

Bus Reform: Consultation and the GMCA Response

Decision-making

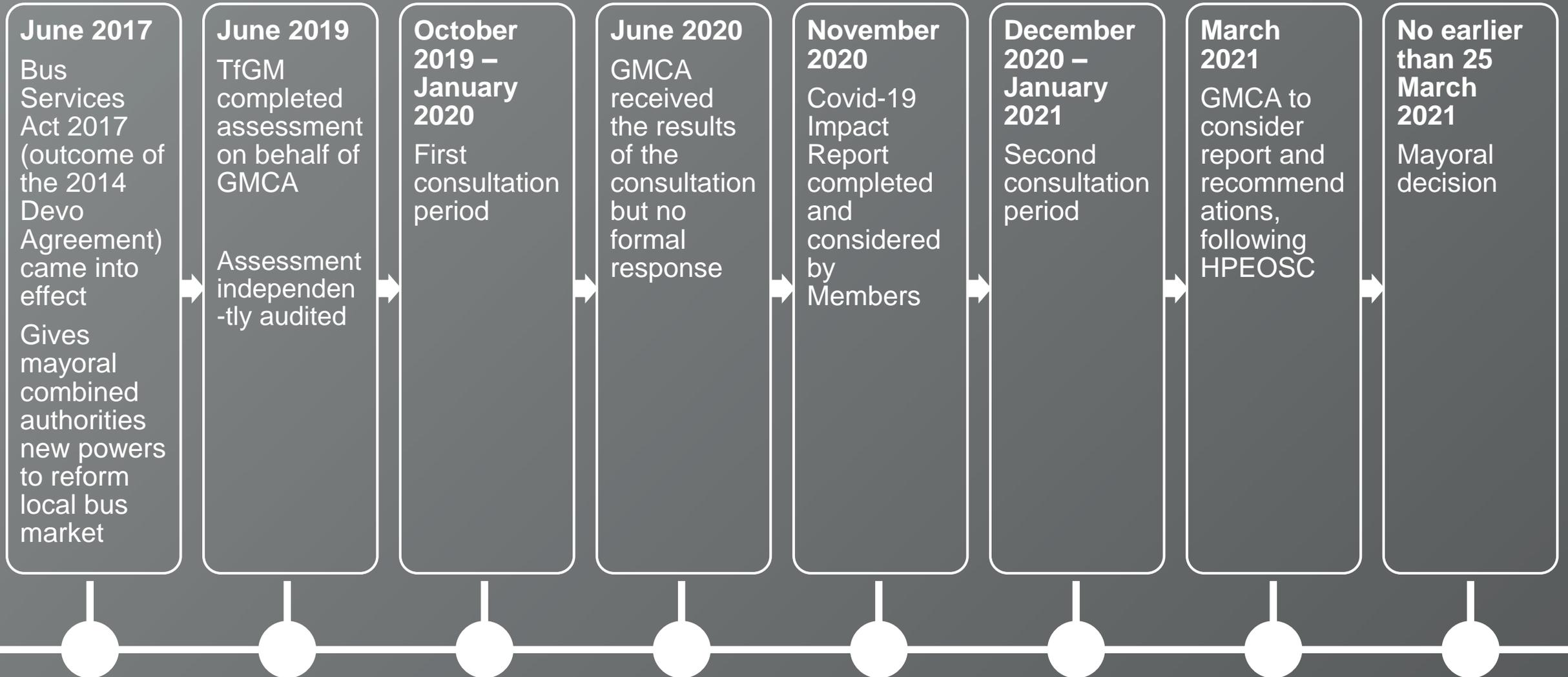
- Housing Planning and Environment Overview and Scrutiny Committee requested to note, comment on and make recommendations as appropriate
- These recommendations will be reported to an extraordinary meeting of GMCA on 23 March to consider whether to recommend the Proposed Franchising Scheme to the Mayor
- GMCA requested to consider outcome of consultation and decide whether to recommend to the Mayor to make the Scheme
- Mayor to decide whether to make Scheme at a later date and no earlier than 25 March

Content overview

The following slides provide an overview of the report to GMCA 'Bus Reform: Consultation and the GMCA Response' and related context, covering:

- Introduction and progress to date
- Background to the Assessment
- The strategic context and the case for change
- 2040 Transport Strategy: the Vision for Bus
- GMCA's proposals
- The Scheme and transition
- Consultation
- Conclusions
- Legal considerations
- Recommendations and next steps

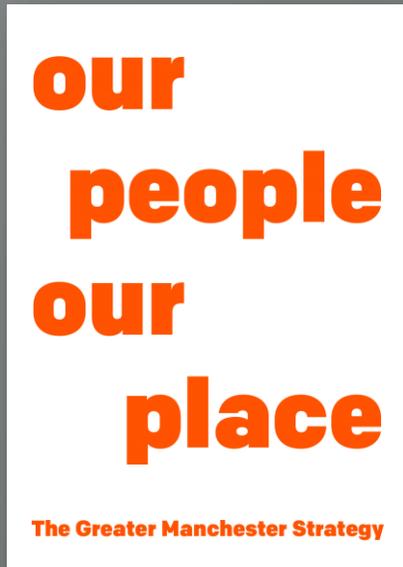
Intro and progress to date



Background to the Assessment

- Requirements of the Assessment as set out in the Bus Services Act
- Prescribed structure of the Assessment – five ‘Cases’
- The Proposed Franchising Scheme includes the area and services covered, and implementation (how/when)
- The Assessment looked at the implications of the following options:
 - Do Minimum
 - New partnership (Assessment considered two different partnership options which illustrated the range of potential outcomes that could be achieved)
 - The Proposed Franchising Scheme

The strategic context for the case for change



Greater
Manchester
Strategy



GM Transport
Strategy 2040



Our Network

2040 Transport Strategy: Vision for Bus



Greater Manchester's current bus services



Fares and ticketing are complex. There are more than 150 types of ticket.



There is no single brand or source of travel information.



Customer standards vary.



Bus companies decide which routes to run based on commercial reasons meaning some routes are well served and others less so.



Difficult to plan a network that meets the future needs of the city region.

GMCA's proposals

Services would be brought under local control. GMCA would coordinate both the bus network and investment, based on what passengers need, with operators contracted to run services.



Network: Better network planning and integration, with more scope to make changes.



Fares and ticketing: Simplified and integrated to provide consistency and improve multi modal travel.



Customer experience: Consistent standards, one 'brand', joined up travel information.



Value for money: For the public purse and investment, any surplus reinvested.

The Scheme and transition

- The Proposed Franchising Scheme includes the area and services covered, and how and when it would be implemented
- All buses operating in GM with a small number of exceptions, for example cross-boundary services, would be franchised
- Complex process – three-phased approach to make the transition as smooth as possible



Consultation

- Over 12.5k responses across 20 weeks of consultation – Proposed Franchising Scheme and potential impacts of Covid-19 on proposals
- Statutory consultees set out in the Act and wider public consultation
- Consultation methodology at appendix 8
- Of those who answered the question ‘to what extent do you support or oppose the introduction of the proposed franchising scheme’ or responded as part of an organised campaign:
 - 86% support for first consultation period and 82% for second consultation period
- Significant concerns and challenge about the proposals from some consultees, particularly incumbent bus operators



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MANCHESTER
COMBINED
AUTHORITY

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MANCHESTER
COMBINED
AUTHORITY

**Doing buses
differently**

Last year, we had more
than 8,500 responses to
our consultation on how
buses should be run



We've considered the
impact **Covid-19** may have
on our proposals and we
want to know what you think

**Have your say
on the future
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Conclusion: Scenarios

- Four scenarios used to consider Covid-19 impact – potential future travel demand in GM and what it could mean for GMCA’s proposals
- Illustrate a wide range of outcomes for transport and how people might travel in future. However, not all equally likely to happen
- Take into account two main factors:
 - The time that it takes for the Greater Manchester economy to recover and then grow further, and
 - The rate at which people choose to travel by public transport
- Considered a sound basis and reasonable approach

Conclusion: Strategic Case

- Assessment concluded that the Proposed Franchising Scheme would be the best option to deliver Greater Manchester's Vision for Bus
- No change to conclusion from Covid-19 Impact analysis
- Remains the only option to enable full benefit of an integrated transport system
- Also still offers more scope for introducing additional measures over time that would improve bus services
- And providing greater value for money when doing so than the partnership option

