GMCA GREATER MANCHESTER COMBINED AUTHORITY

Bus Franchising in Greater Manchester Assessment

September 2019

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Glossary of abbreviations

Abbreviation	
AGMA	The Association of Greater Manchester Authorities
AGS	(Greater Manchester) Accelerated Growth Scenario
AQPS	Advanced Quality Partnership Scheme
ATS	Advanced Ticketing Machine
AVL	Automatic Vehicle Location
BAU	Business as Usual
BCR	Benefits Cost Ratio
BSOG	Bus Service Operators Grant
CAZ	Clean Air Zone
CBA	Cost Benefit Analysis
CC	Competition Commission
CEBR	Centre for Economics and Business Research
CMA	Competition and Markets Authority
CPC	(Driver) Certificate of Professional Competence
CPO	Compulsory Purchase Order
CRM	Customer Relationship Management
CROPT	Crime Reduction on Public Transport
Defra	The Department for Environment, Food & Rural Affairs
DfT	The Department for Transport
DRT	Demand Responsive Transport
DRM	Demand and Revenue Model
EBIT	Earnings Before Interest and Taxes
ENCTS	English National Concessionary Travel Scheme
EoI	Expression of Interest
EP	Enhanced Partnership
EPP	Enhanced Partnership Plan
EPS	Enhanced Partnership Scheme
ETM	Electronic Ticket Machine
FE	Further Education
GDP	Gross Domestic Product
GJT	Generalised Journey Time
GMBOA	Greater Manchester Bus Operators Association
GMCA	Greater Manchester Combined Authority
GM LEP	Greater Manchester Local Enterprise Partnership
GMPTM	Greater Manchester Public Transport Model
GMS	Greater Manchester Strategy
GMSF	Greater Manchester Spatial Framework
GMSM	Greater Manchester SATURN model
GMTF	Greater Manchester Transport Fund
GVA	Gross Value Added
ITN	Invitation to Negotiate
ITS	Intelligent Transport System(s)
KPIs	Key Performance Indicators
LAs	Local Authorities
LSTF	Local Sustainable Transport Fund

LSM	Leigh-Salford-Manchester
MaaS	Mobility as a Service
NECA	North East Combined Authority
NPV	Net Present Value
OB	Optimism Bias
OBC	Outline Business Case
OPTIS	Optimised Public Transport Integrated System
P&M	Plant and Machinery
PMS	Programme Management Services
PQQ	Pre-qualification Questionnaire
PTE	Passenger Transport Executive
PRMS	Punctuality and Reliability Monitoring System
PVB	Present Value of Benefits
PVC	Present Value of Costs
PVR	Peak Vehicle Requirement
PWLB	Public Works Loan Board
QA	Qualifying Agreement
QRA	Quantified Risk Assessment
ROCE	Return on Capital Employed
RTPI	Real-Time Passenger Information
RV	Residual Value
SDLT	Stamp Duty Land Tax
SME	Small or Medium Enterprise
SPV	Special Purpose Vehicle
SRO	Senior Responsible Owner
TCA	Travel Concession Authority
TfGM	Transport for Greater Manchester
TfL	Transport for London
TfN	Transport for the North
TLP	Traffic Light Priority
UCR	Utilities Contract Regulations
ULEZ	Ultra-Low Emissions Zone
UTC	Urban Traffic Control
VKT	Vehicle Kilometres Travelled
VPA	Voluntary Partnership Agreement
WACC	Weighted Average Cost of Capital
WEI	Wider Economic Impact

Introduction

1.1 The Purpose of this Assessment

1.1.1 This assessment has been prepared by Transport for Greater Manchester ("TfGM") on behalf of Greater Manchester Combined Authority ("GMCA") in accordance with section 123B of the Transport Act 2000 ("the 2000 Act") having had regard to relevant statutory guidance issued by the Secretary of State: The Bus Services Act 2017 - Franchising Scheme Guidance (March 2018) (the "Guidance").

1.1.2 On 30 June 2017, the GMCA decided to prepare an assessment of a proposed bus Franchising Scheme in accordance with the 2000 Act (as amended by the Bus Services Act 2017 ("the 2017 Act")). Bus franchising would allow the GMCA to replace the current deregulated provision of local bus services with a system where it would specify which local bus services would be provided, and operators would then bid to run those services on its behalf – akin to the system currently operated by Transport for London in London.

1.1.3 This assessment has been prepared by TfGM on behalf of the GMCA and sets out the appropriate functions the GMCA could have and exercise as a franchising authority.

1.1.4 The assessment describes the proposed scheme, considers what effects it is likely to produce and compares that scheme against alternative options for reforming the current bus market. In doing so it considers a number of matters specifically mentioned in the Act and the Guidance.

