). The buses must be able to charge on both one and two lead systems.

85. Each vehicle shall be supplied with a charging system such that the combined ground-based charger and bus battery management system are capable of charging the bus overnight, to within 2 per cent of the maximum theoretical stage of voltage in all cells within a 6-hour time period without the need for vehicles to be moved during the overnight period. Each Charger shall include a system or setting to allow a delay to the charging process once a vehicle is plugged in, to allow LCC to draw the electricity required from the grid during off-peak periods.
86. Saloon Seating: Seats to be trimmed in suitable material to be approved by LCC. For the purpose of the tender, please supply a quotation based on the basic seat type meeting PSVAR requirements.
87. A dedicated wheelchair position with back rest to be incorporated with tip and fold seating.
88. Driver's seat: The driver's seat should be a heavy-duty air suspension type fitted with arm rest(s), lumbar support and full 3-point safety belt capable of carrying larger drivers. The seat to be trimmed to match the interior finish of the vehicle.
89. Interior Lights: LED interior lighting to be provided by individually switched saloon lights.
90. Lighting to be provided above the entrance which is activated when the doors are opened.
91. A drivers cab light with separate switch.
92. Saloon Floor: The floor is to be finished in a durable, non-slip, easy clean material.
93. Fabrics, floor coverings and interior colours should be agreed at pre-build meeting.
94. Fire extinguisher(s) to PCV regulations and EN3 must be fitted. Must be labelled not suitable for electrical fires. A fire suppression system for the battery/drive system must also be installed in the vehicle.
95. PCV standard First Bus Aid Kit(s) to be provided.
96. All internal/external emergency exit signs as appropriate in accordance with Construction and Use Regulations.
97. A 'Bus Stopping' sign to be fitted which illuminates when the bell pushes are used and cancels when the entrance door opens in a prominent position at the front of the vehicle.
98. Twin disc holder sited in bottom nearside front of windscreen for bus licence/permit display.
99. A pictorial sign depicting no smoking, no eating and no loud music, to be displayed at the front of the vehicle and on all internal passenger windows.
100. Sign stating vehicle height/length/width in both imperial and metric to be fitted and visible from the driver's seat.
101. A notice "SECURE WHEELCHAIR AND APPLY BRAKES", to be installed in the accessible bay.
102. USB Charging Points provided at each passenger seat.
103. Driver's side window: driver's sun blind to be provided designed so that the rear-view mirrors or displays will not be restricted.

104. Provide an induction loop to aid direct communication between drivers and passengers who use a hearing aid.
105. Provide an acoustic bus alert system when travelling at low speeds in areas of high pedestrian usage

## **PERIPHERALS**

106. The Supplier will be given the wiring diagrams and mounting details pre-build of the following peripherals which will be supplied by the Council through a third party:
107. Passenger audio-visual equipment to an approved standard, installed in suitable specified locations. This will consist of a PA system (with driver input) and at least two double sided roof mounted passenger information screens.  
  
It will incorporate equipment to identify the route, each upcoming stop, and the beginning and end of diversions:
  - a. Visibly, using at least one screen on any deck, with the lower deck screen visible from all priority seats;
  - b. Audibly, with announcements audible on any deck, including in the priority seats and wheelchair space; and
  - c. Using induction loops, in priority seats and the wheelchair space.
108. Electronic ticket machines to an approved given standard.
109. Automatic vehicle location equipment to an approved given standard
110. Smartcard readers to an approved given standard – mounted at both entry and exit points
111. CCTV system to a given standard , with minimum of 6 interior and exterior cameras and remote download
112. All wiring and mounting work to must be done in-build at the factory, with each peripheral then installed on delivery.

## **WARRANTIES**

- 109 Each vehicle shall be provided with a warranty, which matches in all operational respects that which would be provided for a diesel bus supplied to meet the performance specifications set out above. The warranty requirement is for 5 years fully comprehensive for each vehicle, with extended warranty options provided for up to 8 years.
- 110 Satisfactory performance of the battery pack, charging equipment and their associated control systems shall be warranted for a minimum of 5 years subject to fair wear and tear. The batteries performance for the purposes of the warranty will be measured by in accordance with the warranty KPIs throughout the warranty period. LCC reserves the right to carry out independent testing during the warranty period to ensure performance standards are being adhered to. In the event of such testing being carried out all costs of such testing will be borne by the supplier. LCC reserves the right that in the event of the battery failing to meet the performance levels quoted, to require the supplier to provide at no cost to LCC a replacement battery pack.
- 111 The warranty shall include provision of a robust service level agreement for the vehicles and supplied charging equipment that will ensure 95 per cent availability of the system and the following response rates:

<b>Warranty SLA - Response Times</b>		
<b>KPI</b>	<b>Incident</b>	<b>Guaranteed on-site response time</b>
1	Call out to vehicle (with vehicle recovery if necessary at manufacturer's expense.)	Within 90 minutes
2	Vehicle recovery (after diagnostics)	Within 240 minutes
3	Vehicle off Road Faults resolved and vehicle returned to service	Within 48 hours
4	Call-out to in-service vehicle with minor fault	Within 5 days
5	Call-out to in-service vehicle with minor fault	Repair within 48 hours of visit.
6	Call out to overnight charging equipment problems resolved within 24 hours	Within 3 hours
7	Call out to opportunity charging equipment problems resolved within 24 hours	Within 3 hours

112 In the event the criteria in the table above are not met during the warranty period and no satisfactory alternative vehicle provision offered LCC reserves the right to invoice the contractor any cost incurred for a suitable replacement vehicle including fuel.

113 Include proposed service level agreement (SLA) and method statements for actions in the event of vehicle not being fully operational, as supplied, within the warranty period. Please specify whether the vehicle's regenerative braking system needs disconnecting on towing the vehicle along with any protocols that need to be followed.

114 All warranty repairs to be actioned at operator's depot, site of operation or within a 25-mile radius of these locations. For any repairs that cannot be actioned at these locations the supplier will be responsible for all costs incurred by the operator to deliver the vehicle to the supplier's nominated warranty provider.

## **AFTER SALES**

115 The manufacturer is expected to offer a comprehensive after sales package, which will include full technical support and a dedicated contact to handle this requirement for the warranty period. This will need to incorporate a comprehensive complaint system.

116 Training – LCC or its nominated sub-contractor require training on the maintenance of the vehicles and an element of driver handover training for up to 20 staff, as well as the necessary training required for safe operation of charging equipment supplied. This will be within 2 weeks of delivery at an agreed Leicestershire location.