Conclusion: Economic Case

- Assessment concluded the Economic Case for investment and reform was strong – partnership and franchising options represented high value for money
- Additionally Proposed Franchising Scheme greater Net Present Value, more durable economic impacts and better platform for further investment compared to partnership
- Covid-19 impact analysis confirmed, on balance, net benefits of franchising for GM are still likely to be higher and more deliverable than other options, such as a partnership with bus operators, and so will provide value for money

Conclusion: Commercial Case

- Commercial Case looked at the options from a commercial perspective and assessed their viability
- No material change from the Assessment through Covid-19 impact analysis
- Therefore considered that the proposed commercial proposition remains appropriate

Conclusion: Financial Case

- The Financial Case for the Assessment included a range of credible funding sources totalling £134.5m which could be used to fund the costs associated with transitioning to the Proposed Franchising Scheme
- The Assessment concluded that the Proposed Franchising Scheme, including the transition phase, would be affordable and represent value for money for the public purse
- The Covid-19 Impact Report recognised that there is greater uncertainty over future bus patronage and related factors which could potentially reduce farebox revenues accruing to GMCA compared to those forecast in the Assessment
- As a result, the Covid-19 Report proposed locally controlled financial mitigations across network size, transition costs, concessionary reimbursement policy and further uncommitted local funding sources for the Proposed Franchising Scheme to remain affordable
- The Covid-19 Report confirmed the sources of funding which were included in GMCA's preferred funding strategy for the transition period, which total £134.5m, remain available; and
- Concluded that the Proposed Franchising Scheme remains affordable, provided that mitigation options were accepted

Proposed Franchising Scheme: funding and affordability

- Funding arrangements re-phased in line with a transition period up to 2025/26
- GMCA approved funding strategy in October 2019 (covered the transition to a fully franchised bus network across the whole of GM, including acquisition of assets such as depots and ticketing systems, as well as an allowance to manage risks)
- The proposed funding arrangements approved by GMCA in November 2020 and totalling £134.5m include
 - £78m of earn-back funding provided by central Govt as part of the devolution deal;
 - £11m from precept already raised in 2019/20 for the purposes of bus reform;
 - £5m of existing business rates pooling receipts held by GMCA;
 - £17.8m as a one-off contribution from local authorities;
 - £22.7m of Mayoral precept required from future years' budgets – although the Mayoral precept will remain frozen in 2021-22

Managing financial risk

- Proceeding with franchising would mean more financial responsibility and associated risks belonging to GMCA
- During the transition period, and beyond, GMCA would assume financial risk on the farebox (c£180m p.a. in total within GM pre-Covid-19)
- In the Covid-19 Impact Report's two 'central' scenarios, the reduction in farebox compared with the forecast in the Assessment would be c£82m-96m in the period to 2025/26 at which point the whole market would be fully franchised. Under the most optimistic scenario, farebox is similar to the Assessment (but assumes further government funding). Under the most pessimistic scenario (that assumes no further government funding), the farebox that would accrue to GMCA would reduce by c£292m in the period to 2025/26

Mitigations – financial risk

- If bus revenues and net revenues were lower than forecast in the Assessment, GMCA would need to consider further mitigations and/or funding sources
- These mitigation options build upon the Assessment, but the scale of any or all of the options may need to change. The proposed mitigation options included in the Covid-19 Impact Report are:
 - Paying concessionary reimbursement over the transition period based on actual usage as opposed to pre-Covid-19 levels
 - Reducing transition costs
 - Making reductions to the network
 - Using other uncommitted sources of funding available to GMCA

Management Case

- The Management Case set out how the Proposed Franchising Scheme and partnership would be implemented during transition and subsequently managed
- Risks and challenges resulting from the impact of Covid-19 when implementing and transitioning to any of the options recognised
- But no requirement to alter framework

Partnership

- Act required Assessment to compare the Proposed Franchising Scheme to one or more courses of action – two alternative options considered in detail
 - ‘Do minimum’ option, which effectively meant leaving the market as is
 - Partnership
- Assessment considered two different partnership options which illustrated the range of potential outcomes that could be achieved
- Having considered these options in the Assessment, it was concluded that the Proposed Franchising Scheme would be GMCA’s preferred option in terms of meeting the objectives for improving bus services in GM

Partnership cont.