1.1.5 References are made to EU law in the Assessment. It is assumed in these instances that if there is a UK exit from the EU, then these provisions will remain in UK law as part of UK legislation.

1.2 How the Assessment Works

1.2.1 As recommended in section 123B of the 2000 Act and the Guidance, the assessment takes the form of a five-case business case, similar to those used to assess public spending proposals. Whilst the introduction of a Franchising Scheme would be a change in the way a market operates, and does not include spending on a piece of transport infrastructure such as a new tram line, this allows different aspects of the proposed scheme to be examined. The Assessment thus includes:

i. The Strategic Case for making a change to the bus market, examining what role it plays with in the Greater Manchester transport system, how it is performing and how this fits with the GMCA's objectives for

Greater Manchester. This will produce some objectives for improving the bus network and some options, including franchising, for achieving those objectives.

ii. An Economic Case which will compare the benefits and costs of the options. This case will present the results of a modelling exercise that compares what could happen to bus patronage and revenue without intervention to what the different interventions will be able to achieve. This means that different benefits are 'monetised', so that a comparison can be made in terms of equivalent costs and benefits. It will also present the impacts of the scheme on different groups – such as passengers, bus operators, wider society and GMCA.

iii. The Commercial Case which will look at how the different options will be procured and the key commercial considerations for each. For the Franchising Scheme this will set out how the franchise system would work and how private firms could compete to offer services under a 'Franchising Scheme'. This involves the award of contracts to deliver a set of bus services for a period of time, and the Commercial Case will set out the proposed length and structure of these contracts, as well as how they treat important assets, such as bus depots and the buses themselves.

iv. The Financial Case which will present projections of the cost of the different options into the future and assess the affordability of those options to the GMCA. It will take into account all of the relevant costs, including transition costs, and the sources of income (including revenues for the Franchising Scheme) that will allow these costs to be paid.

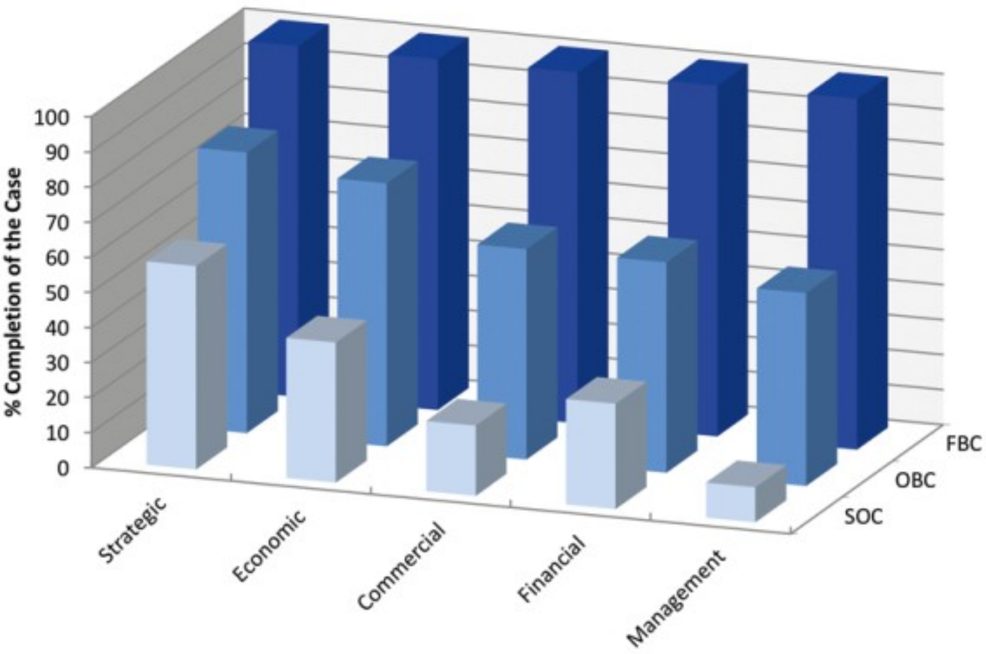
v. The Management Case will look at how the different options could be put into effect. It will set out how GMCA would manage the necessary arrangements for the options, including the people and systems that would be necessary. This also includes what organisational changes may be required within TfGM, on the assumption that TfGM would be instructed by the GMCA to deal with the implementation to any of the different options. It will also set out how risks would be managed, including the risks of transition – a particular issue for the Franchising Scheme, as it would be a significant change of how the bus market currently works in Greater Manchester.

