

**Department for Transport Zero Emission Bus Regional Areas scheme
(ZEBRA 2): Subsidy Award to Plymouth Citybus Limited
Briefing Report for Publication**



I. EXECUTIVE SUMMARY

Plymouth City Council is proposing to provide a subsidy of up to £12.3 million to a commercial transport operator Plymouth Citybus Limited to secure the delivery of a project comprising:

- the acquisition of a fleet of 50 zero emission double decker buses (ZEBs) which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall
- the provision of related charging infrastructure to support the use of the ZEBs

The project will reduce carbon emissions and improve air quality both directly, from the operation of the ZEBs; and indirectly from the electric buses displacing the current 33 Euro VI type diesel buses and 17 Euro V operating on the routes the ZEBs will operate, whilst, at least, maintaining the level of service enjoyed on the bus routes to be decarbonised.

The subsidy equates to up to 43% of the total project cost of £28.3m. The balance of the project cost will be financed from Plymouth Citybus Limited's own non-publicly sourced group reserves.

The subsidy itself is financed from the Department for Transport's Zero Emission Bus Regional Area (ZEBRA) 2 Fund (84%); and from Plymouth City Council (6%) and Cornwall Council (10%) which are the relevant local transport authorities for Plymouth and the Rame Peninsula. The Department for Transport element includes £0.8 million contingency funding, which will only be paid in the event of quantified project risks materialising. In the absence of such, the proposed subsidy award by Plymouth City Council to Plymouth Citybus is limited to a maximum of £11.5 million.

The Subsidy represents a Subsidy of Particular Interest, because it exceeds £10 million and hence was subject to a mandatory referral to the Subsidy Advice Unit (SAU) of the Competition and Markets Authority.

The Assessment was accepted by the SAU on 12 September 2024, with a report on the Assessment issued on 23 October 2024. This report considers the feedback from the SAU ahead and subsequently the recommendation to award the proposed subsidy of up to £12.3 million to Plymouth Citybus Limited.

Plymouth Citybus is part of a large international company group; the Go-Ahead Group Limited which includes Go-Ahead Holding Limited, the parent company of Plymouth Citybus. The subsidy payment it will receive will be subject to:

- the parent company and/or Plymouth Citybus funding any deficit in the project costs
- the ZEBs operating on the agreed routes for at least 5 years
- the buses to be replaced by the ZEBs being cascaded through Plymouth Citybus Limited's fleet to remove outstanding Euro IV double deck buses and retro fitted (Euro IV to Euro V) double deck buses from its Plymouth based bus fleet

- additional public benefits being secured, namely the ZEBs meeting enhanced accessibility standards and the ZEB charging infrastructure being available for use by local community groups

All bus operators in the statutory Plymouth Enhanced Bus Partnership were offered the opportunity to partner with Plymouth City Council in its application for ZEBRA 2 funding for Plymouth. Plymouth Citybus took up the offer. All bus operators on the Plymouth Enhanced Partnership Board endorsed the application, in recognition of its wider value to the Bus Partnership.

Without the proposed subsidy the project would not progress and the significant decarbonisation of bus transport and air quality benefits for Plymouth and the Rame Peninsula would not be realised.

2. BACKGROUND

The Department for Transport (DfT) launched an opportunity in September 2023 to apply for Zero Emission Bus Regional Area funding (ZEBRA 2).

Plymouth City Council led a bid to the Department for Transport's Zero Emission Bus Regional Areas Scheme (ZEBRA 2), in partnership with Plymouth Citybus Ltd (part of The Go-Ahead Group Ltd) and Cornwall Council. The bid was successful.

The Plymouth ZEBRA 2 project will see the introduction of 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse.

The acquisition of the electric buses will not only enhance the routes which they will operate on but will also allow the cascade of existing Euro 6 diesel buses displaced from the electrified routes onto other services in Plymouth and South-East Cornwall, thereby modernising the entire Plymouth Citybus fleet operating in the Plymouth Travel to Work Area.

