

## Low Carbon Bus Procurement Feasibility study – Progress Report 17<sup>th</sup> December 2007

### 1. Purpose

The purpose of the project is to determine whether a forward commitment strategy would work when applied to low carbon buses and the UK bus market, in particular outside London. This is intended to provide a common understanding as to whether and how this can be achieved for all the stakeholders involved. It will also help inform the DfT's on developing the Low Carbon Vehicle Procurement Programme.

### Objectives

The project will in particular address the following objectives:

- Establish whether there is customer interest in low carbon bus procurement and whether there is an unmet need which has the potential to be realised. It is assumed that the demand would come from public bodies rather than bus operators or passengers.
- Establish the contractual structure which would be required to deliver a Low Carbon Bus Forward Commitment.
- Develop a draft specification of a low carbon bus appropriate for procurement. This specification would be shared with TfL and the TRUS consortium which is looking at the potential for common European specification.
- Supplier feedback would be sought on the draft specification, contract length and the volumes required to establish economies of scale and reduce risk.
- To identify potential sources of financing the forward commitment. This could be through Central Government funding, local authority controlled funds, other sources.

### 2. Outline Work Plan & Progress

Overview	<p>The project focuses on three main areas of work, these are:</p> <ul style="list-style-type: none"> <li>• Establish policy drivers and customer interest</li> <li>• Establish a low carbon bus specification and supplier engagement</li> <li>• Establish contractual structure and financing required</li> </ul>
Revised Plan	<ul style="list-style-type: none"> <li>• Primary research to be presented to BWG 23/01/08.</li> <li>• Integration of results and preliminary conclusions to be presented to a sub-group of BWG week commencing 04/02/08.</li> <li>• Draft report to be completed and circulated to the BWG week commencing 18/02/08.</li> <li>• Final report to be presented to the LowCVP week commencing 03/03/08.</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• <b>Primary research – In progress, expect to be completed w/c 21/01/08</b> <ul style="list-style-type: none"> <li>○ Policy paper drafted for comment.</li> <li>○ Initial low carbon bus specification drafted for comment.</li> <li>○ All interviews regarding contractual structures complete.</li> <li>○ Workshop confirmed as DfT 18/01/08</li> <li>○ Primary research will be presented to BWG on the 23/01/08</li> </ul> </li> </ul>
Issues	<ul style="list-style-type: none"> <li>• Competition date revised to early March 2008 due to delay in workshop.</li> </ul>

	<ul style="list-style-type: none"> <li>• Secure input from David Farmer, DfT.</li> <li>• LowCVP Board suggested survey. Beyond budget of existing project agree with BWG how to take forward.</li> </ul>
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### 3. Work Stream Plan & Progress

Title	Policy drivers and customer interest
Resp	Lead: David Martin Assist: Jonathan Murray
Overview	<p>The existing and forthcoming policy drivers will be assessed from published information on legislation, regulations and consultations arising from the European Commission and UK Government sources. Customer interest and ability to turn this into effective demand will be assessed from discussions with leading passenger transport authorities, such as Transport for London (TfL), Merseytravel, and Greater Manchester PTE and local authorities. It will be assumed that public bodies would be taking the lead in specifying and/or procuring low carbon buses as part of the Forward Commitment.</p> <p>Stakeholders: TfL and PTE's, local authorities, bus operators</p>
Plan	<ul style="list-style-type: none"> <li>• Review of policy documents and produce paper to set out key tools and how they could be employed to encourage low carbon bus procurement.</li> <li>• Interviews with key LAs and PTEs utilising paper. Ascertain their views and strengthen outline and build detail. Interviews to be captured.</li> <li>• Interview key operators to ascertain their view on proposals.</li> <li>• Draft presentation for presentation to Sub-group of BWG.</li> <li>• Draft section of report on policy drivers and customer interest incorporating feedback from other sections.</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• <b>Primary research – In progress, expect to be completed w/c 21/01/08</b> <ul style="list-style-type: none"> <li>○ Review of legislation completed 30/11/07</li> <li>○ Draft policy document completed 08/01/08</li> <li>○ Workshop agenda and list of invitees agreed 10/12/07</li> <li>○ Venue for workshop confirmed as DfT 18/01/08</li> </ul> </li> </ul>
Issues	<ul style="list-style-type: none"> <li>• Secure input from David Farmer, DfT.</li> <li>• LowCVP Board suggested survey. Beyond budget of existing project agree with BWG how to take forward.</li> </ul>

Title	Low carbon bus specification and supplier engagement
Resp	Lead: David Lemon Assist: Jonathan Murray, Mike Winter, Arthur Picton
Overview	<p>We have proposed a Workshop approach to develop the low carbon bus specification because individual interviews with around 7 OEMs would not be an efficient use of time and resources. We would invite to the Workshop all the relevant OEMs, Local Authorities and bus operators. We are assuming that 4 of each type of organisation would attend, and this would make the Workshop a viable proposition. DfT, TfL, LowCVP, the Confederation of Passenger Transport and the TRUS consortium will also be invited to the Workshop. We have also assumed that the Workshop can be held in London, at either the LowCVP or EST offices.</p> <p>An initial draft specification will be presented at the Workshop. Based on the discussions, we will amend the specification, and seek a further feedback from suppliers (using email and telephone discussions) before finalising the proposed specification.</p> <p>Stakeholders: TfL, Mersey Travel, TRUS, other European initiatives</p>