1.2.2 The assessment concludes with a summary of the options that considers the extent to which the different options, including the Franchising Scheme, are likely to help achieve the objectives set out in the Strategic Case, the impacts on different groups in society set out in the Economic Case and other relevant conclusions to be drawn from the assessment and then makes a recommendation.

1.3 The Level of Detail in the Assessment

1.3.1 The Guidance recommends that the assessment should be carried out to a level of detail that is equivalent to that in an 'Outline Business Case' or ("OBC"). The treasury guidance on producing five-case business cases sets out the different stages and expectations at each stage. This guidance is designed for a wide variety of business cases across all areas of government spending and therefore requires some interpretation for specific proposals. In general, an OBC should enable a decision maker to decide on an option to be pursued and for work to commence to put that option into effect. The business case should be a living document that would evolve into a 'Full Business Case' ("FBC") that would contain definitive arrangements and final financial figures, usually following a procurement exercise.

Figure 1: Green Book guidance to the five cases



Source: *The Green Book* (HM Treasury, 2018)

1.3.2 The treasury guidance to the five-case model sets out the process for developing business cases for a wide range of purposes. It requires interpretation for different purposes, but as the diagram above illustrates, at

OBC stage the cases are thought to be in different stages of development, with the Strategic and Economic Cases the most developed, with the remaining cases containing sufficient information to allow decision to be made without necessarily having all the detail worked through, or indeed, known.

1.3.3 One difference with the assessment is that in the traditional five-case model the decision as to the favoured option would be at the end of the Economic Case, whereas the Guidance stipulates that the shortlisted options are considered in the Financial, Commercial and Management cases as well. This means that instead, a conclusion is required which sets out a recommendation as to what the favoured option should be. This means that as well as the comparisons in the Strategic and Economic Cases, each of the Financial, Commercial and Management Cases contains sections for the shortlisted options to the same level of detail. As the Franchising Scheme represents a far more significant change to the status quo than other options, this necessitates more explanation and discussion in each of these cases because of the implications of the Franchising Scheme.

1.3.4 The Guidance also sets out a number of factors that should be considered as part of the assessment. These, as well as other key issues that come from the specific context of the Greater Manchester market, are the focus of the analysis that is set out in the different cases and particularly the Strategic Case. The assessment is supplemented by various supporting papers which provide more detail on specific topics, such as the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) which sets out in more detail some of the analysis of competition in the Greater Manchester bus market.

1.3.5 To ensure consistency across all models, it was assumed that any decision by the Mayoral to make a Franchising Scheme accordance with section 123G(4) of the 2000 Act will be made in late 2019 / early 2020. It is important to note that these dates are illustrative only. If there is any such decision and if it is taken later than that, then other illustrative dates will be similarly postponed.

1.3.6 In order to inform the assessment, information from a wide variety of sources has been used. This includes information received from bus operators including information obtained in the exercise of powers conferred by section 143A of the 2000 Act. Further details on what information was sought from operators and how that was used, is set out in the *Operator Information Supporting Paper* (TfGM, 2019l). The information and data that have been used are sufficiently robust and reliable to support the conclusions drawn in this assessment.

1.4 The Treatment of Risk in the Assessment

1.4.1 Given the scale of change to the market that is entailed in the Franchising Scheme, risk is a key feature of this assessment. The Strategic Case sets out the options and (in broad terms) how they change the risk structure of the current bus market in Greater Manchester.

1.4.2 The Economic Case sets out the process that was undertaken to look at the risks of the different options, and to arrive at a quantified risk assessment. It refers to the risk register which appears at Appendix A to the assessment, and sets out for each risk identified its likelihood, mitigation and potential costs. The Economic Case contains the results of a quantified risk assessment, and also contains a description of the provision for optimism bias in assessing costs, where that is relevant to the option under consideration. The Economic Case also sets out a set of sensitivities to the modelling results that give an understanding of how the results may differ if different external trends change – for instance the price of fuel.

1.4.3 The Financial Case sets out the contingency allowed for risk in the shortlisted options and how this figure has been arrived at, based on the quantified risk analysis in the Economic Case. It also presents some sensitivities for the Franchising Scheme, where the results of the financial modelling would differ in different situations.

1.4.4 The Commercial Case sets out the risk apportionment in the commercial arrangements for all of the options. For the Franchising Scheme, it sets out how the apportionment of different risks between the GMCA and operators is the basis for the contractual regime and contract management arrangements.

1.4.5 The Management Case sets out the operating model for the different options which is designed to manage the risks that accompany them, as well as specific risk management arrangements for the ongoing risks for the Franchising Scheme (including revenue risk). It also sets out the key risks of transition to the Franchising Scheme and how they would be managed.

1.4.6 This treatment of risk across the assessment will enable decisions makers to look at risk in the round and be able to make decisions based on a full understanding not only of the risk of each option, but how they can be quantified, apportioned, mitigated and managed.