Improvements to the quality of public transport in Plymouth and our Travel to Work Area will support the delivery of equality outcomes. These will be delivered through increased accessibility of the buses funded by the bid, improvements in the quality of transport to places of work, education, leisure and healthcare and improvements in air quality.

The operation of zero emission buses will also strongly support Plymouth City Council's Climate Change ambitions as articulated in the Net Zero Action Plan ([NZAP Transport | PLYMOUTH.GOV.UK](https://www.plymouth.gov.uk/net-zero-action-plan)) and on the Climate Connections website ([Travel - Climate Connections Plymouth](https://www.plymouth.gov.uk/travel-climate-connections)). This is evidenced by the Climate Impact Assessment supporting the ZEBRA bid Decision.

The value of the Plymouth ZEBRA 2 project for the two year period (2024 – 2026) which the DfT ZEBRA 2 grant period covers is £28.3 million¹.

¹ The total value of the Plymouth ZEBRA 2 project is £31,873,110. This consists of £30,218,498 of 'core' costs and a further £1,654,612 of contingency funding.

The public funding, which is the proposed subsidy to Plymouth Citybus, will be provided through a single non-recourse grant funding agreement which will cover 43% of the total project cost (£28.3m). The Local Authority funding is made up of a contribution from the Council (£750k contribution) and Cornwall Council (£1.19m). £10,342,976 is being provided by the Department for Transport. The remaining funding is being provided by Plymouth City Council, Plymouth Citybus / The Go-Ahead Group and Cornwall Council.

3. PLYMOUTH ZEBRA 2 PROJECT SUMMARY

3.1 Plymouth ZEBRA 2 Project

The Plymouth ZEBRA 2 Project is a collaboration between Plymouth City Council, Cornwall Council, Plymouth Citybus and the Go-Ahead Group.

It will see the introduction of 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse.

The project will improve public transport in Plymouth and the Travel to Work Area. It also has the potential to provide wider community benefits through providing opportunities linked to the maintenance of commercial electric vehicles, with Plymouth Citybus committed to exploring opportunities such as apprenticeships and training both in the use of the new ZEBs and their maintenance. The project also supports Plymouth's wider transport decarbonisation work. This is because there is scope for the charging infrastructure to be used by other transport modes, such as community transport and school minibuses, at such time as these fleets are electrified.

All bus operators in the statutory Plymouth Enhanced Bus Partnership were notified of the intention of the Council to submit a bid to the ZEBRA 2 Fund and provided the opportunity to partner with the Council. However, only Plymouth Citybus choose to participate in the Plymouth submission.

3.2 Plymouth ZEBRA 2 Project; alignment with Corporate Priorities

The Council's mission, as set out in the [2023 Corporate Plan](#), is to '[make] Plymouth a fairer, greener city, where everyone does their bit' and public transport has a key role to play in achieving this ambition.

In Plymouth, 24.9 per cent of households are without access to a car or van. Furthermore, 15 per cent of men and 31 per cent of women do not have a driving licence. The bus is therefore crucial to enable residents to access school and work, healthcare and shops, friends and family as well as enabling visitors to travel to, from and within Britain's Ocean City.

As a green mass transit solution, buses also have a key role to play in our response to the city's climate emergency declaration and supporting Plymouth's sustainable growth. This is why the Council's vision, as set out in the 2023 Bus Service Improvement Plan, is '*to create a thriving bus network where everyone can be connected to important people and places, by services that are frequent, reliable, fast, affordable, safe and clean, which will also help Plymouth to achieve its net zero goals by 2030*'.

In order to realise this vision, buses need to be both tools of inclusion and the transport of choice and to do that we know that we need to provide better bus services. Investment in Zero Emission Buses

will deliver a better bus service for Plymouth and directly supports the aspirations of both the Corporate Plan and Plymouth Plan.

Links to the Corporate Plan: -

Investment in zero emission buses directly supports the city's mission to '[make] Plymouth a fairer, greener city where everyone does their bit.'