## **MAINTENANCE**

117 Include an annual service and maintenance package which shall provide for all regular service and maintenance activities with the exception of day-to-day 'front-line' maintenance (which will be the responsibility of the vehicle operator) for warranty period. Include options for any extended warranty period options offered. The service and maintenance package should include provision of ready access to spares and consumables within the Leicester area.

118 The vehicles will require a prescribed service and maintenance schedule for which the vehicle operator will be responsible.

119 The Supplier must supply one set of lower panels with corner sections at time of delivery of the five buses.

**DELIVERY**

120 The vehicles must be delivered within 9 months of the order being placed by the Council. This is a requirement of the external funding.

## Appendix 3.

### Quality Assessment : Questionnaire and Scoring

Quality Questionnaire			
Area	Quality Question	Weight	Comments
Technical Solution	Provide comprehensive details of how your tender submission maximizes zero emission service provision over the lifetime of the bus	10	Include factors such as preheating of the bus, regenerative braking, smart charging, remote vehicle diagnostics, battery mileage and degradation etc
Technical Solution	Upload ULEB certificate(s) or evidence that certification will be achieved before vehicle delivery. Include the expected WTW Green House Gas emissions (g CO2e/km) for each vehicle type offered.	2	
Warranty/Maintenance	Provide details as to the procedure for reporting Vehicle Off Road (VOR ) incidents and the guaranteed on site response times.	4	
Warranty/Maintenance	How will you meet the specified warranty response times for bus faults?	3	
Warranty/Maintenance	Explain how the experience gained on dealing with VOR incidents would be applied to this contract.	4	
Warranty/Maintenance	Provide details on the procedure for reporting charging equipment faults and the guaranteed on site response times.	4	
Warranty/Maintenance	How will you meet the stated warranty response times for charging equipment faults?	3	
Warranty/Maintenance	Explain how the experience gained on dealing with charging equipment faults would be applied to this contract.	4	
Warranty/Maintenance	Supply a full maintenance pack with a prescribed service and maintenance schedule.	4	
Warranty/Maintenance	Indicate the proposed service schedule and the indicative individual service times and costs.	4	
Warranty/Maintenance	Provide comprehensive details as to the warranty period and arrangements that you are offering to support your products (include part numbers covered by the warranty)	4	
Warranty/Maintenance	Append detailed sample warranty with each vehicle part covered.	4	
Warranty/Maintenance	Include the details of any warranty extensions offered at no additional cost above those in the minimum specification.	4	
Warranty/Maintenance	Include the details of any warranty extensions offered at additional cost above those in the minimum specification.	0	Indicative only - not marked
After Sales Support	Provide comprehensive details of your after sales support (including complaints procedure) and personnel offered.	4	
After Sales Support	Specify how you will meet the stated minimum specified requirements for after sales support	3	
Spare parts	Provide a comprehensive pricelist of spare parts, highlighting items that could be supplied as 'impres' stock available for the complete vehicle including batteries, with any applicable discounts.	4	Evaluation will be based on the submission of this list, not the prices stated
Spare parts	Provide details and evidence of timescales for delivery from point of order for each part listed.	4	Higher scores will be awarded where the majority of parts are available with a 24-48hr delivery
Spare parts	Confirm how you can provide any assurance of the long and short term availability of spare parts.	4	For example the supply chain and applicable timescales.
Spare parts	In respect of long term availability in particular, what re-assurances can be provided of the continued supply of parts, several years after vehicles were initially purchased.	4	Evidence of the ready availability of commonly used parts e.g. bulbs, batteries, etc would be useful.
Batteries	Estimated operating mileage on a single 100% overnight charge - start of bus operations (year 1)	0	
Batteries	Estimated operating mileage on a single 100% overnight charge - after 8 years of operation (year 8)	10	Marked on basis of % reduction from year 1.
Batteries	Provide examples of actual distances travelled per charge and lifespan of the battery in the proposed vehicle.	5	Any data provided must be sourced from your battery manufacturer.
Social value	Provide detail on what your Social Value offer will be in relation to this contract and how it will be of benefit to the City and its local people.	3	This could include social, economic or environmental wellbeing or benefits and should demonstrate value to be delivered in addition to the requirements of the specification.
Social value	Include details on how your vehicle and its associated peripherals might provide enhanced PSVAR requirements for those travellers with disabilities.	5	
		100	

### Quality Questionnaire Scoring System

<b>Mark</b>	<b>Guidance</b>	<b>Weight</b>
0	<i>None supplied</i> no relevant information given at all	0%
1	<i>Deficient</i> response insufficient / irrelevant information provided. poor explanation/ understanding	20%
2	<i>Limited</i> relevant information provided but lacking in some details or response only partially addresses question. some significant weaknesses	40%
3	<i>Satisfactory</i> an acceptable response in terms of detail, accuracy and relevance. minor weaknesses	60%
4	<i>Comprehensive</i> a comprehensive response in terms of details and relevance. no material weaknesses	80%
5	<i>Superior</i> as Comprehensive but to a significantly better degree. no weaknesses	100%

## **Appendix 4**

### **First Bus Infrastructure Review**

REDACTED

## **Appendix 5**

### **First Bus Procurement Policy**

REDACTED

## **Appendix 6**

### **Arriva Procurement Policy**

REDACTED

## Appendix 7

### External Legal Advice Note

#### ADVICE TO LEICESTER CITY COUNCIL IN RESPECT OF ZEBRA BID

##### 1. Summary of conclusions

- 1.1 Both Option 1 and Option 2 of the proposed bid for ZEBRA funding should be capable of implementation consistent with the current UK government position on subsidy control, in particular in compliance with the principles set out in the TCA.
- 1.2 The risks associated with these Options will be minimised by the Council ensuring that all operators in the area have had an equal opportunity to apply for funding within the Bid, and that this funding is then made available to them all on an equivalent basis. We understand that is the case with the current proposed Bid, with both of Options 1 and Option 2 applying for equivalent funding for all commercial bus operator required funding for zero emission buses in Leicester. We have set out additional mitigations in this note that the Council should carry out to minimise the risk of such aid breaching the TCA principles in the future, in particular because a competitive procedure has not been used to allocate limited funding, but rather the funding is being made available on an equivalent basis to all operators.
- 1.3 From a procurement perspective, the Council will also need to ensure that the basis upon which it procures secured services which utilise electric vehicles that it would purchase under Option 2 does not distort competition in the market. We assume that the Council will ensure that the vehicles are made available on a non-discriminatory basis to the successful bidder, and that the terms of tendering, and the terms of funding under Option 1 will not provide any bidder with an unfair advantage or distort competition. More information on this is set out below.