1.5 The Franchising Scheme

1.5.1 *The Greater Manchester Franchising Scheme for Buses* (TfGM, 2019n) provides a draft of the proposed Franchising Scheme that TfGM proposes to be made by the GMCA in exercise of its powers under sections 123G and 123H of the 2000 Act, should a decision be made to proceed with franchising.

1.5.2 The proposed scheme is made up of the following elements:

i. article 3.1 of the proposed scheme states that it would apply to the entire Greater Manchester area, which would be divided into three sub-areas for procurement purposes to allow the transition from the existing deregulated market to a franchised model to take place over a period of time. These sub-areas are shown by the three areas in Annex 5 of the draft scheme. The tranches sub-areas would only be relevant for the transitional round of franchise procurement, meaning once all three sub-areas are operational then there would just be the one franchised area which would cover all of Greater Manchester. Further information on this can be found in Section 25.1;

ii. article 4 of the proposed scheme sets out the dates on which the first franchise contracts may be entered into by the GMCA and the minimum amount of time that has to expire following contract award before services can be operated. These dates are currently blank and will be filled in at a later date, subject to any decision being made to proceed with the scheme. As the scheme area is divided into three sub-areas, there are three dates included which may or may not be different – which could for example allow franchise services to cross sub-areas before all sub-areas are operational;

iii. article 5 specifies the services that would be franchised by the GMCA. These services are then split into two lists, general services which identify the services on a route level and school services which although are also open to the public, are identified by the school which the service predominantly services. This article also allows services to operate between sub-areas during transition and clarifies that the GMCA would make use of its existing powers under the Transport Act 1968 to let secured services within areas where franchising is not yet operational, to enable effective transition;

iv. As set out above, a scheme can also exclude other services from the terms of the scheme and these are introduced in article 6 of the proposed scheme. These include school services which are not open to the public and services which operate from a non-operational area to an area where franchising is operational, to avoid prematurely prohibiting services which predominantly operate in areas where franchising has not yet been introduced;

v. article 7 of the proposed scheme identifies the additional facilities that the GMCA consider appropriate to provide, which are the use of depots to facilitate large franchise contracts;

vi. finally, article 8 specifies the basis upon which the GMCA would consult on the operation of the scheme. Further information on this can be found in section 46.8 of the Management Case.

1.5.3 Once a Franchising Scheme is made, it can be varied, for example, to add additional local services to be provided under franchised contracts. There is a process set out in section 123M of the 2000 Act which must be followed to vary a scheme and further information on this is set out in 46.9 of the Management Case.

The Strategic Case

2 Summary

2.1.1 The Strategic Case examines the case for bus reform and sets out what can be achieved through the different available options – a new partnership with operators, and the Franchising Scheme. The Franchising Scheme would transform the structure of the bus market in Greater Manchester. Under a franchising system, the GMCA would specify and fund bus services, while taking the revenue from fares. This section of the document summarises the Strategic Case, with more detail provided in Sections 3-9.

Objectives for Greater Manchester and the transport system

2.1.2 The Strategic Case is based upon analysis of what is needed to implement the Greater Manchester Strategy (GMS) policy with regard to world class connectivity, and a number of the detailed policies on transport set out in the *Greater Manchester Transport Strategy 2040* and the *Greater Manchester Transport Strategy 2040 Draft Delivery Plan (2020-2025),* (hereafter referred to as *Transport Strategy 2040,* (TfGM, 2017a) and its *Draft Delivery Plan* (TfGM, 2019o) respectively).

2.1.3 The Strategic Case considers the case for bus reform in the context of some of the key trends in the city-region's development:

i. Greater Manchester is growing. A major increase in employment is supporting a rapidly expanding population. This growth is set to continue, and will lead to thousands more trips on our transport networks. Without an effective strategy in place, this will result in significant increases in traffic levels and overcrowding on our public transport networks, damaging prosperity and increasing levels of air pollution from transport emissions. The transport system needs to support planned growth, and ensure that this benefits everyone.

ii. Greater Manchester has a number of key growth locations. Employment in the Regional Centre - which refers to the central business and shopping district of Greater Manchester, including parts of the cities of Manchester and Salford, and part of Trafford - and some other key centres, such as Manchester Airport, has grown much faster than employment elsewhere in the conurbation. Spatially focussed growth provides a major strategic opportunity to promote new sustainable travel markets, supported by an integrated and accessible transport network.

iii. The pattern of employment growth in Greater Manchester is complemented by the increased density of people living in urban areas (particularly within the M60, and in inner suburbs close to the Regional Centre). It is anticipated that the majority of future growth will continue to be concentrated in urban areas. This will be strengthened by the strong urban focus within the Greater Manchester Spatial Framework (GMSF) (GMCA, 2019a). Increased residential density requires changes in the way people travel. It makes car travel less feasible, and means that there is a need to ensure a significant shift towards more space efficient modes, including walking and cycling (as distances are shorter) and public transport.