As lead for the Plymouth ZEBRA 2 project, we are taking **responsibility** for the improvement of Plymouth's bus services. However, the delivery of the project is **co-operative**, involving Plymouth Citybus, the Go-Ahead Group and Cornwall Council and hence we are working closely with Plymouth's public transport providers, and one of our neighbouring authorities, to deliver a bus network which helps to make Plymouth a great place to grow up and grow old.

Links to the Plymouth Plan: -

The Plymouth ZEBRA 2 project supports the delivery of the strategy set out within the Plymouth Plan and in particular policies HEA6 (Delivering a safe, accessible, sustainable and health enabling transport system) and GRO4 (Using transport investment to drive growth, and commitment to facilitate the use of sustainable transport modes).

The Plymouth Plan seeks to help deliver a transport system that enables and encourages sustainable and active travel choices, provides good accessibility for the city's population to jobs and services, and supports a healthy environment. Through the ZEBRA 2 programme we will actively support the Plymouth Plan policy commitments to: -

- HEA6(1) [Use] the planning process to: - address air quality, carbon emissions and noise pollution.
- HEA6(2) [Design] transport infrastructure projects to take full account of the needs of all users, the wider community and place shaping needs of the area, whilst also helping to minimise air quality, carbon emissions and noise pollution.
- HEA6(7) [Invest] in and promote the growth of an electric vehicle charging network and encouraging electric vehicle take-up and use.
- HEA6(10) [Work] with regional partners, agencies and public transport operators to deliver an integrated transport system across all modes covering key locations within and adjoining the Plymouth Travel to Work Area
- GRO4 (1) [Continue] to support the High-Quality Public Transport Network and improve public and sustainable transport services through, where appropriate, subsidies and new infrastructure and
- GRO4(15) [Develop and deliver] targeted infrastructure interventions, consistent with the long-term vision and objectives for transport set out in the [Joint Local Plan](#).

The ZEBRA 2 project also positively supports the delivery of the commitments within the Plan to help deliver targeted integrated transport measures to help support the sustainable growth of Plymouth, in accordance with the vision, objectives and policies of the Plymouth and South West Devon [Joint Local Plan](#). Specifically: SPT9 (6), which seeks to get the most out of our existing network and encourage behavioural change, and SPT9(9) (delivering transport projects which provide a safe and effective transport system).

The ZEBRA 2 programme also allows the achievement of the aspirations of the [Plymouth Bus Service Improvement Plan](#) which is a delivery plan of the Plymouth Plan

3.3 Plymouth ZEBRA 2 Project; alignment with the Bus Service Improvement Plan

The vision for Plymouth's buses, as articulated in the 2024 Bus Service Improvement Plan, is to create a thriving bus network where everyone can be connected to important people and places, by services that are frequent, reliable, fast, affordable, safe and clean, which will also help Plymouth to achieve its net zero goals by 2030.

Nine passenger priorities underpin the BSIP and more than 1800 people, in response to the summer 2023 passenger priority survey told us that their priorities for bus services, in order, were: frequent, reliable and fast, affordable, direct and connected, accessible, safe, simple and understandable, modern and clean.

The Plymouth ZEBRA 2 project delivers against four of the nine passenger priorities, frequency, accessibility, simple and understandable and modern, demonstrating the Plymouth Enhanced Partnership's commitment to improving Plymouth's bus services and delivering against what's important for Plymouth's bus passengers.

The introduction of zero emission buses will also allow the delivery of projects set out with the BSIP including 'introduc[ing] Zero Emission Buses (ZEBs), initially on the 6 core [BSIP] corridors before rolling out ZEBs to the entire fleet, in conjunction with neighbouring authorities' and "facilitating the replacement of all of our community transport vehicles with five new electric minibuses and associated charging infrastructure'. This bid achieves the latter ambition, in part, through the provision of charging infrastructure at the Citybus depot. The infrastructure will be available to use during the day, when the ZEBs are in service, and Plymouth Citybus are supportive of community transport, and school, minibuses, utilising the infrastructure.

