

Greater Manchester Combined Authority

Date: Friday 16th December 2022

Subject: Delivering the Bee Network: Weekly Bus Fares

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

Purpose of Report

This report requests GMCA to approve the proposal, and delegate authority to the Chief Executive Officer, GMCA & TfGM, to cap weekly bus fares.

Recommendations:

GMCA is requested to:

1. Delegate authority to the Chief Executive Officer, GMCA & TfGM to cap weekly bus fares in Greater Manchester at £21 for adults and £10.50 for children from January 2023, subject to agreement with bus operators and Greater Manchester Travelcards Limited (GMTL).
2. Note that the development of a sustainable funding model will be a key part of the annual review of the existing and proposed bus fare caps, to be undertaken in Summer 2023.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion	G		
Health	G		
Resilience and Adaptation			
Housing			
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	
<div></div> Positive impacts overall, whether long or short term.	<div></div> Mix of positive and negative impacts. Trade-offs to consider.	<div></div> Mostly negative, with at least one positive aspect. Trade-offs to consider.	<div></div> Negative impacts overall.

The Bee Network is a critical enabler of Greater Manchester's Net Zero ambitions; a truly integrated transport network across active travel and public transport will provide excellent public transport and active travel choices for all, promoting sustainable travel behavioural change through integrated spatial, digital and transport planning; and supporting the electrification of vehicles and public transport fleets.

Risk Management

There is a risk that agreement will not be reached with GMTL for the use of their ticketing product to fulfil this initiative, however given the use of their day ticket under the current arrangements, this is considered to be a risk that can be managed.

There is a risk that 'shadow fare' increases are higher than forecast if inflation is higher than forecast levels. The forecast costs include risk allowances in this regard.

Legal Considerations

The proposals for setting capped fares are, in legal terms, a general rule specifying a maximum tariff, pursuant to Article 3(2) of Regulation 1370/2007 EU (as now incorporated into UK law). This allows for an authority to specify a general rule public service obligation arrangement that specifies a maximum tariff for a class of person (or all persons) travelling on services in an area. In doing so, the requirement is that operators who are subject to that requirement are compensated for the net financial effects (positive or negative) on

costs incurred and revenues generated in complying with the tariff obligation to prevent over-compensation.

This obligation already applies in respect of the concessionary travel schemes that the GMCA already have in place, which seek to achieve a no better no worse outcome as a result of the scheme. The Capped Fare Scheme (the Scheme), which was published on 4th September 2022, is drafted based upon the principles already applied to concessionary travel. The Scheme complies with the requirements of Regulation 1370/2007 and therefore deals with competition and subsidy control issues, as well as avoiding procurement issues.

The introduction of a weekly fare cap will require a variation to the Scheme, notice of which will need to be sent to operators in December, in accordance with the terms of the Scheme and the requirements of the Transport Act 1985. The notification will be 'subject to receiving full approval from the GMCA'. The approach carries an element of risk, but this has been assessed against the perceived benefits of the introduction of the weekly fare cap in January 2023.

Financial Considerations – Revenue

Refer to section 3 of the report

Financial Considerations – Capital

N/A

Number of attachments to the report: None

Comments/recommendations from Overview & Scrutiny Committee

This paper will be considered by the GMCA Overview and Scrutiny Committee on Wednesday 14th December. Any comments or recommendations will be reported verbally by the Chair of GMCA Overview & Scrutiny at the Combined Authority meeting on 16th December.

Background Papers

GMCA Report - Towards the Bee Network - Network Review, Market Renewal and Bus Service Improvement Plan, 24th June 2022

GMCA Report - Delivering the Bee Network: Bus Fares, Zero Emission Buses, Bus Depots and CRSTS, 29th July 2022

Tracking/ Process

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

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?

No.