Without intervention, additional demand for travel will result in further highway congestion and overcrowding on the public transport network, and additional harmful transport emissions. The *Transport Strategy 2040* sets out how Greater Manchester's transport system can be shaped to tackle the challenges and opportunities created by strong growth and more concentrated employment and residential areas. The transport system must facilitate this growth whilst ensuring that people living across Greater Manchester can contribute to, and benefit from, the city-region's continued prosperity. The Strategy presents an evidence-based case for a truly integrated transport network for Greater Manchester, which will need more people to travel by public transport, on foot or by bike. It states that, to achieve this, significant improvements in the capacity and performance of key public transport and sustainable modes are needed.

2.1.4 In January 2019, the Combined Authority approved a *Draft Delivery Plan* for consultation in support of the *Transport Strategy 2040*. The *Draft Delivery Plan* sets out the practical actions planned to deliver the *Transport Strategy 2040* (TfGM, 2017a), achieve mayoral ambitions, and provide a coordinated approach to transport investment. The *Draft Delivery Plan* (TfGM, 2019o) was developed in parallel with the *Greater Manchester Spatial Framework Revised Draft – January 2019 (GMSF)* (GMCA, 2019a). Together these documents demonstrate an integrated approach to transport and land use planning by identifying the strategic transport interventions required to deliver growth in Greater Manchester.

2.1.5 The *Draft Delivery Plan* sets out Greater Manchester's vision to increase the proportion of all trips made in Greater Manchester by non-car modes from 39% to 50% by 2040, effectively accommodating the net growth in trips by modes other than private car. Reaching this target is essential to allow growth in Greater Manchester to continue without being inhibited by congestion.

This ambition is supported by a 'Right Mix' assessment for each trip type defined by the spatial themes contained in the *Transport Strategy 2040* (from trips within neighbourhoods, to trips between cities), and the modes by which these trips are made, enabling performance against the Strategy to be monitored over time. This envisages future changes to the types of trips made as well as the modes used, and is part of an 'adaptive planning' framework that will shape policy and interventions in the transport system over the long-term. This approach is dependent on a significant increase in the number of people using public transport - particularly for travel within the city region and to the Regional Centre - both individually and as part of a fully integrated network.

2.1.6 Bus travel is critical to the achievement of the objectives of the Greater Manchester Strategy and the *Transport Strategy 2040*. This is due to the scale of its potential - bus services carry approximately 190 million trips per year, more than 75% of all public transport trips within Greater Manchester - and the flexible nature of the bus system, which means it is able to evolve alongside the city region and the changing travel demands of people who live, work and do business here, over time. Whilst bus patronage has declined in previous years, services continue to play a vital and diverse role within Greater Manchester's economy and society. Bus plays a central role in plans to increase the use of sustainable, non-car modes as a proportion of overall travel.

2.1.7 For instance:

i. Bus travel continues to provide access to a range of educational, leisure and health services. These trips are particularly important for supporting social inclusion, and they are often vital for people's ability to access opportunities as they "Grow Up, Get On, Grow Old" - the life cycle set out in the Greater Manchester Strategy - across the city-region. As the provision of services continues to evolve over time, there is a need to ensure that people can continue to access employment, education, healthcare and leisure opportunities. Greater Manchester will need to ensure that transport access does not constrain life chances across the city-region.

ii. Bus services support commuting, particularly to the Regional Centre, where employment has risen by around 30% between 2009 and 2017. This growth in employment has driven significant growth in the number of rail and tram trips made by Greater Manchester residents to the city centre, supported by investment in new Metrolink lines.

Bus trips to the Regional Centre have remained steady in peak periods. There may be more potential and a greater requirement for commuting by bus as the density of employment and urban living continues to grow in the coming years.

iii. Bus services are important for sustaining employment and other services in Greater Manchester's key towns. While travel to these destinations has reduced over recent years, bus services remain important in their viability as centres of employment and places where public services are available.

iv. Bus services play a vital role in supporting non-car lifestyles, where cars are not used at all or used more infrequently through new mobility offers, such as 'car-club' schemes. A strong bus system can be relied upon for a set of trips that would otherwise be made by car. The means that people living in dense urban areas are more likely to lead a non-car dependent lifestyle if public transport supports more of the journeys they need to make.

