

Greater Manchester Combined Authority

Date: Friday 24th June 2022

Subject: Towards the Bee Network - Network Review, Market Renewal and Bus Service Improvement Plan

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Eamonn Boylan, Chief Executive Officer, GMCA & TfGM.

Purpose of Report

To update members on a planned public transport Network Review and Market Renewal (NRMR) programme of work and seek delegated approval for the submission of the Network Review to government. To update members on the draft Bus Service Improvement Plan (BSIP) which proposes to initially use those funds for bus fare reductions in response to the cost of living crisis, and to seek delegated approval for the submission of the BSIP to government.

Recommendations:

The GMCA is requested to:

1. Note the challenges and opportunities facing the public transport network and the conditions and details for the Market Renewal programme of work as set out in this report;
2. Note the development of a Network Review as a condition of recovery funding from the Department for Transport;
3. Delegate approval to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester, for the submission of the draft Network Review to the Department for Transport by 30th June;
4. Note the indicative award of £94.8m for the Bus Service Improvement Plan and the proposal to initially use these funds for bus fare reductions in response to the cost of living crisis;





5. Note the plan for lower bus fares via maximum £2 single fares (£1 for children), with a maximum £5 day ticket, from September subject to agreement with Government and bus operators;
6. Delegate approval to the Chief Executive Officer, GMCA & TfGM, in consultation with the Mayor of Greater Manchester, for the submission of the draft Bus Service Improvement Plan (BSIP) Delivery Plan to Department for Transport by 30th June; and
7. Ask for regular reports on the Network Review and Market Renewal programme to future meetings, including the medium term funding strategy.

Contact Officers

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Equalities Implications:

The Network Review and Market Renewal work aims to stabilise GMs public transport network after a period of uncertainty caused by covid-19, protect and improve GMs public transport offer, reduce carbon emissions and improve air quality. There is evidence that Black and Minority Ethnic GM residents disproportionately suffer the impacts of poor air quality. Increased use of public and active transport is proven to reduce obesity and other diseases related to inactivity in a population as well as improving mental health and promoting wellbeing.

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	G	
Health	G	
Resilience and Adaptation	G	
Housing	G	
Economy	G	
Mobility and Connectivity	G	
Carbon, Nature and Environment	G	
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
Further Assessment(s):	Equalities Impact Assessment and Carbon Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

Climate Change Impact Assessment and Mitigation Measures:

The plan will include an assessment of carbon emissions, current policies to reduce carbon emissions from transport and additional activities that will incentivise mode shift away from carbon intensive toward more sustainable forms of transport to help GM meet the goal of being carbon neutral by 2038.

Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport		
Roads, Parking and Vehicle Access		
Access to amenities		
Vehicle procurement	N/A	
Land Use		
Land use		
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.
	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

The strategic risk issues with the programme are financial and legal, which are covered below.

Legal Considerations

As above, the NRMR programme will bring together multiple workstreams with their own legal considerations and interdependencies. An assessment of these legal considerations will form part of the NRMR programme. Key legal considerations include:

- Ascertaining a legal mechanism to deliver a flat bus fare GM wide if the decision is made to use BSIP funding to introduce a flat fare ahead of the transition to franchising and the subsequent development of a suitable payment mechanism to reimburse existing operators for implementing the flat fare.
- New legislation may be required to introduce policies identified in the revised local transport policy framework and financial sustainability plan.

Financial Considerations – Revenue / Capital

Subject to agreement from Government on the draft BSIP Delivery Plan, GMCA can put a funding strategy in place for 2022/23 and into 2023/24, but then a medium to long term funding strategy will be required which will need to show how the existing financial

challenges can be managed. This strategy will need to explore how funding can be balanced between: i) management of the networks to drive up revenues and drive down costs; and ii) raising additional revenue support from Government and local sources. Development of a sustainable funding model for both Metrolink and bus will be a key part of a review of the proposed bus fare reductions to be undertaken in Summer 2023.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

National Bus Strategy – Bus Back Better, published by HMG on the 15 March 2021.

Greater Manchester’s Bus Service Improvement Plan, Report to GMCA, 29th October ‘21

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

No.

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

- We are required to produce a Draft Delivery Plan for BSIP, to be submitted to the Department for Transport by the end of June in order to finalise our BSIP allocation. The plan will show how relevant aspects of BSIP will be implemented as part of our franchising timetable.
- We are required to complete a network review on bus and Metrolink, to be submitted to the Department for Transport by the end of July as a term and condition of receiving recovery funding through the Local Transport Fund (LTF).