##### 2. The project and relevant facts

- 2.1 Leicester City Council (the Council) is preparing a bid to the DfT in respect of ZEBRA Electric Bus Funding ("Bid")
- 2.2 We have been asked to consider two Options that are being considered for the purposes of the Bid:
  - Option 1:** 86 buses are purchased supported by investment from First Bus and Arriva only. The Council would not invest any of its own capital in these buses. The Council will not separately invest in any buses for its own use.
  - Option 2:** 86 buses are purchased supported by investment from First Bus and Arriva. The Council would not invest any of its own capital in these buses. The Council will purchase a further 6 buses, which will be used for non-commercial contracts let by the Council under which the current contractor provides a diesel bus as part of the contract.
- 2.3 For the purposes of the assessment Option 1 and Option 2 are therefore the same in respect of investment by First Bus and Arriva. In addition Option 2 includes investment by the Council.
- 2.4 We understand that the funding grant conditions are that DfT would pay:

75% of the *difference* between the diesel and electric bus prices. We understand that under the Council's proposals 60% of the bus costs will be funded by the operator (or by the Council where they are the operator) and 40% by DfT funding. We assume that this reflects the DfT paying no more than 75% of the difference between diesel and electric bus prices

75% of the total cost of any associated charging infrastructure, including power upgrade/civils

- 2.5 The Council is required to make the bid, with support from relevant bus operators. They are also required to provide a legal compliance statement in respect of subsidy control rules.
- 2.6 We understand that the Council has engaged with all relevant commercial bus operators in its area to determine the extent to which they would be interested in participating in the Bid. In determining whether they, as operators, wished to invest, consideration has been given to which routes are attractive for use with electric buses at this point in time. This includes taking into account whether they make use of single or double decker buses (as single decker electric buses can currently achieve greater operating mileage on a single charge) which affects the current commercial case for use of double-decker buses. Currently the view is that the technology for double-decker buses is less mature and therefore the business case for commercial investment is reduced.
- 2.7 Of the commercial operators in Leicester First and Arriva have both expressed an interest in investing in electric buses, in each case as part of a wider EPS with the Council as part of implementing any Bus Service Improvement Plan in accordance with the National Bus Strategy. Arriva have expressed an interest in investing in at least 68 single decker buses. First have expressed an interest in investing in 18 electric buses. Stagecoach is already investing in 22 buses, but as part of an existing DfT funded electric bus project in Coventry. Of other commercial operators, Roberts only do contracted work in Leicester, Centrebus have expressed no interest, and Kinch have yet to determine their position.
- 2.8 We understand that all operators have had an opportunity to determine whether to support the Bid. Option 1 above therefore contains all buses that the commercial bus operators intend to invest in, on the basis of funding available from the DfT. Option 2 also contains all buses that commercial bus operators intend to invest in, and Council investment in their own buses. We would note that the analysis below proceeds on this basis. If any operators have not been provided with an opportunity to contribute to the Bid and/or otherwise have not been included in the Bid on an equivalent basis, this will affect the analysis below.
- 2.9 For the purposes of this analysis we have considered Option 1 (which covers both Option 1 and the identical commercial element of Option 2) and Option 2A (which covers only the additional local authority element of Option 2).

### **3. Detail**

- 3.1 Subsidy Control Regime: From 1 January 2021, a new subsidy control regime has replaced the EU State Aid regime that previously applied in the UK. This takes into account both the UK's obligations under free trade agreements with individual companies, the Northern Irish Protocol and the UK's WTO membership. However, it seems unlikely that the proposed funding would be challenged under these arrangements, and the remainder of this note is therefore focussed specifically on the subsidy control provisions under the terms of the EU-UK Trade and Cooperation Agreement (TCA). Chapter three of Title XI (Level Playing field for open and fair competition and sustainable development) of Heading One (Trade) of Part Two (Trade, Transport, Fisheries and Other Arrangements) of the TCA sets out the provisions relating to subsidy control.
- 3.2 Is the funding a "subsidy": A "subsidy" is defined in Article 3.1 and has four limbs:

It arises from the resources of the Parties to the TCA;

It confers an economic advantage on one or more economic actors;

it is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and

it has, or could have, an effect on trade or investment between the parties.

3.3 To be a subsidy within the TCA, all four limbs must be satisfied. Applying the limbs in turn:

**Limb 1:** The funding will be provided by the Council, a public sector body, and is therefore ultimately derived from state resources, **therefore this limb would be satisfied.**

**Limb 2:** The operators who are funded will obtain an economic advantage as the funding will reduce the costs that they incur in purchasing zero emission buses. Whilst it may be argued that operators do not achieve an advantage, there remains a position that the operators may materially benefit from such investment, including through reduced maintenance and operating costs in the future, and where they have electric charging infrastructure funded through the Bid, their ability to access further electric vehicles without having to make the same upfront infrastructure costs. **Therefore this limb would be satisfied in respect of Option 1. In respect of Option 2A, our understanding is that this will not be the case, the buses will be only used where a contract has been let in accordance with applicable procurement rules and the buses themselves will be purchased through an option tender procedure.**

**Limb 3:** the funding will benefit certain economic actors over others due to only being available to some operators. Whilst the Council have engaged with all operators in order to determine whether they wish to apply as part of the Bid, and therefore there is an opportunity for all operators to access this funding on an equivalent basis, there is still an argument that Limb 3 is satisfied, as only some operators are accessing the funding, as a matter of fact. This is less applicable to Option 2A, where any operator bidding for the relevant Council contracts would have an equivalent ability to access the relevant buses. **Therefore this limb would be satisfied in respect of Option 1, but not Option 2A.**

**Limb 4:** whilst there is no substantive guidance on what “effect on trade or investment between the parties” means, the equivalent limb of the EU State Aid regime was always assumed, and there operators in the local transport market, such as Arriva who are active in a number of European markets. It therefore cannot be ruled out that this limb is either satisfied or could be satisfied. **Therefore, whilst it could be argued that this funding being provided in Leicester is unlikely to have an effect on trade with the EU, the more cautious view would be to assume that this limb could be satisfied in respect of Option 1.**

On this basis the funding could be viewed as a subsidy for TCA purposes for the purposes of Option 1 and this note proceeds on that basis. There will not be a subsidy for the purposes of Option 2A. The remainder of this section therefore only considers Option 1.