v. Bus services are also crucial in communities where taking the car is not an option. For those without access to a car - approximately one third of households in Greater Manchester – the availability of buses may determine whether they can access jobs or training, or attend medical appointments, without having to resort to more expensive individual travel options, such as taxis. A reliable, accessible and integrated public transport system is therefore vital to ensuring that all of Greater Manchester's residents can benefit from the opportunities that the city region has, and will have to offer, in the future.

vi. Bus services are vital when it comes to better integrating our existing transport system and facilitating longer trips being made by public transport, particularly where rail or tram is part of the overall journey. Improved interchange and integration could enable buses to play a stronger role in linking into other modes of transport.

vii. Bus is a flexible mode of transport, especially when compared with heavy or light rail modes which are fixed to existing tracks. New bus routes can be put in place quickly in response to new trip attractors such as housing developments or employment sites, and routes adapted to shifting demand.

2.1.8 Despite its current importance to the transport system in Greater Manchester, patronage on the bus network in Greater Manchester has been in decline.

From a recent peak of 233 million trips per year in 2008-9, 2017-18 saw 194 million trips. The current implication of the Right Mix pathway in terms of trips means that this rate of decline must be reduced, as a minimum. Even with major further investment in all parts of the public transport system, bus services would still need to support at least 170 million trips over the long-term for the overall targets to be met under current analysis. This also assumes, however, that other sustainable modes such as walking and cycling see a big increase. If the status quo is maintained, it will be harder for Greater Manchester to reach the targets set out in the *Draft Delivery Plan*, risking long-term congestion and consequent impact on the competitiveness of the city region.

2.1.9 A forecast of bus patronage was undertaken for the purposes of the Assessment, based on current trends and the way in which some of the factors that influence patronage are expected to evolve. This forecast includes the impact of cuts made to services as patronage falls, causing further service reductions. The forecast suggests that, if not addressed, bus patronage will fall to around 140 million trips p.a. over the next 20 years. This gap - of 30 million trips - represents a significant challenge for the Greater Manchester transport system, especially as a large number of these trips are being made by Greater Manchester residents for education and employment purposes. This means that there is an urgent need to look at the challenges faced by the bus market in Greater Manchester.

The challenges faced by the bus market in Greater Manchester

2.1.10 This decline in bus patronage shows strong reasons within the bus system alone to intervene in the bus market, to improve this picture and to achieve the overall objectives that the Combined Authority has for Greater Manchester. Not only is the decline a problem in itself, but it means that bus services can become less viable and there is potential for a 'spiral' of decline to occur where falling patronage hits profit margins causing further cuts to be made to the network and further reducing patronage. There is potential for market disruption, and firms exiting the market – in February 2019, FirstGroup announced the sale of one if its depots and associated operations.

2.1.11 The challenges for the bus market in Greater Manchester that have led to this decline, and are likely to lead to its continuance, form the basis for the case for change and reform of the market, including consideration of the Franchising Scheme. Some of these challenges are related to external trends, and others are more closely associated with the bus service itself and how the current bus market operates. These challenges mean that passengers face issues and do not receive the best possible service. It also suggests that, if left unaddressed, the future bus system in Greater Manchester could not be expected to perform at the level needed to support the growth, inclusion and sustainability outcomes set out in the Greater Manchester Strategy, and *Transport Strategy 2040*, that are central to the city region's long-term success. It is important to see how these challenges can be addressed, in whole or in part, to improve bus services.

2.1.12 The challenges faced by the bus market associated with external trends include:

i. Changes in the nature of travel demand in Greater Manchester, with overall volumes rising but a declining number of trips made per person (though recent data suggests that this may now be 'levelling off').

ii. An increase in car ownership, and the relative reduction in the costs of car use, which have made car a more attractive mode and results in reduced bus use.

iii. Changes to competing modes, principally the growth of Metrolink patronage with new lines which has abstracted patronage from bus.

iv. Congestion, which has meant that traffic speeds have reduced across Greater Manchester, particularly in peak hours.

v. Technological change, particularly the rise in ride hailing services such as Uber. In the future, new versions of integrated transport technologies might support bus services, and the long-term effects of these services could be beneficial for integrated public transport.

2.1.13 Alongside these changes to demand aspects in the travel market, there are a number of supply-side challenges that are associated with how the current bus market in Greater Manchester functions. These are technically termed 'market failures', which means that the market is leading to sub-optimal outcomes in some areas; one of these is a lack of competition.

