

Mr George Mair
 Director, CPT Scotland
 Confederation of Passenger Transport
 2 Walker Street
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Date:
 19 December 2018

Dear George

I would first like to thank you for working with us over the course of the year to develop and agree the revised Bus Service Operators Grant Low Carbon Vehicle (BSOG LCV) incentive. The revised incentive is intended to help to accelerate investment in low carbon buses and provide a clear message to the bus industry on the future direction of BSOG LCV policy. This letter confirms the detail of the new incentive scheme after setting out the budgetary context.

The recent Draft Budget includes an allocation of £57.2m for 2019-20 for ‘Support for Bus Services’ (Table 10.06).

This includes £3m of new capital grant funding for bus, which we look forward to working with you to develop. The £10m of financial transactions loan funding to support the greening of the bus fleet, previously included in 2018-19, has not been carried forward in 2019-20. A use for this loan funding in 2018/19 was not identified through discussions with CPT and bus operators. However, we remain open to discussion should suitable proposals for the use of loan finance emerge.

With regards to BSOG, the 2019/20 draft budget maintains funding at £53.5m, in line with the Government’s commitment to supporting bus services and the greening the Scottish fleet. **The core rate will be maintained at 14.4 pence/km**, continuing our support to the bus networks across Scotland. We are also maintaining the incentive rate for sustainable biodiesel at its present value.

The Low Carbon Vehicle (LCV) incentive rates will be as set out in the following table. The new bands and rates replace the current single 10.1 pence/km rate.

		ELIGIBILITY THRESHOLD		
BAND	RATE	LEB CERTIFICATION	ULEB CERTIFICATION	
A	LEB	5 pence/km	15%-35% saving vs Euro V	15%-29% saving vs Euro VI
B	ULEB	10 pence /km	36%-49% saving vs Euro V	30%+ saving vs Euro VI
	ULEB+	15 pence/km	36%-49% saving vs Euro V & 30km Zero Emission Range	30%+ saving vs Euro VI & 30km ZE range
C	EZEB	30 pence/km	50% GHG saving vs Euro V	30%+ saving vs Euro VI & 50km ZE range

LEB – Low Emission Bus
ULEB – Ultra Low Emission Bus
EZEB – Effectively Zero Emission Bus

The **entitlement period for the new BSOG LCV incentive will be five years** from the date of first claim.

The table sets out the threshold and certification requirements in terms of the % greenhouse gas saving over a standard diesel Euro V (under the LEB test) or Euro VI (under the ULEB test) to qualify for each band. The thresholds have been developed together with the Low Carbon Vehicle Partnership (LowCVP) and provide an equivalence between the two testing regimes.

Transitional arrangement

The transitional arrangement from the current scheme will be **time limited to five years. The rate applied will be the current 10.1p/km BSOG LCV rate.** As at 1 April 2019, buses that have already claimed five or more years as at 1 April 2019 will no longer be eligible. Buses yet to have made five years of claims will continue to be eligible until the five year limit is reached. The transitional payments will be based on 6 month periods of operation. Where the vehicle entered service between 1 April - 30 September, the grant will be paid for all kilometres operated up to 30 September. Where the vehicle entered service between 1st October – 31 March, the grant will be paid for all kilometres operated up to 31 March.

Review

A full review of BSOG LCV will be conducted in 2021-22 to assess its performance and as an opportunity to reflect on bus fleet development, emerging technologies, anticipated future trends and budget considerations. The overall BSOG budget will continue to be subject to annual budget monitoring.

Guidance and Claim Forms

The BSOG guidance documents and claim forms will be updated in advance of the new BSOG LCV being introduced. The guidance will be available on the Transport Scotland website.

Please address any queries regarding the change to me, at the contact details at the top of this letter.

Yours sincerely



Pete Grant
Team Leader
Bus Policy