This policy paper has been produced by the APPG for British Buses (which was previously named the APPG for Bus and Coach in the 2019-2024 Parliament). It is an update to the private paper submitted to the Department for Transport by the APPG in 2022, titled *‘Increasing UK content in zero emission bus orders’.* Much of the information from the 2022 report is still relevant in December 2024. *Note:* *The APPG did not receive a formal response to the 2022 paper from the previous Government.*

**Context**

“The race is on for the clean energy jobs of the future…. The economy of tomorrow –

And I don’t want to be in the middle of the pack… I want to get ahead of the game”.

Prime Minister, Sir Keir Starmer MP, speech at COP29, 12 November 2024

The UK bus manufacturing industry is a crucial part of our economy, and should be a key pillar in the Government’s strategy to create “the clean energy jobs of the future”.

* The three main bus manufacturers employ 4,000 people directly, supporting a further 13,000 jobs across the supply chain.
* There remain around 38,000 fossil-fuel powered buses on UK roads.
* Zero emission bus manufacturing and maintenance straddles several of the eight growth driving sectors identified in the Invest 2035 consultation (advanced manufacturing, clean energy industries, digital and technologies).

**Action to decarbonise the nation’s bus fleet therefore presents a major opportunity to create good jobs and support the UK’s bus manufacturers to scale-up production, drive down costs and export across the world**.

However, our domestic bus manufacturers face five core barriers to greater investment in the UK:

* Uneven playing field for UK bus manufacturers
* Changes to business taxes from the UK budget (NICs changes)
* Fair work policies act as barriers if only applicable to UK businesses
* Subsidy control barrier prevents ability to support domestic manufacturing
* Lack of clarity and planning regarding future UK demand for buses

This paper focuses on policy steps the new Government can take to ensure future funding support for zero emission buses gives greater, strategic focus on opportunities for UK job creation and manufacturing. The APPG intends to submit further papers to the Department for Transport focusing on the other barriers outlined above.

The APPG also welcomes the announcement of a UK Bus Manufacturing Expert Panel in October 2024 and is pleased to see UK leadership of bus manufacturing stated as a key focus area of the group.

**Summary of recommendations**

This report sets out three actionable steps for Government to take:

1. The Government should commit to multiyear contracts for UK bus manufacturers to drive UK manufacturing growth. This approach could create five-to-ten year contracts, where a contract is put in place for a significant period to reserve manufacturing capacity and give them the guarantee that within that period a certain number of units will be ordered. This supports certainty and enables bus manufacturers to plan for jobs, skills needs and supply chain in advance.
2. To encourage orders of UK-made buses, bus operators should be encouraged by Government to place a greater emphasis on social value and wider economic impact in evaluating tenders. In public procurement of buses, reform of current practices should recognise social values and community benefit through increased scoring and weighting in public tenders, to level the playing field and create fair competition. These measures should additionally be considered in all bus-related grants to ensure fairness in the industry and an obligation to ensure recycled investment in the UK.
3. The Department for Transport should collaborate with other Government departments to conduct a formal review of how other countries prioritise domestic content within existing legal frameworks and WTO rules. This should take the form of international partnerships with countries who prioritise domestic content within existing procurement rules, for the benefit of reforming UK policy.

**Scale: *Can our domestic bus manufacturers deliver the required volume of zero emission buses to decarbonise the network?***

In the last Parliament, the UK’s three bus manufacturers were consistently clear that they have the ability to build 4,000 zero emission buses and scale up further production capacity over future years.

The fact that only 2,270 zero emission buses were funded by the time of the election was not due to an inability of UK manufacturers to build enough vehicles.

The UK has a strong bus manufacturing capacity with Alexander Dennis and Wrightbus - who produce different types of zero emission buses. These manufacturers have informed the APPG that, providing there is a formally devised plan for scaling up manufacturing (which must also feature business support, procurement reform, recruitment, training and development of the wider domestic supply chain), they are confident they can deliver the numbers of zero emission buses the UK requires to meet its decarbonisation goals.