3.4 Plymouth ZEBRA 2 Project; alignment with the Net Zero Action Plan and Air Quality Action Plan

Securing funding from the DfT's ZEBRA 2 Fund supports the Plymouth [Net Zero Action Plan](#) (NZAP), as demonstrated by the Climate Impact Assessment accompanying this Decision.

Cutting carbon emissions from travel is a top priority for the city. Transport accounted for the largest part of our city's CO₂e emissions in 2019 (29%) and transport as a sector is not decarbonising at the necessary pace to make Plymouth carbon neutral by 2030, a pledge made by the Council unanimously in 2019 when Plymouth declared a Climate Emergency.

Tackling city transport emissions will require a shift in the uptake of active travel and public transport, and to that effect, the council made a triple commitment to:

- Provide a local policy framework that facilitates the decarbonisation of the transport system. (NZAP T4)
- Provide public infrastructure needed to meet the city's low carbon transport needs. (NZAP T5)

- Co-produce decarbonisation plans and initiatives with partners from across the transport system. (NZAP T6)

The approach to reaching net zero in Plymouth by 2030, outlined on the [Climate Connections website](#), encourages policy makers and service providers to work in partnership to make all the elements of the city's transport system interact well together, including park and ride, public transport, walking and cycling options and parking policies, with public transport, particularly buses, being recognised as having a key role in the net zero transition.

Securing funding to decarbonise approximately half of the Plymouth Citybus fleet based in Plymouth, benefitting both routes in Plymouth and our wider travel to work area, will make a significant contribution to reducing transport emissions and supports both the Council's and partners efforts towards tackling climate change. The Plymouth ZEBRA 2 project therefore satisfies all three commitments set out in the NZAP.

Decarbonising 50 double decker buses also supports the Council's air quality aspirations, both directly, through the operation of zero emission vehicles and indirectly through encouraging modal shift away from the private car, due to the introduction of modern, higher quality vehicles on local bus routes. The Plymouth ZEBRA 2 project will therefore not only support our work on climate change, but it will also improve air quality, in turn delivering associated public health benefits.

3.5 Subsidy Control requirements for ZEBRA 2

The payment of the proposed public funding to Plymouth Citybus Limited represents a subsidy and hence a valid subsidy exemption is required. This means that the Council must be reasonably satisfied that each of the Subsidy Control Principles in Schedule 1 as well as those applicable in Schedule 2 of the Subsidy Control Act has been met ("the Principles").

Furthermore the subsidy award is a Subsidy of Particular Interest ("SoPI") which means it must be notified to the Competition & Markets Authority ("CMA") and the CMA's informal view obtained before the new subsidy may be awarded. This is because the subsidy amount exceeds £10m.

Once the CMA's view is obtained then the Council are able to make the proposed award, albeit first taking into account observations of the Assessment made by the CMA, mindful that the report is provided as non-binding advice to the Council. It does not consider whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

Once awarded then the Council must publish a basic transparency notice on the national subsidy database.

Plymouth City Council submitted our Assessment to the Subsidy Advice Unit of the CMA on the 6 September. The report was accepted on the 12 and the report of the Assessment was published on the 23 October. All public materials relating to the assessment are available here: [Referral of the proposed subsidy to Plymouth Citybus Limited by Plymouth City Council - GOV.UK](#)

Furthermore, the SAUs Assessment and the Council's response to the non-binding advice are appended to this report (appendices D and E respectively) with the conclusion of the Council being that the proposed subsidy is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with relevant transparency and expiration of the relevant challenge period.

4. ALTERNATIVE OPTIONS

The following alternative options were considered and rejected:

1. To not award the subsidy of up to £12.3 million, for the Plymouth ZEBRA project, to Plymouth Citybus.

This option has been rejected because it would prevent the Plymouth Zero Emission Bus Area Project (as described in [Executive Decision L32 23/24](#) and [Executive Decision L66 23/24](#)) to be delivered.