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1 Introduction and Background

- 1.1 Over the next three years, significant investment in Greater Manchester will dramatically improve the public transport offer. GM's move to bus franchising provides the mechanism to deliver transformational change. This all builds towards delivering the Bee Network, an integrated 'London-style' transport system, which will transform the way people travel across the city region.
- 1.2 Building on the locally funded programme to transition to franchising, much of the investment supporting this transformation will come from government funds, including the City Region Sustainable Transport Settlement (CRSTS) and Bus Service Improvement Plans (BSIP). At the same time, Greater Manchester is facing uncertain passenger numbers and economic forecasts as the city region recovers from the pandemic. Since March 2020, Greater Manchester's public transport network has been supported by emergency funding provision which Government has confirmed will expire in October 2022.
- 1.3 This paper presents:
- How GMCA is addressing these challenges and opportunities as part of an integrated Network Review and Market Renewal programme;
 - An update on the development of the review of the public transport network which is a condition of the government recovery funding and the submission to Government; and
 - An update on the development of the Bus Service Improvement Plan, including the proposal to initially use those funds to reduce fares in response to the cost of living crisis, and the submission of the draft Delivery Plan to Government.

2 Network Review and Market Renewal

Impact of Covid-19

- 2.1 Public transport demand in GM is still well below pre-pandemic levels.
- 2.2 During the pandemic, Metrolink service levels were reduced by up to 20%. Metrolink patronage and revenue has recovered to approximately two thirds of

pre-C19 levels but have plateaued in recent months at c65% and, after allowing for the £20.5m Local Transport Fund grant made available for light rail for the period to 4 October 2022, there is still expected to be a funding gap in FY 22/23 of c. £16 million (net of the available funding of £20.5 million). This deficit, including amounts to repay historic borrowing costs, is forecast to increase in future years, as, whilst patronage is projected to increase to c80% of pre-C19 levels, inflation driven cost increases, on both contract fees and energy costs, are expected to largely offset additional revenues and the government funding is due to end.

- 2.3 Similarly, bus mileage reduced to approximately 80% of pre C19 levels (lower during lockdowns) but has now recovered to approximately 90% of pre C19 levels due to Government recovery grants and maintaining local funding of concession payments at pre C19 levels. Through the pandemic bus patronage has been more resilient than Metrolink due to the greater use by 'blue collar' workers who have less of an opportunity to work from home and with schools and colleges remaining open. Bus patronage bottomed out at 40% below pre C19 levels, and in GM has recovered to approx. 80% of pre C19 levels, but like Metrolink, is also showing signs of plateauing.
- 2.4 Government has confirmed that ongoing emergency support to make up for the shortfall in farebox demand will expire in early October 2022 and the demand gap will not be resolved by this deadline. This risks significant service withdrawals at the expense of social inclusion and levelling up outcomes. It also risks bus market decline during franchise transition; and the potential failure of the existing Metrolink funding model.
- 2.5 In addition, costs are increasing significantly due to inflationary pressures and rising energy prices, meaning revenue would need to exceed pre-covid targets to reach a break-even position. Failure to address these challenges would put the delivery of the Bee Network at risk.

Network Review and Market Renewal (NRMR) Programme

- 2.6 To overcome these challenges and prepare GM's public transport network for the delivery of the Bee Network, GMCA will undertake a programme of work focused on Network Review and Market Renewal (NRMR).

- 2.7 The aim of the programme is to navigate and move past the current shortfalls in demand, to plan for and promote a growth path for public transport in Greater Manchester to 2025 and provide the basis for further growth through franchise operation thereafter.
- 2.8 To deliver efficiencies and ensure consistency, the NRMR programme will bring together ongoing activity, including BSIP and CRSTS. This will ensure we can deliver the Bee Network and its vision, promoting a clear pathway to GM's ambition to become carbon neutral by 2038 by providing excellent public transport and active travel choices for all, promoting sustainable travel behavioural change through integrated spatial, digital and transport planning; and supports the electrification of vehicles and public transport fleets.
- 2.9 This will include activity relating to:
- the recovery funding provided to GMCA via DfT's Local Transport Fund, including the completion of a Network Review by the end of June that is a condition of this funding;
 - the development of the Bus Service Improvement Plan (BSIP), including the submission of the draft Delivery Plan to DfT by the end June; and
 - the finalisation of the City Region Sustainable Transport Settlement (CRSTS) scheme list (which is covered in a separate paper elsewhere on the agenda for this meeting).
- 2.10 We will produce a three-year integrated plan to promote a growth path for public transport in GM through to 2025 and beyond, which will provide the basis for further growth through franchise operation thereafter and ensuring successful realisation of the Bee Network vision.
- 2.11 The NRMR programme will establish one integrated, insight-led network plan and work programme across TfGM and its partners to prepare for the Bee Network, focussed on optimising GM levelling up and decarbonisation benefits, whilst meeting the Government value for money challenges.
- 2.12 The NRMR will include a review of our local transport policy framework, consideration of wider measures to encourage public transport market renewal and exploration of opportunities for local revenue raising to establish financial

sustainability. Key considerations of this review will be alignment with Bee Network values, potential for market renewal, decarbonisation and tackling air pollution.