Plan	<ul style="list-style-type: none"> <li>• Research basis for specification: Ascertain example specifications issued to operators for the testing of demonstration vehicles from TfL and Mersey Travel. This to be used as basis for drafting specification for discussion. Secure approval to use TfL/Millbrook test cycle in project.</li> <li>• Workshop to develop low carbon bus specification concept: Key bus operators, local authorities and operators to be invited. Workshop to consider whether 1 or 2 specifications will be required and appropriateness of Forward Commitment.</li> <li>• Draft specification: Draft specification for 1 or 2 options based upon degree of carbon reduction anticipated.</li> <li>• Draft presentation for presentation to Sub-group of BWG.</li> <li>• Draft section of report on specification and supplier feedback incorporating feedback from other sections.</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• <b>Primary research – In progress, expect to be completed w/c 21/01/08</b> <ul style="list-style-type: none"> <li>○ Received specification documents from Mersey Travel and TfL.</li> <li>○ Confirmation from TfL and Millbrook to use MTLB drive cycle 30/11/07.</li> <li>○ Low Carbon Bus draft spec completed 14/01/08.</li> <li>○ Workshop agenda and list of invitees agreed 10/12/07</li> <li>○ Venue for workshop confirmed as DfT 18/01/08.</li> </ul> </li> </ul>
Issues	<ul style="list-style-type: none"> <li>• How to handle different cost effectiveness of low carbon bus technology.</li> </ul>

<b>Title</b>	<b>Contractual structure and financing</b>
Resp	Lead: Malcolm Noyle Assist: Jonathan Murray
Overview	<p>The contractual structure to deliver a low carbon bus forward commitment will be developed through a process of consultation with all partners within the bus sector building on the existing expertise throughout the industry.</p> <p>We will consult with private sector bus companies, and major financing and leasing institutions involved in funding commercial vehicles. We will also examine public service agreements and bus company procurement tenders in order to establish current practice in these arrangements.</p> <p>We will investigate what financial incentives to encourage bus operators to invest in low carbon vehicle technologies are available. Without any incentives, the commercial case for bus operators to purchase innovative designs of low carbon vehicles is marginal and accordingly the sector needs public support to increase the market share of low carbon buses and reduce unit costs. The limitations of the State Aid funding rules mean that a maximum of 30% funding could be available once the Low Carbon Vehicle Procurement programme is operational.</p>
Plan	<ul style="list-style-type: none"> <li>• Research Forward Commitment: Understand proposed Forward Commitment process and how it might address reducing risk to technology developers and allow procurers to manage supply chain.</li> <li>• Understand existing and proposed procurement processes: Investigate current contractual structures and procurement processes within the bus market. This should cover tendering of controlled routes, procurement in unregulated market and use of quality contracts and partnerships. This should include role of financing procurement.</li> <li>• Interpret Forward Commitment: Draft proposal for use of Forward Commitment in a realistic form for bus market. Seek views of stakeholders.</li> <li>• Draft presentation for presentation to Sub-group of BWG.</li> <li>• Draft section of report on contractual structures and financing incorporating feedback from other sections.</li> </ul>

Progress	<ul style="list-style-type: none"> <li>• <b>Primary research – In progress, expect to be completed w/c 21/01/08</b> <ul style="list-style-type: none"> <li>○ Research of Forward Commitment completed 30/11/07.</li> <li>○ Workshop agenda and list of invitees agreed 10/12/07</li> <li>○ Understanding existing procurement processes in progress 11/01/08.</li> <li>○ Primary research will be presented to BWG on the 23/01/08</li> <li>○ Contractual structure paper to be drafted w/c 28/01/08</li> </ul> </li> </ul>
Issues	<ul style="list-style-type: none"> <li>• None</li> </ul>

<b>Title</b>	<b>Draft final report</b>
Resp	Lead: Jonathan Murray Assist: All
Overview	This will bring the various elements into a unified report for review, approval and publication by the Partnership.
Plan	<ul style="list-style-type: none"> <li>• Integrate results and develop preliminary conclusions to be presented to a sub-group of BWG week commencing 07/01/08.</li> <li>• Combine inputs to produce complete report to be presented to BWG. Draft executive summary, introduction and summary.</li> <li>• Draft report to be presented to the BWG on the 13/01/08. Comments to be incorporated into final report.</li> <li>• Final report to be presented to the LowCVP Board on the 07/02/08. Comments to be incorporated into final report.</li> <li>• Document to be signed off and published.</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• None, due to start week commencing 04/02/08</li> </ul>
Issues	<ul style="list-style-type: none"> <li>• Final report will come after Board meeting. JM to provide update to Board.</li> </ul>

#### 4. Issues captured relating to further work

<ul style="list-style-type: none"> <li>• LowCVP Board suggested survey. Beyond budget of existing project agree with BWG how to take forward.</li> <li>• How to handle different cost effectiveness of low carbon bus technology.</li> </ul>
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