3.4 Where a subsidy is granted, it must satisfy the six principles (the Principles) set out in Article 3.4 of Chapter 3 of Heading One of Part 2 of the TCA. If the Principles are not met, the subsidy may be challenged by any interested party, which would include competitors to an aided party. The Principles are:

The subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”);

The subsidy is proportionate and limited to what is necessary to achieve the objective;

The subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided;

The subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy;

The subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means; and

The subsidy’s positive contributions to achieving the objective outweigh any negative effects, in particular the negative effects on trade or investment between the Parties.

- 3.5 In applying the principles, as they reflect the balancing tests used by the European Commission in assessing notified transactions and for the purposes of the State Aid exemptions under the EU regime, then it remains open to the Council to consider whether such a subsidy would have been compliant with one of the State Aid exemptions or would have been approved upon notification to the EU, as on that basis it is likely to be compliant with the Principles and therefore not vulnerable to a successful challenge. However, it is also possible to simply apply the Principles, as there is not a requirement that there needs to be direct compliance with an existing EU exemption. Note that UK government intends to introduce a more express subsidy control regime in compliance with the TCA, and therefore where more specific rules are introduced by UK government, it may be necessary to revisit this advice to ensure that there is compliance with that regime.

#### **4. Application to Option 1**

- 4.1 **Principle 1:** The ZEBRA scheme sets out a number of public policy aims that it is intended to achieve. This includes understanding the challenges of introducing zero emission buses and supporting infrastructure to inform future government support for Zero Emission Buses, to support roll out of 4,000 Zero Emission Buses committed to by government, and to support the government’s commitment to decarbonisation and to reduce the transport sector’s contribution to CO2 emissions<sup>2</sup>.
- 4.2 **Principle 2:** The subsidy is limited to cover a proportion of the difference in cost between diesel and electric buses and a proportion of the cost of the additional infrastructure which is necessary for these buses to operate. For this principle to be satisfied it should be demonstrated that the aid granted is the minimum necessary to achieve the objectives. Therefore, the Council should satisfy itself that the aid is covering the net extra cost required to meet the objectives, taking into account any cost savings that the operators will gain from the funding, to ensure that they are not over-compensated.
- 4.3 **Principle 3:** This will be the case provided it is clear that the operators would not have purchased the electric buses but for this subsidy.
- 4.4 **Principle 4:** As for Principle 4, it needs to be clear that the funding is only covering costs which the operators would otherwise not have funded i.e. that there is not over-compensation, once

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<sup>2</sup> Paragraph 2.1 Zero Emission Bus Regional Areas scheme – 2021/22 - EOI

any maintenance and operational cost savings have been taken into account.

4.5 **Principle 5:** As far as we are aware there are not other policy instruments in place (such as legislation) which would have the effect of incentivising the Operators to make this investment, nor other funding sources which they could utilise to meet this outcome. On that basis, this appears to be the least intrusive means of achieving the objectives, in particular where this aid is made available on an equivalent basis to all operators applying for it.

4.6 **Principle 6:** As noted above, provided the funding takes into account any wider benefits are derived from the investment to avoid over-compensation, then this principle should be satisfied.

4.7 On the basis of the above, there is a strong argument that the Principles can be satisfied and therefore this subsidy would be consistent with the TCA.

4.8 However, there are some risks associated with this. In particular, our understanding is that the Council is not intending to carry out a specific competitive tender in respect of the provision of this funding, and therefore whilst all operators in the area of the Council have been asked if they wish to participate in the Bid, there remains the potential for an operator to complain at a later date that they were not able to avail themselves of this support, and that this therefore had an impact on competition in the bus market in Leicester. This concern is mitigated by ensuring that all operators have had an equal opportunity to participate in the Bid, and to ensure that they are able to access funding for all vehicles that they wish to upgrade on an equivalent basis, with an equivalent level of financial support.

4.9 As noted above, for a number of the principles to be satisfied, the Council needs to be satisfied that it is not over-compensating the operators. Therefore in putting the Bid forward and then providing the funding to the operators it is important that this is provided on a basis which:

Does not provide more funding that is required to meet the relevant marginal costs of each operator in buying buses (and where the buses vary in specification that the funding contributes to the marginal difference between diesel and electric buses and not other aspects of the specification). For example, the grant funding should not be used to support higher specifications which are not specified by the DfT.

Takes into account any cost savings that the Operators will make as a result of the differing ongoing maintenance and operation costs of electric buses.

Include claw-back provisions to allow for recovery of grant funding to the extent that these principles are not met, to avoid over-compensation.

It will therefore also be important that there is transparency on the costs incurred by operators in purchasing the buses, to ensure that value is achieved. The Council should ensure that there is cost transparency provided in respect of this, including confirmation that the buses have been purchased through a competitive bidding process or application of a competed framework that ensures that the cost of the required subsidy has been minimised, and that the subsidy granted is therefore not aiding the bus manufacturer or operator. There should be transparency on the terms of acquisition, to allow the Council, if required, to be able to confirm that the subsidy is being properly applied.

4.10 Compliance with the above should minimise the risk of the provision of funding under Option 1 not complying with the Principles.

## **5. Application to Option 2**

- 5.1 As noted above, Option 2 is the same as Option 1, save that there is additional funding provided in respect of buses which will be run as part of Council let services.
- 5.2 As noted above, the original funding for these vehicles will probably not fall within the definition of a “subsidy” and therefore this funding should be compliant with the TCA.
- 5.3 This is, however, dependent, upon the Council ensuring that in tendering for services which make use of these buses, all operators have equivalent rights under the tender process. In particular, there will be a need to ensure that there is equivalent access to the ability to maintain and charge such vehicles e.g. through installation of charging equipment and maintenance at a Council owned facility or other non-discriminatory structures for accessing the vehicles and associated maintenance and charging facilities which do not benefit certain operators.
- 5.4 In particular, care should be taken that the charging facilities funded through the Option 1 funding does not provide those operators with a benefit in tendering for such secured services.

## **6. Reporting**

- 6.1 Pursuant to the TCA, public authorities are required to evidence that subsidies granted comply with the subsidy control regime. UK Government has published a template document that can be used to evidence compliance, and this is set out in Appendix 1, completed consistent with the analysis in this paper (and on the basis that the mitigations set out in this paper will be implemented if funding is provided).