- 2.13 Marketing and promotional activity to support the public transport renewal towards stability through franchise transition will include an immediate boost to awareness and engagement of existing infrastructure, products and services, e.g. enhanced ways to pay messaging for Metrolink, and a targeted bus campaign being developed with Operators for launch in July through to September. This will be followed by an integrated 12-month, multi-modal campaign run from September, one year out from franchising. The programme will inform new market growth targets, so as to ensure that the outcomes towards of sustainable forward public transport system are secured.

3 Network Review

- 3.1 DfT have made grants for recovery funding for 2022/23 covering the six-month period up to 4th October 2022 for both bus and Metrolink. On bus, GMCA have received c£3m to support tendered services via the Local Transport Fund (LTF), and TfGM estimates that GM operators have received c£9m for commercial services via the Bus Recovery Grant (BRG). The total c.£12m for six months compares to an annual estimated requirement of c£30m. GMCA have also received £20.5m of LTF covering the period to 4th October for Metrolink. That compares to an estimated annual funding shortfall in 2022/23 of c£36m that includes the estimated net revenue shortfall, including: the estimated funding required to repay legacy borrowings; and the significant impacts of increased utility and operating costs. A condition of both allocations of LTF funding is that GMCA, in partnership with operators, will undertake and submit to DfT a Network Review that looks to review services provision to develop plans for medium term sustainability by 1st July.
- 3.2 The Network Review is being undertaken in the following market conditions. Whilst the core, primary parts of the bus network (e.g. main arterial routes) are generally not under threat of deregistration by commercial operators, secondary services, which are typically less frequent commercial services, have been

identified as 'at risk' by bus operators due to falling revenues and rising costs. A third category of service, those that run on an infrequent (usually hourly) basis to ensure a minimum level of accessibility for inclusion purposes, have a significant proportion of their funding from the GMCA tendered services budget.

3.3 Our most recent analysis suggests that the funding required to stabilise the bus network will be in the range of up to c£30-£35 million pa, with that amount being part funded in FY 2022/23 by the c£12 million grant additional noted in paragraph 3.1 above.

3.4 The ongoing Network Review process has undertaken the following steps:

- i. Agreement of the scope of the review, for which in GM includes Metrolink but has excluded school bus services;
- ii. Information exchange with bus operators on the current and future prospects for the local GM networks;
- iii. Dialogue for operators on mitigation plans to avoid significant deregistrations; and
- iv. Development of future plans, including joint marketing plans and short term use of Local Transport Fund and Bus Recovery Grant monies and links to the Bus Service Improvement Plan.

3.5 For Metrolink, GMCA has sufficient reserves available to 'cashflow' Metrolink to fund reductions in net revenues in 2022/23 if revenues do not fully recover and sufficient cost reductions cannot be achieved. It is recommended that provision is made for this to continue, if necessary, in 2023/24. As part of the ongoing Network Review and Market Renewal (NRMR) programme, GMCA will need to devise a strategy for Metrolink to cover its operating, renewals and financing costs in the medium to long term, including repaying the reserves used for this purpose.

3.6 The initial Network Review process is set to conclude at the end of June and an initial submission made to DfT by 1st July. This initial Network Review submission will develop draft recommendations for the level of bus service to be supported in GM and the likely funding required. It is expected that in the short term funding would need to come from a mix of BSIP and local sources,

and will need to be agreed between GMCA and government alongside discussions on the draft BSIP Delivery Plan (as set out in the next section).

4 Bus Service Improvement Plan (BSIP) Delivery Plan

Background

4.1 The initial GM BSIP submission¹ was made in October 2021 and included ambitious asks for circa £300 million of revenue funding and £600 million of capital funding over three years from 2022/23 to 2024/25. The £300 million of revenue funding included funding to:

- 'stabilise' the bus network;
- enhance bus services;
- introduce reduced bus fares, including (at the time) £1.55 single fares for adults and 80p fares for children;
- support the operating costs of the ticketing and customer information systems that were included in the capital costs; and
- provide Travel Safe Partnership support to improve customer safety.

