



Department for Transport

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5th January 2021

Dear Deborah,

I am writing to set out the details of a proposal to devolve responsibility for the development and approval of a full business case for Phase 2 of the All-Electric Bus Town (AEBT) competition.

All-Electric Bus Town programme objectives

The AEBT has a key role to play in meeting the Government's commitment to tackle air quality and reduce greenhouse gas emissions. As set out in guidance for Phase 1 the AEBT proposal has a number of key aims:

- To act as a pilot to understand what can be achieved when there is a real commitment to move all buses in a place to electric zero-emission;
- To understand the impact this can have on improving air quality and greenhouse gases in a place;
- To understand better the challenges of running a wholly electric bus fleet;
- To understand the impact that an electric fleet can have on running costs, patronage and passenger satisfaction;
- To support bus manufacturers in the development of zero emission bus technology.

Business case development and scheme assurance

The AEBT is an important pilot programme which will help to inform the Department's future work on decarbonising the bus fleet and delivering on the Prime Minister's commitment to deliver at least 4,000 zero emission buses. It is important that robust monitoring and evaluation is in place to ensure this can be used for future schemes. It is also vital that the programme delivers Value for Money. Therefore, the Department will need a number of assurances to enable business case development to be devolved solely to the WMCA:

- i. The business case will be developed in accordance with the key aims of the AEBT pilot proposal, with clear dated milestones stating when key work will be delivered;
- ii. The business case will detail how the AEBT fits with complementary transport policies driving progress to zero emission transport;
- iii. That the AEBT proposal has support of all local bus operators in the area (as per the original competition criteria);
- iv. That the WMCA has an appropriate governance framework to manage business case development and approval, as well as supporting effective oversight and management of the pilot;
- v. A plan for monitoring and evaluation of the pilot against its objectives must be included in the business case;
- vi. WMCA will follow HM Treasury's Green Book guide to developing a project business case and the Department's Transport Analysis Guidance (TAG) and Value for Money Framework. To calculate the VfM of the project, WMCA will either develop their own model to calculate the Benefit-Cost Ratio of their proposals or use the Department's Green Buses tool;
- vii. The business case will detail how the WMCA will comply with the 2010 Equality Act and the Public Sector Equality Duty. This includes considering impacts of the project on protected characteristic groups both at the business case stage and at the monitoring and evaluation stage;
- viii. That the business case can be developed and approved by the WMCA by 19th March 2021 at the latest and that by 31st March 2021 the WMCA will provide a clear delivery timetable for delivery of the electric buses and infrastructure to support them. This is contingent on the business case proving to be value for money;
- ix. The WMCA will keep the Department closely informed of progress with business case development, ensuring experts from the Department are content with the process that has been followed before WMCA approve the scheme; and
- x. That a maximum of £50m funding from DfT is available, and any costs above this will be funded by the WMCA.

Once the Department has received confirmation in writing that these are acceptable assurances and will be followed through the process, responsibility for the development and approval of a business case will be devolved to the WMCA.

Release of funding

A maximum of £50m in funding will be provided for the AEBT programme in Coventry. The funding will be provided as a single payment before 31st March 2021 (as a capital grant), with an understanding that this is used to deliver the project as set out in the business case. The WMCA will be solely responsible for meeting any expenditure over and above this maximum amount.

The Department recognises that this is a major place-based pilot unlike any other previous electric bus scheme, through which there may be challenges to overcome around legal, procurement and delivery elements. The department will want to work closely with the WMCA project team to offer support around any critical issues that emerge through the development of the business case. Ultimately any major deviation from the milestones WMCA outlines in

the full business case will need to be reported to the Department through the working group, and the Department retains the right to reclaim the money if it has concerns that the outcomes of the project will not be delivered.

This funding will be subject to a formal funding letter issued by the Department which will include provisions around timescales, monitoring, reporting and evaluation. The full business case will be expected to demonstrate that the AEBT programme will be compliant with State Aid laws if they apply and any equivalent successor regime in the UK.

We look forward to working closely with your team to deliver this scheme.

Yours sincerely

A handwritten signature in black ink that reads "Steph. J. Fidler". The signature is written in a cursive style with a horizontal line underneath the name.

Stephen Fidler

Copies to Laura Shoaf and Pete Bond, TfWM