## **7. DLA Piper UK LLP**

21 May 2021

**PUBLIC AUTHORITIES' ASSESSMENT OF HOW INDIVIDUAL SUBSIDIES COMPLY WITH UK-EU TRADE AND COOPERATION AGREEMENT PRINCIPLES**

For subsidies in scope of the UK-EU Trade and Cooperation Agreement principles (within the subsidies chapter), public authorities should complete the table below and retain for their records. The information should record how the public authority has complied with the principles in designing their subsidy.

<b>Principles</b>	<b>How does the subsidy comply with the principle?</b>
<p>The subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”).</p>	<p>The ZEBRA scheme sets out a number of public policy aims that it is intended to achieve. This includes understanding the challenges of introducing zero emission buses and supporting infrastructure to inform future government support for Zero Emission Buses, to support roll out of 4,000 Zero Emission Buses committed to by government, and to support the government’s commitment to decarbonisation and to reduce the transport sector’s contribution to CO2 emissions (“objectives”)</p>
<p>The subsidy is proportionate and limited to what is necessary to achieve the objective.</p>	<p>The funding is covering no more than the net extra cost required to meet the objectives, taking into account any cost savings that the operators will gain from the funding, to ensure that they are not over-compensated</p>
<p>The subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of the subsidy being provided.</p>	<p>The operators would not have purchased the buses without the subsidy provided.</p>
<p>The subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.</p>	<p>The funding is covering no more than the net extra cost required to meet the objectives, taking into account any cost savings that the operators will gain from the funding, to ensure that they are not over-compensated</p>

<p>The subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means.</p>	<p>This appears to be the least intrusive means of achieving the objectives on the basis that there are not other incentives in place for operators to make this investment, or other funding sources that they could utilise. The aid is being made available on an equivalent basis to all operators applying for it</p>
<p>The subsidies' positive contributions to achieving the objective outweigh any negative effects, in particular the material effect on trade or investment between the Parties.</p>	<p>The funding will take into account the wider benefits (for example maintenance cost savings) which derived from the investment to avoid over-compensation.</p>
<p>Where relevant, record consideration against Article 3.5 [Prohibited subsidies and subsidies subject to conditions], including consideration of whether that subsidy has or could have a material effect on trade or investment between the Parties.</p>	<p>The funding does not fall within the prohibited or conditional subsidies listed in Article 3.5 TCA.</p>

## **Legal Advice Note on Leicester ZEBRA Bid from DLA Piper**

### **Update at Full Business Case Submission Stage**

**19 August 2021**

#### **Summary of conclusions**

1. Both Option 1 and Option 2 of the proposed bid for ZEBRA funding should be capable of implementation consistent with the current UK government position on subsidy control, in particular in compliance with the principles set out in the Trade and Co-operation Agreement.
2. The risks associated with these Options will be minimised by the Council ensuring that all operators in the area have had an equal opportunity to apply for funding within the Bid, and that this funding is then made available to them all on an equivalent basis. We understand that is the case with the current proposed Bid, with both of Options 1 and Option 2 applying for funding supporting consistent enhancements for all commercial bus operator required funding for zero emission buses in Leicester. This has included modifying proposals since the EOI stage to ensure that there is a consistent approach to funding (e.g. funding additional buses that form part of the proposed EP). We have set out additional mitigations in this note that the Council should carry out to minimise the risk of such aid breaching the TCA principles in the future, in particular because a competitive procedure has not been used to allocate limited funding between operators, but rather the funding is being made available on an equivalent basis to all operators.
3. From a procurement perspective, the Council will also need to ensure that the basis upon which it procures secured services which utilise electric vehicles that it would purchase under Option 2 does not distort competition in the market. We assume that the Council will ensure that the vehicles are made available on a non-discriminatory basis to the successful bidder, and that the terms of tendering, and the terms of funding under Option 1 will not provide any bidder with an unfair advantage or distort competition. More information on this is set out below.

#### **The project and relevant facts**

4. Leicester City Council (the Council) is preparing a bid to the DfT in respect of ZEBRA Electric Bus Funding (“Bid”)
5. We have been asked to consider two Options that are being considered for the purposes of the Bid

Option 1: 86 (now 92) buses are purchased supported by investment from First Bus and Arriva only. The Council would not invest any of its own capital in these buses. The Council will not separately invest in any buses for its own use.

Option 2: 86 (now 92) buses are purchased supported by investment from First Bus and Arriva. The Council would not invest any of its own capital in these buses. The Council will purchase a further 6 buses, which will be used for non-commercial contracts let by the Council under which the current contractor (CentreBus) provides a diesel bus as part of the contract.

6. For the purposes of the assessment Option 1 and Option 2 are therefore the same in respect of investment by First Bus and Arriva. In addition Option 2 includes investment by the Council.
  
7. We understand that the funding grant conditions are that DfT would pay:
  - a. 75% of the *difference* between the diesel and electric bus prices. We understand that under the Council's proposals 60% of the bus costs will be funded by the operator (or by the Council where they are the operator) and 40% by DfT funding. We assume that this reflects the DfT paying no more than 75% of the difference between diesel and electric bus prices
  - b. 75% of the total cost of any associated charging infrastructure, including power upgrade/civils
  
8. The Council is required to make the bid, with support from relevant bus operators. They are also required to provide a legal compliance statement in respect of subsidy control rules.
  
9. We understand that the Council has engaged with all relevant commercial bus operators in its area to determine the extent to which they would be interested in participating in the Bid. In determining whether they, as operators, wished to invest, consideration has been given to which routes are attractive for use with electric buses at this point in time. This includes taking into account whether they make use of single or double decker buses (as single decker electric buses can currently achieve greater operating mileage on a single charge) which affects the current commercial case for use of double-decker buses. Currently the view is that the technology for double-decker buses is less mature and therefore the business case for commercial investment is reduced.
  
10. Of the commercial operators in Leicester First and Arriva have both expressed an interest in investing in electric buses, in each case as part of a wider EPS with the Council as part of implementing any Bus Service Improvement Plan in accordance with the National Bus Strategy. Arriva have expressed an interest in investing in at least 22 double decker buses. First have expressed an interest in investing in 68 electric single decker buses. Stagecoach is already investing in 22 buses, but as part of an existing DfT funded electric bus project in Coventry. Of other commercial operators, Roberts only do contracted work in Leicester, Centrebus have expressed no interest in commercial investment, and Kinch have yet to determine their position in relation to ZEB type and confirmed they did not want to participate in this funding round.