As was discussed during the Westminster Hall debate that took place the day before the 2024 General Election was called, political decisions will have a major contributing factor towards how many of the zero emission buses delivered during this Parliament are made by UK manufacturers.

For these reasons, **the APPG is calling for** **a new commitment to deliver UK-made zero emission buses within this Parliament to be reconfirmed by the Prime Minister and new Transport Secretary. The Government should commit to multiyear contracts for UK bus manufacturers to drive UK manufacturing growth, with an approach that creates five-to-10-year contracts where a contract is put in place for a significant period to reserve the capacity of the manufacturer and give them the guarantee that within that period a certain number of units will be ordered. This supports certainty and enables bus manufacturers to plan for jobs, skills needs and supply chain in advance.**

This scale-up plan should also involve Local Transport Authorities (LTAs), Mayoral Regions and bus operators to ensure supply of UK-made buses aligns with demand. However, whilst a comprehensive plan is important, this will not deliver to its full potential if there is not sufficient funding to enable UK orders. We are confident that most local authorities will want to buy British, but may feel they have to opt for foreign-made buses due to budget restrictions - but with a potentially higher lifetime cost.

**Creating jobs: *What would be the benefits for UK jobs and growth of focusing on UK manufacturers to deliver the majority of zero emission buses?***

The UK boasts a world-leading domestic bus manufacturing sector. This supports thousands of highly skilled jobs across all parts of the UK in future-proof green technology, engineering and advanced manufacturing.

Aligning the Government’s transport decarbonisation targets in collaboration with the UK bus manufacturers will enable these businesses to invest back into communities, create more jobs, upskill their employees and develop products that can also be exported overseas - contributing to UK economic growth.

Research by the Society of Motor Manufacturers and Traders (SMMT) shows that the vehicle manufacturing sector creates 3.25 additional local jobs for every job created directly – twice that of vehicle import or distribution roles (1.73). It is estimated that the UK’s main bus manufacturers support nearly 13,000 jobs in the wider supply chain. Combined with the over 4,000 people employed directly by the main bus manufacturers, this evidences the multiplier effect on jobs in all parts of the country.

In addition, domestic manufacturers reinvest considerably more of their annual turnover here in the UK (average 4% per annum) than typical importers (often c.0.3%), meaning their success is fed back into the domestic economy.

Placing orders with UK bus manufacturers is therefore the best way to maximise the economic benefit achieved by Government investment in zero emission buses. As a result, the APPG recommends that all future funding to support local authorities to procure zero emissions buses should be set at a level that ensures these vehicles can be made in the UK.

Looking ahead, upskilling UK personnel will help ensure the UK becomes a global leader in new battery and hydrogen technologies, and all related sectors of the zero emission ecosystems. There are roughly 3 million buses in use for public transport across the world - all of which will need to become zero emission over the coming years. This poses a question for the new ministers: *how many of these buses do we want to be made in the UK, providing the springboard for global export opportunities?*

“We can be the innovators and the implementers, helping ourselves and exporting our solutions worldwide. But if we choose to go slowly, others will provide the answers, and ultimately we’ll end up buying these solutions rather than selling them.”

Lord Sir Patrick Vallance, Labour’s 2024 General Election manifesto

Growth within UK bus manufacturers will help to attract young people into the sector. Average salaries across UK bus manufacturers are a minimum of 20% higher than vehicle import or distribution roles, and these jobs are highly skilled. They are essential to a diverse and adaptable workforce in communities across the UK, ensuring that traditional manufacturing skills are retained and updated for the challenges of the 21st century.

**Procurement: *What are the main limitations in the current procurement process, and what key changes would UK bus manufacturers suggest, whilst recognising the need to operate within the scope of the existing rules?***

The UK’s bus manufacturers told the inaugural meeting of the APPG for British Buses in November 2024 that they believe they are not operating on a level playing field with international competitors, many of whom receive significant government subsidies to support their profitability and hence their selling price.