GM Transport Committee

N/A

1. Introduction

- 1.1. The Bee Network is Greater Manchester's vision for an integrated 'London-style' transport system, which will change the way people travel across the city region. This report provides a further update on progress made towards delivering the vision.
- 1.2. At its meeting in June 2022, GMCA noted the proposal to use BSIP funds to reduce bus fare in response to the cost-of-living crisis.
- 1.3. At its meeting on 29th July 2022, GMCA delegated authority to the CEO, GMCA & TfGM, in consultation with the GM Mayor, to allocate BSIP funding to reduce bus fares to a capped £2 single fare (£1 for children), and a capped £5 day ticket (£2.50 for children), from early September 2022, for an initial 12 month period, subject to agreement with Government through the BSIP Delivery Plan; and commercial agreement with local bus operators.
- 1.4. Following agreement with local bus operators and the Department for Transport, on 4th September 2022 the Scheme was published and reduced fares for singles and day tickets were introduced across GM, on an initial one-year basis.
- 1.5. In the first three months of the Scheme, uptake of the capped single and daily fares has been significant, which has been driven by both switching from more expensive products, and also by additional trip generation. The net result is that existing bus users are making savings on the cost of their bus travel whilst also attracting more occasional users to bus.

2. Weekly Fares Proposal

- 2.1. Following the launch of the capped single and day fares offer, and the response to initial feedback of the scheme, and as noted at the GMCA meeting on 28th Oct 2022, TfGM has been exploring an extension of the fares cap to other ticket types such as weekly tickets.
- 2.2. The objectives of the capped fares scheme are:
 - To support bus users through the cost-of-living crisis by reducing the cost of bus travel; and
 - To grow bus patronage (and hence revenue) as part of the Market Renewal work which is seeking to ensure the sustainability of the bus market over the medium term.

- 2.3. As with the initial Scheme, any such extension of the fares offer in advance of franchising has to be developed with the local bus operators as a revision to 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 affordable and represents value for money; and
 - achieves a 'no better no worse' outcome for operators and complies with the requirements of the regulations.
- 2.4. Although the Scheme is a voluntary scheme, the provisions of the Scheme require TfGM to give operators 28 days' notice of any variation to the Scheme, to allow operators the opportunity to respond and confirm whether they wish to continue to participate in the Scheme as a result of the variation.
- 2.5. In order to expedite implementation, the notification to the bus operators will be clear that it is TfGM's intention to vary the scheme (to incorporate the cap on weekly all-operator fares) following the expiry of the 28 days, "subject to receiving full approval" from the GMCA. The draft of the Scheme, when issued, will be in its 'final form variation' and will not be subject to further amendments.
- 2.6. Dialogue has commenced with Greater Manchester Travelcards Limited (GMTL), who control and promote the all-operator tickets, in order to ensure that they are aware of the intention to vary the scheme in January 2023.
- 2.7. Subject to agreement with GMTL, and their bus operator members and shareholders, the extension of the fares cap would, from January 2023, include a weekly cap of £21 for adults and £10.50 for children.
- 2.8. That would mean that, within Greater Manchester, ticket prices will be capped, such that single journeys on any local bus will cost no more than £2 for adults and £1 for children; day tickets will cost no more than £5 for adults and £2.50 for children; and weekly tickets will be capped at £21 for adults and £10.50 for children.

3. Costs and Funding

- 3.1. The capped single and day fares were funded from a £68 million allocation from Greater Manchester's total BSIP allocation of £94.8 million. These costs will be

kept under continuous review, including as part of the agreed annual review referenced below.

- 3.2. The extension of the scheme to include capped weekly fares is forecast to cost in the region of £10.5 million in the period from January 2023 to March 2025. The currently forecast phasing of the expenditure is set out below

2022/23 £0.5m

2023/24 £2.0m

2024/25 £8.0m

- 3.3. To the extent that the cost of the weekly cap is not covered by further Government funding; and / or the £68 million of BSIP funding cannot also accommodate the costs of the capped weekly fares, the extension could, subject to the agreed annual review, and the agreement of GMCA, be funded from a combination of Reserves that are specifically allocated for Bus, including the Concessionary Fares Reserve.
- 3.4. The extension to include weekly fares, would take effect from January 2023 and would be subject to the same review process, in Summer 2023, as for the initial capped fares. The review will determine whether the policy is achieving its objectives (as set out above) and whether it would be affordable for GMCA to continue to hold the fares at these levels. The period to Summer 2023 will allow GMCA / TfGM to better understand and hence forecast both the ongoing costs of operating the network and future demand and revenue.

4. Recommendations

- 4.1. See front sheet for recommendations.