11. We understand that all operators have had an opportunity to determine whether to support the Bid. Option 1 above therefore contains all buses that the commercial bus operators intend to invest in, on the basis of funding available from the DfT. Option 2 also contains all buses that commercial bus operators intend to invest in, and Council investment in their own buses.
12. We would note that the analysis below proceeds on this basis. If any operators have not been provided with an opportunity to contribute to the Bid and/or otherwise have not been included in the Bid on an equivalent basis, this will affect the analysis below.
13. For the purposes of this analysis we have considered Option 1 (which covers both Option 1 and the identical commercial element of Option 2) and Option 2A (which covers only the additional local authority element of Option 2).

## **Detail**

14. **Subsidy Control Regime:** From 1 January 2021, a new subsidy control regime has replaced the EU State Aid regime that previously applied in the UK. This takes into account both the UK's obligations under free trade agreements with individual companies, the Northern Irish Protocol and the UK's WTO membership. However, it seems unlikely that the proposed funding would be challenged under these arrangements, and the remainder of this note is therefore focussed specifically on the subsidy control provisions under the terms of the EU-UK Trade and Cooperation Agreement (TCA). Chapter three of Title XI (Level Playing field for open and fair competition and sustainable development) of Heading One (Trade) of Part Two (Trade, Transport, Fisheries and Other Arrangements) of the TCA sets out the provisions relating to subsidy control.
15. **Is the funding a “subsidy”?** A “subsidy” is defined in Article 3.1 and has four limbs:
  - a. It arises from the resources of the Parties to the TCA;
  - b. It confers an economic advantage on one or more economic actors;
  - c. It is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and
  - d. It has, or could have, an effect on trade or investment between the parties.
16. To be a subsidy within the TCA, all four limbs must be satisfied. Applying the limbs in turn:

Limb 1: The funding will be provided by the Council, a public sector body, and is therefore ultimately derived from state resources, therefore this limb would be satisfied.

Limb 2: The operators who are funded will obtain an economic advantage as the funding will reduce the costs that they incur in purchasing zero emission buses. Whilst it may be argued that operators do not achieve an advantage, there remains a position that the operators may materially benefit from such investment, including through reduced maintenance and operating costs in the future, and where they have electric charging infrastructure funded through the Bid, their ability to access further electric vehicles without having to make the same upfront infrastructure costs. Therefore this limb would be satisfied in respect of Option 1. In respect of Option 2A, our understanding is that this will not be the case, the buses will be only used where a contract has been let in accordance with applicable procurement rules and the buses themselves will be purchased through on the basis of a competitive procurement.

Limb 3: the funding will benefit certain economic actors over others due to only being available to some operators. Whilst the Council have engaged with all operators in order to determine whether they wish to apply as part of the Bid, and therefore there is an opportunity for all operators to access this funding on an equivalent basis, there is still an argument that Limb 3 is satisfied, as only some operators are accessing the funding, as a matter of fact. This is less applicable to Option 2A, where any operator bidding for the relevant Council contracts would have an equivalent ability to access the relevant buses. Therefore this limb would be satisfied in respect of Option 1, but not Option 2A.

Limb 4: whilst there is no substantive guidance on what “effect on trade or investment between the parties” means, the equivalent limb of the EU State Aid regime was always assumed to potentially apply in such circumstances, and there are operators in the local transport market, such as Arriva, who are active in a number of European markets. It therefore cannot be ruled out that this limb is either satisfied or could be satisfied. Therefore, whilst it could be argued that this funding being provided in Leicester is unlikely to have an effect on trade with the EU, the more cautious view would be to assume that this limb could be satisfied in respect of Option 1.

On this basis the funding could be viewed as a subsidy for TCA purposes for the purposes of Option 1 and this note proceeds on that basis. There will not be a subsidy for the purposes of Option 2A, provided that any operator bidding for the relevant Council contracts does have an equivalent ability to access the relevant buses. The remainder of this section therefore only considers Option 1.

17. Where a subsidy is granted, it must satisfy the six principles (the Principles) set out in Article 3.4 of Chapter 3 of Heading One of Part 2 of the TCA. If the Principles are not met, the subsidy may be challenged by any interested party, which would include competitors to an aided party. The Principles are:

- a. The subsidy pursues a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”);
- b. The subsidy is proportionate and limited to what is necessary to achieve the objective;

- c. The subsidy is designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided;
  - d. The subsidy should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy;
  - e. The subsidy is an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means; and
  - f. The subsidy's positive contributions to achieving the objective outweigh any negative effects, in particular the negative effects on trade or investment between the Parties.
18. In applying the principles, as they reflect the balancing tests used by the European Commission in assessing notified transactions and for the purposes of the State Aid exemptions under the EU regime, then it remains open to the Council to consider whether such a subsidy would have been compliant with one of the State Aid exemptions or would have been approved upon notification to the EU, as on that basis it is likely to be compliant with the Principles and therefore not vulnerable to a successful challenge. However, it is also possible to simply apply the Principles, as there is not a requirement that there needs to be direct compliance with an existing EU exemption. Note that UK government intends to introduce a more express subsidy control regime in compliance with the TCA, and therefore where more specific rules are introduced by UK government, it may be necessary to revisit this advice to ensure that there is compliance with that regime.

### Application to Option 1

19. **Principle 1:** The ZEBRA scheme sets out a number of public policy aims that it is intended to achieve. This includes understanding the challenges of introducing zero emission buses and supporting infrastructure to inform future government support for Zero Emission Buses, to support roll out of 4,000 Zero Emission Buses committed to by government, and to support the government's commitment to decarbonisation and to reduce the transport sector's contribution to CO2 emissions<sup>3</sup>.
20. **Principle 2:** The subsidy is limited to cover a proportion of the difference in cost between diesel and electric buses and a proportion of the cost of the additional infrastructure which is necessary for these buses to operate. For this principle to be satisfied it should be demonstrated that the aid granted is the minimum necessary to achieve the objectives. Therefore, the Council should satisfy itself that the aid is covering the net extra cost required to meet the objectives, taking into account any cost savings that the operators will gain from the funding, to ensure that they are not over-compensated. We understand that the Council is satisfied that this is currently the case on the basis of the additional risks etc. that the operators will be assuming (such as battery replacement costs, charger maintenance etc.).
21. **Principle 3:** This will be the case provided it is clear that the operators would not have purchased the electric buses but for this subsidy. We understand that this is the case.
22. **Principle 4:** As for Principle 4, it needs to be clear that the funding is only covering costs which the operators would otherwise not have funded i.e. that there is not over-compensation, once any maintenance and operational cost savings have been taken into account. We understand that this

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<sup>3</sup> Paragraph 2.1 Zero Emission Bus Regional Areas scheme – 2021/22 - EOI

is the case, and the provision of the grant puts the operators in a similar cost position to if they have invested in diesel buses.