The project represents a transformational opportunity to modernise Plymouth's bus fleet, significantly advance the Council's commitment to decarbonise transport and boost bus patronage through a multi-million investment, by members of the statutory Plymouth Enhanced Partnership, in Zero Emission Buses (ZEBs) and hence needs to be delivered.

2. To award a lower subsidy for the delivery of the Plymouth ZEBRA 2 project, to Plymouth Citybus.

Following receipt of the Report of the Subsidy Advice Unit dated 23 October 2024, the Council has reviewed its Assessment of its proposed subsidy to Plymouth Citybus Ltd. For the reasons set out in the accompanying report, it is considered that the proposed subsidy of up to £12.3 million is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with the relevant subsidy transparency rules and expiration of the relevant challenge period.

5. FINANCIAL IMPLICATIONS AND RISK

The Council is proposing to provide a subsidy of up to £12.3m to a commercial transport operator Plymouth Citybus Limited to secure the delivery of a project comprising:

- (a) The acquisition of a fleet of 50 zero emission double decker buses (the "ZEBs") which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and
- (b) The provision of related charging infrastructure to support the use of the ZEBs.

The project will reduce carbon emissions and improve air quality both directly, from the operation of the ZEBs; and indirectly from the electric buses displacing the current 33 Euro VI type diesel buses and 17 Euro V operating on the routes the ZEBs will operate, whilst, at least, maintaining the level of service enjoyed on the bus routes to be decarbonised.

The subsidy is financed from Department for Transport's ("DfT") Zero Emission Bus Regional Area (ZEBRA) 2 Fund (84%); and from the Council (6%) and Cornwall Council (10%) which are the relevant local transport authorities for Plymouth and the Rame Peninsula.

As per [Executive Decision L66 23/24](#) the financial contribution by Plymouth City Council, to the Project, and hence subsidy, is £750,000. This is a fixed financial contribution being paid from the Community Infrastructure Fund Levy.

The financial contribution by the Department for Transport is £10,342,976 and the contribution by Cornwall Council is £1,188,048. The Department for Transport and Cornwall Council's contributions are also fixed. Furthermore the DfT element includes £0.8m contingency funding, which will only be paid in the event of quantified project risks materialising. In the absence of such, the proposed subsidy award by the Council to Plymouth Citybus is limited to a maximum of £11.5m.

Payment of any part of the subsidy is subject to detailed financial requirements as set out in a legally binding Collaboration and Grant Agreement dated 3 September 2024, between the Council, Plymouth Citybus, Cornwall Council and Go Ahead Group (the parent company of Plymouth Citybus) and any payment will only be made after the expiration of the challenge period following publication of the proposed subsidy on the subsidy database, maintained by the Department for Business and Trade (DBT), in order to provide legal certainty that the subsidy cannot be challenged on subsidy control grounds.

6. TIMESCALES

Figure one sets out the ZEBRA 2 timeline, from bid submission to project delivery, including the subsidy control process.

Figure One: ZEBRA 2 timeline.

Deadline to submit application	4pm 15 December 2023
DfT reviews and makes funding decisions	March 2024
Funding for 23/24 financial year awarded to successful LTAs	By March 2024
Subsidy Control Process	September 2024 – December 2024
Order placed for Zero Emission Buses	By 31 January 2025
Funding for 24/25 financial year awarded to successful LTAs	By March 2025
All buses to come into service within 2 years of initial funding being awarded	By March 2026

7. RECOMMENDATIONS

It is recommended that the Service Director for Strategic Planning and Infrastructure:-

Approves the payment of a subsidy of up to £12.3m to Plymouth Citybus Limited to secure the delivery of the Plymouth ZEBRA 2 project comprising:

- The acquisition of a fleet of 50 zero emission double decker buses which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and;
- The provision of related charging infrastructure to support the use of the zero emission buses.