2.1.14 The Strategic Case contains an analysis of the level of competition in Greater Manchester and shows that this market, in common with other deregulated bus markets, has limited competition. The limited nature of the competition means that assumed benefits of full competition – typically a high degree of value for money and innovation through market entry and other mechanisms – are not felt. The limited competition that does exist in the market can also lead to some undesirable effects. These include a lack of integration and co-ordination of services. These would matter less or be less apparent in a market with fuller competition, but in a market characterised by limited competition they can create issues for passengers. The challenges associated with the bus service itself are:

i. Fare increases – fares have increased above inflation between 2003 and 2017, and recent increases have confirmed this trend. The Competition Commission found there was a degree of consumer detriment from a lack of competition, although in addition to this effect fares rises are also attributable to increases in cost factors over the long-term. This makes bus travel a less attractive option for passengers.

ii. Lack of co-ordination of networks – firms operate individual competing networks that are not co-ordinated with each other's or with the wider transport network, particularly with the Greater Manchester rail and Metrolink networks.

iii. Services for social and economic need are not provided where they are not profitable. This can reduce the utility of the network as a whole for passengers as evening and weekend services cannot be provided.

iv. Complex fares and ticketing – the market does not incentivise integrated fares as operators seek to keep passengers on their networks. This creates a confusing picture for passengers and creates a disincentive to use bus and public transport more widely.

2.1.15 These challenges not only present problems for passengers and make the service less attractive for them now, but they also mean that it is harder for the bus service to adapt to the challenges of the future. New technology has the potential to benefit public transport systems, for example through the 'Mobility as a Service' (MaaS) concept, but this is expected to make new demands for integrated planning and service promotion (including ticketing) that are very difficult to envisage occurring in the current market.

2.1.16 As a result of these challenges, the bus market as a whole is not performing as well as it could, either in terms of its integration into the wider transport system or in terms of the current pattern of patronage loss and where forecast patronage is likely to be in the future. This means that the *Draft Delivery Plan* (TfGM, 2019o) ambitions for a higher sustainable mode share are unlikely to be met. Given the current growth of Greater Manchester and the need to ensure that the transport system can contribute to the priorities of the GMS, it is necessary to look now at how the bus market should be reformed to address the challenges it faces.

Objectives for reform

2.1.17 In order to assess the potential options for reform, a set of objectives was derived that cover the key areas of the bus market that could be improved. These build on the 'Vision for Bus' published as part of the *Transport Strategy 2040* and are based on the analysis of the challenges facing the bus market, and the views of passengers on the bus market. These are described in detail in the assessment, along with the potential ways of measuring whether they have been achieved. They fall into four main areas:

i. **Network** – the bus network should be as accessible as possible for customers wishing to travel to a variety of destinations; it should function as an integrated network and be integrated with other modes; it should be as reliable as possible with the lowest possible journey times; and harmful emissions from the fleet should be reduced.

ii. **Simple and integrated fares** – an integrated fares system should be introduced allowing passengers to travel on all buses; fares should offer value for money and account-based smart ticketing should be introduced as quickly as possible.

iii. **Customer experience** – the bus service should be easy to understand, and information comprehensive and accurate; safety of travel should be improved; and there should be improvement in the on-board experience.

iv. **Value for money** – there should be value for money for public investment in the bus service; and intervention should be feasible and sustainable in the long-term; and any intervention should be affordable.

2.1.18 Achieving all of these objectives would contribute to a high functioning bus service. It would also lead to better journeys for passengers. For instance, network and fare integration could lead to increased simplicity, convenience and value for money, helping passengers to use the bus service for different types of journey more easily. An analysis of the transport policies of Greater Manchester's neighbouring authorities has also been undertaken and meetings were held to discuss the proposed Franchising Scheme. From these discussions, it became apparent that there is a concern to preserve cross-boundary bus services that provide access to employment, leisure and services in Greater Manchester for residents of those authorities, and access in the other direction for residents of Greater Manchester.

Options for reform

2.1.19 The options for addressing the challenges that face the bus market and meeting the objectives for improvement need to amount to a solution that can give confidence that the whole of the bus market in Greater Manchester is being enhanced. Some of the potential measures – such as the introduction of bus priority infrastructure – are being delivered in the current market. However, to deliver the sustained improvement necessary the options considered in the Assessment are long-term options that cover the whole of the market in Greater Manchester. In this regard, there is a relatively narrow range of options available to a transport authority: the 2000 Act (following the introduction of the 2017 Act) makes it possible to consider a Franchising Scheme and also expanded the range of partnerships that could be entered into with a new, stronger 'Enhanced Partnership'. The options under consideration in this Assessment are the Franchising Scheme and a new, stronger partnership.

2.1.20 A partnership would involve the use of some of the range of statutory partnership options that now exist in legislation. These allow operators and transport authorities to work together on a defined set of issues in a way that would be difficult in a fully deregulated market, for instance on fares and network arrangements. There is a wide range of possibilities in terms of what a partnership could achieve depending on the willingness of the partners to commit resources to it.