23. **Principle 5:** As far as we are aware there are not other policy instruments in place (such as legislation) which would have the effect of incentivising the Operators to make this investment, nor other funding sources which they could utilise to meet this outcome. On that basis, this appears to be the least intrusive means of achieving the objectives, in particular where this aid is made available on an equivalent basis to all operators applying for it.
24. **Principle 6:** As noted above, provided the funding takes into account any wider benefits are derived from the investment to avoid over-compensation, then this principle should be satisfied. As noted above, the Council's assessment currently suggests that this is the case.
25. On the basis of the above, there is a strong argument that the Principles should be satisfied and therefore this subsidy would be consistent with the TCA
26. However, there are some risks associated with this. In particular, our understanding is that the Council is not intending to carry out a specific competitive tender in respect of the provision of this funding, and therefore whilst all operators in the area of the Council have been asked if they wish to participate in the Bid, there remains the potential for an operator to complain at a later date that they were not able to avail themselves of this support, and that this therefore had an impact on competition in the bus market in Leicester. This concern is mitigated by ensuring that all operators have had an equal opportunity to participate in the Bid, and to ensure that they are able to access funding for all vehicles that they wish to upgrade on an equivalent basis, with an equivalent level of financial support.
27. As noted above, for a number of the principles to be satisfied, the Council needs to be satisfied that it is not over-compensating the operators. Therefore in providing the funding to the operators it is important that this is provided on a basis which:
  - a. Does not provide more funding that is required to meet the relevant marginal costs of each operator in buying buses (and where the buses vary in specification that the funding contributes to the marginal difference between diesel and electric buses and not other aspects of the specification). For example, the grant funding should not be used to support higher specifications which are not specified by the DfT. We understand that this is currently the case on the basis of current operator proposals, which are based on satisfying the specification required for Zebra only.
  - b. Takes into account any cost savings that the Operators will make as a result of the differing ongoing maintenance and operation costs of electric buses. As noted above, the Council's current assessment is that this is the case.
  - c. Include claw-back provisions to allow for recovery of grant funding to the extent that these principles are not met, to avoid over-compensation. The Council intends to include this in the grant funding conditions to operators to both ensure that there is claw-back, and also that grant funding will be reduced if costs are lower.
  - d. It will therefore also be important that there is transparency on the costs incurred by operators in purchasing the buses, to ensure that value is achieved. The Council should ensure that there is cost transparency provided in respect of this, including confirmation that the buses have been purchased through a competitive bidding process or application of a competed

framework that ensures that the cost of the required subsidy has been minimised, or otherwise demonstrate through cost comparison/benchmarking or other methods that the supplier has not been over-compensated or competition otherwise distorted and that the subsidy granted is therefore not aiding the bus manufacturer or operator. There should be transparency on the terms of acquisition, to allow the Council, if required, to be able to confirm that the subsidy is being properly applied.

28. Compliance with the above should minimise the risk of the provision of funding under Option 1 not complying with the Principles.

### **Application to Option 2**

29. As noted above, Option 2 is the same as Option 1, save that there is additional funding provided in respect of buses which will be run as part of Council let services.
30. As noted above, the original funding for these vehicles will probably not fall within the definition of a “subsidy” and therefore this funding should be compliant with the TCA.
31. This is, however, dependent, upon the Council ensuring that in tendering for services which make use of these buses, all operators have equivalent rights under the tender process. In particular, there will be a need to ensure that there is equivalent access to the ability to maintain and charge such vehicles e.g. through installation of charging equipment and maintenance at a Council owned facility or other non-discriminatory structures for accessing the vehicles and associated maintenance and charging facilities which do not benefit certain operators.
32. In particular, care should be taken that the charging facilities funded through the Option 1 funding does not provide those operators with a benefit in tendering for such secured services.

### **Reporting**

33. Pursuant to the TCA, public authorities are required to evidence that subsidies granted comply with the subsidy control regime. UK Government has published a template document that can be used to evidence compliance, and this has been provided to the Council completed consistent with the analysis in this paper (and on the basis that the mitigations set out in this paper will be implemented if funding is provided).

**DLA Piper UK LLP**

19 August 2021

## Appendix 8

### **DRAFT Bus Service Improvement Plan/Enhanced Bus Partnership**

#### **Service integration and branding proposal – core route groups.**

June 2021

#### Introduction

1. Leicester's commercial bus network comprises of a complex set of routes provided by several bus operators.
2. The core urban network has several route groups, giving a shared 15 minute daytime frequency along 20 key corridors:
  - a. Several routes by one operator on a given corridor, with a shared common section
  - b. Cross city routes
  - c. Same route operated by two operators for all or a large part of its route
  - d. Circular or part-circular routes
3. There are also other route types which are either express or lower frequency:
  - a. Orbital routes
  - b. Park and Ride routes
  - c. Longer distance route
  - d. Infrequent contracted 'gap fillers'.
4. There is also a complicated mix of operator and partial route branding, together with some overlap in route numbering.

#### Proposal

5. It is proposed that as part of the Enhanced Bus Partnership process, the operators come together to:
  - a. Rationalise their services into a more coherent and efficient joint network
  - b. Colour brand each core route group
  - c. Standardise route numbering.
6. This would also be associated with other related integration work – in other EPS proposal strands – related to joint ticketing, fares, promotion and information.

#### Route rationalisation

7. It is proposed that the following routes are rationalised into a joint timetable :
  - a. First Bus 22 and Centrebus 22a/b/c

- b. Arriva 53 and First Bus 38,38a
  - c. First Bus 54 and Centrebus 54a
  - d. Arriva X3 and Stagecoach X7
  - e. Integrated with 31 group on Leicester/London Rd if possible.
  - f. Arriva 86,87 and First Bus 88 group
  - g. Arriva 14 and First Bus 14,14a
  - h. Arriva 153,158 and Stagecoach 48
8. Effecting these changes will require a discrete series of qualifying partnership agreements endorsed by the City Council. It may also require temporary external funding to guarantee that each operator is not financially made worse off in the short term as a result of these desirable changes.