- During the first consultation period, two substantive partnership proposals were put forward by OneBus and Stagecoach
- During the second consultation period, some of the operators stated their preference for a partnership; however OneBus and Stagecoach both confirmed previous proposals were no longer valid given the uncertainty caused by Covid-19
- A number of operators also proposed that a 'recovery partnership' should be considered – focused on short to medium term as the operators seek to stabilise the network and grow patronage

National Bus Strategy analysis (NBS)

- The NBS was published on 15 March and sets out Government's commitment to Bus, including continued support as the market recovers; the expectation is that to access funding LTAs will commit to exploring an Enhanced Partnership or Franchising by June 2021 and make schemes by April 2022.
- The NBS sets out a range of issues with the Bus Market that the Government considers needs to be overcome. There is generally strong alignment between the NBS and the analysis in the Strategic Case of the Assessment.
- The NBS also requires a Bus Service Improvement Plan to be put forward in October 2021. GM is well placed to develop a comprehensive plan given the work on bus reform and the 2040 delivery plan.
- Due to the commitment to ongoing funding, the NBS reduces the likelihood of TfGM's "downside scenarios" materialising when considering the value for money and affordability of the proposed franchising scheme.

National Bus Strategy analysis (NBS)

- The NBS may be said to increase the incentives for operators to agree to an EP that they had previously rejected but the overall conclusion of the Assessment was that despite extensive engagement, the level of ambition from operators for a partnership was low.
- Further delay would postpone the structural reform of the bus market in accordance with the GMCA's strategic policies which is required to best meet the challenges it faces and it would reduce the GMCA's ability to plan for the long term future of the bus market and the fullest recovery from the Covid-19 pandemic.
- It is still considered, therefore, that the disadvantages of further delay to a decision outweigh its possible advantages, whether in terms of further DfT guidance or from an offer of a new, longer-term partnership.

Conclusion: Audit

- The Assessment was independently audited as required by the Act – this was completed by Grant Thornton
- Its report concluded that information relied on in the Assessment was of sufficient quality, The information relied on in considering whether GMCA would be able to afford to as was the analysis of that information, and GMCA had due regard to the Act in preparing the Assessment
- Grant Thornton also reviewed the Covid-19 Impact Report to provide independent assurance on the approach taken by TfGM
- Considered a sound and appropriate approach

Legal considerations

- EqIA updated following review of consultation responses – no adverse impacts identified within the screening process
- Consideration of 'A1P1' – proposals justified in the context of public benefits and impacts on operators
- Assessment, Covid-19 impact analysis and consultation process robust and have met requirements of the legislation
- Claims for judicial review – awaiting update on next steps

Is now an appropriate time to make a decision on franchising

- Likely that GMCA will be required to invest further funding in the GM bus market – whether the Proposed Franchising Scheme is made or not
- Therefore considered that a decision about how buses are run should be made sooner rather than later
- Substantial support for taking a decision at the present time
- Conclusion remains that it is appropriate to make a decision on the Proposed Franchising Scheme now

Recommendations and next steps

- Housing Planning and Environment Overview and Scrutiny Committee requested to note, comment on and make recommendations as appropriate
- Comments/recommendations reported to GMCA
- Extraordinary meeting of GMCA on 23 March to consider whether to recommend the Proposed Franchising Scheme to the Mayor
- GMCA requested to consider outcome of consultation and decide whether to recommend to the Mayor to make the Scheme
- Mayor to decide whether to make Scheme at a later date and no earlier than 25 March

Overall conclusion

- In conclusion it is considered that when compared to the alternatives the Proposed Franchising Scheme is preferable
- That it would contribute to the implementation of GMCA's local transport plan policies made under the Act and other policies affecting local services that GMCA has adopted and published
- That the GMCA can make and operate the scheme
- That the proposed scheme represents value for money; and that the GMCA is likely to be able to secure that local services are operated under local service contracts
- Although it may have some detrimental effect on services entering Greater Manchester which GMCA would seek to mitigate as far as possible and is likely to interfere with enjoyment of their 'possessions' by bus operators it is nonetheless considered that on balance it is in the public interest to make the Proposed Franchising Scheme and that it should be progressed.