4.2 GM and other Mayoral Combined Authorities were subsequently advised that:

- their BSIP allocations would be revenue funding only, and that any capital elements should be funded out of the CRSTS allocation; and
- stabilisation funding would be provided via a separate source and that the BSIP funding should be applied to 'transformational' interventions in the bus market rather than for stabilising bus (or indeed the Metrolink) network.

4.3 On 4th April, the Secretary of State for Transport awarded GMCA an indicative BSIP allocation of £94.8m revenue funding, conditional on GM and DfT agreeing a Delivery Plan would need to be submitted by 30th June. In being

¹ <https://tfgm.com/corporate/bus-service-improvement-plan>

awarded indicative BSIP funding, GMCA was one of only 31 authorities to receive an allocation out over 80 bids.

4.4 The letter from the Secretary of State set out that HMG's priorities for BSIP were fare reductions to improve passenger affordability and for additional bus priority (funded from CRSTS) to help improve bus performance and hence derive patronage and revenues and also to reduce bus service operating costs.

4.5 In subsequent discussions with HMG regarding GM's revised ideas for BSIP, officers have responded by repeating the issues set out in the 4th April Secretary of State letter and have raised the following points:

- HMG have challenged whether the GM plans include enough focus on bus priority² as a way of recovering and growing demand to support medium term sustainability by both increasing revenues and reducing operating costs;
- HMG have also challenged whether GM could bring forward the proposed fares reductions in advance of the introduction of franchising, via the use of an Enhanced Partnership or by making use of existing powers; and
- DfT officials have stressed that there is no further BSIP funding to support any revised GM proposals (such as bringing fares reductions forward), which has been confirmed by the Transport Minister in a roundtable discussion with political leaders of the winning authorities.

Draft BSIP Delivery Plan Proposals

4.6 Local and national leaders feel the need to act to help mitigate the cost of living crisis. Therefore, a BSIP proposal has been developed to deliver fares reductions as soon as possible, which will be 15 months earlier than were previously anticipated in the October 2021 BSIP submission. The proposal, conditional on agreeing arrangements with operators and funding with government, would see maximum £2 singles fares (maximum £1 for children)

² A paper on the revised CRSTS programme is also on the GMCA agenda for 14th June.

introduced GM wide, with a maximum £5 day ticket, on an initial one-year basis.

- 4.7 To introduce these fares proposals in advance of franchising, GMCA will have to enter into arrangements³ with local bus operators to develop the compensation mechanism in such a way that:
- GMCA can make a rational decision, defined as having information of sufficient quality to assure itself that the scheme delivers on objectives in a way that is affordability and value for money; and
 - a 'no better no worse' outcome is achieved for operators.
- 4.8 With franchising, GMCA will bear the long term impact on revenue of these proposals, unlike other transport authorities outside London, and so without the commitment for further funding from Government in place, combined with an agreed local funding strategy, GMCA are not in a position to commit to this proposal in full at the present time.
- 4.9 Therefore, it is proposed that these proposals are introduced on an initial one-year basis, from September 2022 to August 2023, with a commitment to review the delivery by summer 2023. The review, which would require information from operators, would determine whether the policy is achieving its objectives and whether it would be affordable to GMCA to continue to hold the fares at these levels. The period to summer 2023 would allow GMCA to better understand and hence forecast both the ongoing costs of operating the network and future demand and revenue.
- 4.10 It is proposed that the one-year bus fares reduction is funded from the GMCA BSIP allocation, subject to agreement with Government, and an indicative budget of up to £25 million out of the £94.8 million has been estimated.

Ongoing Funding Uncertainty

- 4.11 The key uncertainty in the BSIP proposal is the scale and pace of the patronage and, therefore, revenue recovery on the Metrolink and bus networks,

³ Note that the maximum £1 child fare element of the proposal could be introduced via the existing concession scheme.

and hence how long additional revenue funding will be required to support affordable fares and the level of services that can be operated.

4.11 Subject to agreement with Government on the draft BSIP Delivery Plan, GMCA can put a funding strategy in place for 2022/23 and into 2023/24, but then a medium to long term funding strategy will be required which will need to show how the financial challenges can be managed. This strategy will need to explore how funding can be balanced between: i) management of the networks to drive up revenues and drive down costs; and ii) raising additional revenue support from Government and local sources. Development of a sustainable funding model for both Metrolink and bus will be a key part of a review of the proposed bus fare reductions to be undertaken in Summer 2023.

5 Recommendations

5.1 See front of paper.