### Coloured bus branding

9. There is now good evidence across the country that passengers respond favourably to route colour branding. This helps passengers locally identify with 'their' buses and to screen out the perceived 'noise' of other buses. Trentbarton were pioneers in this area, dropping route numbering altogether in most instances. However, for urban networks, best practice is to also retain route numbers, have a colour brand for a route group sharing a large common corridor section.
10. Branding by operator is seen to be of much lesser help to passengers once there is a common ticketing and information structure in place, particularly when there is all-operator capping, as is shortly to be effected in Leicester.
11. It is proposed that full colour branding is applied to each main route group with a combined 15 minute frequency :

<b>Main Services</b>								
<b>Core route group - every 15 mins or better</b>								
<b>Corridor</b>		<b>Operators -----&gt;</b>						<b>Joint t/table and route</b>
<b>Number</b>	<b>Corridor Name</b>	<b>Arriva</b>	<b>Arriva</b>	<b>First</b>	<b>First</b>	<b>Centrebus</b>	<b>Stagecoach</b>	<b>Agreement required</b>
1	Loughborough Rd	126,127		25,26		22 (a/b/c)		First/Centrebus
2	Melton Rd	5,5a,6		22				First/Centrebus
3	Catherine St			21				
4	Uppingham Rd	53	58,58A	38,38a				First/Arriva
5	Green Lane Rd			54		54a		First/Centrebus
6	Sparkenhoe St			17				
7	Saviours Rd			16				
8	Evington Rd			22		22(a/b/c)		First/Centrebus
9	London Rd	31 group	X3				X7	Arriva/Stagecoach
10	Welford Rd	47,46,49						
11	Queens Dr	44,44a						
12	Saffron Lane	86,87	47,46	88 group				First/Arriva
13	Aylestone Rd	84,85						
14	Narborough Rd	50,51						
15	Fosse Rd South	104						
16	Hinckley Rd	153,158		18			48	Arriva/Stagecoach
17	Aikman Av	14		14,14a				First/Arriva
18	Grobby Rd	26,27,29						
19	Anstey Lane			74				
20	Abbey Park Rd			54	25,26	54a		First/Centrebus

12. This would give a distinct colour to most corridors where the routes diverge beyond the conurbation, whilst retaining colour difference where circular and cross-city urban routes share corridors with other routes.

<b>Key</b>		
	Branded route group	Colour Name
	5,5a,6	Mint
	14,14a	Orange
	16	Green
	17	Purple
	18	Navy
	21	Lime
	22 group	Plum
	25,26	Lavender
	26,27,29	Magenta
	31 group,X3,X7	Cyan
	38,38a,53	Red
	44,44a	Pink
	46,47,49	Brown
	153,158,48	Blue
	50,51	Grey
	54,54a	Yellow
	58,58a	Olive
	74	Teal
	84,85	Maroon
	86,87,88 group	Mustard
	104	Apricot
	126,127	Mauve

13. Those services which are not traditional urban stopping services or are infrequent will not form part of this cohesive branded network in the first instance:
- a. Orbital routes eg 40.
  - b. Park and Ride routes eg 103
  - c. Longer distance routes eg Skylink
  - d. Infrequent services
  - e. Others eg Hospital Hopper.
14. However, it is proposed that these are integrated into the network if their frequencies are improved to give a 15min daytime frequency and they are not limited stopping.
15. Attached is a proposed Network Leicester map showing these proposals, both in schematic and geographic format. This would be widely displayed across the network in bus stations and at the proposed network of bus stop totems (to follow).
16. It is accepted that colour bus branding places restrictions on operations for bus operators and will require more spares. It is proposed that as part of the EPS process a funding bid is made to the DfT to effect this change. Alternatively, this change could be made in stages as each route group is upgraded to electric buses

#### Route numbering

17. With the proposed joint timetable and route changes proposed, all existing duplication is removed, with the exception of Arriva 48 and Stagecoach 48.
18. It is proposed that Arriva 48 changes to Arriva 46. Stagecoach 48 has a much wider catchment and number of buses involved.

## **Appendix 9.**

### **DRAFT Bus Service Improvement Plan/Enhanced Bus Partnership**

#### **Promoting the Leicester Bus Network**

##### **Introduction**

1. Leicester is unusual for a UK city in having a mix of different bus operators, with no one operator having a comprehensive network. There is a complete mix of branded and non-branded commercial buses of various styles, with no overall standard or cohesiveness. It also has a separate park and ride network and a bespoke cross-city hospital bus service.
2. Waiting facilities at stops and interchanges across the conurbation are also of a very mixed standard. Online portals are also variable, with no single website for comprehensive up to date information on services, timetables ticketing, upcoming changes etc
3. There are separate partnership streams of work to address this issue in relation to physical infrastructure, bus investment, route integration, ticketing and electronic information.
4. This note looks at the possible role of an overarching agreed brand :
  - a. To promote an integrated network covering all operators, including integrated printed information at stops/bus stations etc.
  - b. To sell the emerging Leicester Bus Services Improvement Plan and Enhanced Bus Partnership – with the link across the Local Transport Plan and Workplace Parking Levy consultation process
  - c. For campaigns that cut across all operators.

##### **Proposal**

5. It considered that it would be extremely useful to have a range of promotional materials which can be widely used across a number of different platforms to promote an improving integrated bus network.
6. This material would work on a number of different levels – both operational, planning and consultation work:

## 7. Operational

- a. bus stops, including bus stop flags (see attached)
- b. bus stations
- c. park and ride sites
- d. printed integrated information
- e. online integrated information
- f. multi-operator ticketing
- g. buses

## 8. Planning and consultation

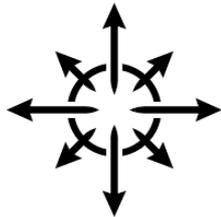
- a. public consultation and events
- b. implementation of demonstration schemes
- c. Funding and bidding
- d. Promotional campaigns
- e. Promotion of strategies and plan
- f. All partnership work and promotion

## Elements

9. To work widely and consistently by all partners this material must complement and not replace or 'fight against' individual organisations brands.

10. It would probably be best in a stylized monochrome or two-colour form so as not to overly compete with existing single operator brands. It would need work in printed and digital formats.

11. It should probably include a logo, network name and possibly a vision strapline that could be used on many different levels and ideally have a 'Leicester' or 'transport' feel. Crude example:



Network Leicester  
Better bus travel for all

## Existing all-operator brands.

12. Some consideration should be given to existing brands dealing with all-operator products:

- a. Flexi ticket – all operator travel ticket (low order brand)
- b. One card – all operator smart card (very low use)

- c. Choose how you Move – all operator journey planner (very low use for commercial buses, mainly used for P&R and Flexi queries)
- d. Connecting Leicester – covers all sustainable modes (wider brand)
- e. Existing bus station posters and printed information (eg Greater Leicester Bus Map) – currently with City Council branding