The agreed view of the UK’s bus manufacturers is that there is minimal significance placed on social value within tenders, and that where it is mentioned, the scoring is very low. For example, in a recent ZEBRA tender example, social values were weighted at 1 - the lowest possible score (out of 7).

To encourage orders for UK-made buses, **bus operators should be encouraged by the Government to place a greater emphasis on social value and wider economic impact in evaluating tenders. In public procurement of buses, reform of current practices should recognise social values and community benefit through increased scoring and weighting in public tenders, to level the playing field and create fair competition. These measures should additionally be considered in all bus-related grants to ensure fairness in the industry and an obligation to ensure recycled investment in the UK.** The impact on the local community and the UK as a whole, in terms of jobs, upskilling, and employment rates, should be taken into consideration. R&D investment and patent generation should also score more highly during a tendering process.

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| **Learning from other countries: *What can the UK learn from procurement processes in other countries?***  **Australia:** The Australian Government (both at the national and regional levels) recognises and supports industry calls for a unified policy approach. Governments in Australia have adopted a common policy, known as the Australian Industry Participation (AIP) framework, the central aim of which is to provide for the full, fair, and reasonable opportunity for Australian industries to participate in significant public and private sector activity.  **North America:** Where government support or subsidy is involved, governments seek both local economic benefits combined with job retention and creation. Federal agencies have funding mechanisms in place to buy buses that support and recognise the importance of domestic economic benefit, jobs, supply chain and technology in procurement for buses through Canadian Content requirements and Buy America rules.  **Europe:** Manufacturers in Spain are asked to outline their total ‘aftersales’ footprint within the region. Heavy scoring is applied to the size of the team and capabilities, which favours manufacturers based in the country. German Procurement law that mandates 50% of content for Transport Projects must come from the EU or countries with a relevant FTA (which the UK qualifies).  **South Africa** and **Malaysia** both have national content rules for local procurement.  **The APPG requests that the Department for Transport should collaborate with other Government departments to conduct a formal review of how other countries prioritise domestic content within existing legal frameworks and WTO rules. This should take the form of international partnerships with countries who prioritise domestic content within existing procurement rules for the benefit of reforming UK policy.** |

**SUGGESTED NEXT STEPS**

The information included in this report, and the recommendations made by the APPG as a result, are presented to the DfT with a view to progressing a constructive, collaborative ‘joint endeavor’ to ensure the UK Government’s investment into zero emission buses creates as many UK jobs as possible.

We hope to progress this dialogue with the Government. As a first step, we request that the Bus Minister and his officials agree to meet with APPG for British Buses co-chairs, Alex Baker MP and Euan Stainbank MP, in the Department for Transport to discuss this report and its recommendations.

This meeting would be separate and in addition to an invitation that the APPG have extended to the Bus Minister to attend a public meeting of the APPG, in which representatives of the sponsors of the group (Alexander Dennis and Wrightbus) would be in attendance along with other industry figures and the wider APPG parliamentary membership.

1. The APPG proposes formalising this engagement by setting up a schedule of bi-annual meetings between DfT officials, manufacturers, and trade groups, in order to assess progress on UK-made zero emission buses. A commitment should be made for these meetings to continue up to 2030 to ensure momentum continues across the rest of the decade. This work would be taken in tandem to support the new UK Bus Manufacturing Expert Panel, so as to connect MPs on the APPG with the work ongoing in Government.
2. 2025 will mark five years since former Prime Minister Boris Johnson first pledged that the Government would invest in 4,000 British-built zero emission buses within the 2019-2024 Parliament. To mark this anniversary, the DfT should publish a statement to Parliament to formally set out its position on how it will support UK bus manufacturing, as well as its plans for zero-emission buses over the next five-to-ten years, by summer 2025.