2.1.21 The Franchising Scheme involves a change in the market whereby private sector operators would not, as currently, decide where and when to run buses depending on their assessment of where they are likely to garner revenue most profitably. Instead, the GMCA would specify the routes and frequency of buses and take the revenue risk. The GMCA would let contracts – 'franchises' for private sector operators to run these services exclusively on its behalf and it is assumed that TfGM would be instructed to do this on behalf of the GMCA, given its role as its passenger transport executive. This is the system that has been in operation in London since the 1980s and operates in many bus markets across the world – especially in Europe, America and the Middle East. Decisions on network and fares would be made by the authority taking into account economic and social benefits of services as well as the need for the network to be financially viable.

What the options deliver

2.1.22 Each of the options under consideration is able to deliver to some extent against the objectives. A full assessment of how well each option performs against the objectives is given in the Review and Conclusion of the Assessment as a whole. The Strategic Case sets out the changes that each option would be able to make that would help to achieve the objectives under consideration, and also sets out how they would affect neighbouring authorities' objectives on cross-boundary travel.

2.1.23 The Franchising Scheme would allow the GMCA, to determine the key aspects of the bus service – the routes and frequency of services, fares levels and structure and vehicle specifications as well as customer service standards. Progress toward the objectives without further investment ('Phase 1') would include the following:

i. **Network** – the network would be planned as a single network, improving efficiency and integration; design of services would balance profitability and return with social and economic objectives such as access to employment; the GMCA would specify the vehicles to be used to run the service (including environmental performance) although further investment to improve the fleet is not assumed as part of 'Phase 1'; there would be a performance regime with financial penalties to manage reliability and punctuality.

ii. **Fares** – under the Franchising Scheme, integrated fares would be introduced, with period fares valid on all buses; in the first instance, the fare level for a Greater Manchester ticket would be set at the lowest current single operator fare for the larger incumbent operators, pending longer-term review with government of transport funding regimes in Greater Manchester; single fares would be simplified as far as possible.

iii. **Customer Service** – The GMCA would provide comprehensive (and real time) information as well as ticketing through a single website and mobile application Aspects of customer service such as CCTV or Wi-Fi would be specified in franchise contracts; comprehensive all-Manchester branding for the bus network would be introduced.

iv. **Value for money** - The bus service would be run with the view of being revenue neutral – not generating a surplus over time but reinvesting any funds available or reducing fares. Therefore all of the income for the bus service – from fare-paying passengers and from taxpayers – would be used to provide the best service possible. The Franchising Scheme would provide accountability for the value that was gained from this funding, as the Mayor and GMCA would be responsible for the overall performance of the bus market given the funding it received from different sources.

2.1.24 Extensive engagement has been undertaken with operators to help understand what a partnership could deliver. Despite this engagement, a number of aspects of a potential partnership option remain uncertain. The outcome of negotiations on some key areas such as the network and fares is an agreement to undertake a review after the partnership has been signed, rather than the partnership agreement including specific commitments on actions. The Assessment will therefore assess a version based on discussions so far (which have yielded relatively little in terms of concrete achievements) as well as a version of partnership that assumes more extensive commitments are made.

2.1.25 Currently, partnership would deliver the following:

i. **Network** – a network review process has been agreed, although there are severe limitations on the extent of any potential changes which means that significant improvement is unlikely to be achieved; targets for reliability could be agreed but there is uncertainty over any enforcement mechanism.

ii. **Fares** – competition law prevents operators from withdrawing single tickets. Operators will also keep their own period products but have offered a potential two-year freeze on the price of an all-operators ticket, 'following a review'; operators would also look at fare stage simplification and would participate in a smart ticketing offer for Greater Manchester once the technology procured by TfN was in place.

iii. **Customer service** – operators will keep their own websites and ticket sales channels, but have committed to having a place where all information is available. A partnership could contain some provisions on CCTV, Wi-Fi, and the cleanliness of buses; some partial all-Manchester branding could be introduced.

iv. **Value for money** – the partnership would not change the fundamental market dynamics in Greater Manchester. To the extent that bus operators invest in partnership measures (such as lower fares) this would represent an improvement. However there remains uncertainty about what could be achieved and the longevity of any improvements is not clear. It would certainly require iterative negotiation to deliver improvements over time.

2.1.26 Given the forecast decline and the challenges facing the bus service in Greater Manchester, none of the options for reform, including the Franchising Scheme, is on its own, likely to achieve the improvement in performance or patronage necessary to achieve the targets in the *Draft Delivery Plan*. Some of the challenges facing the bus market, such as journey speed, are not directly addressed by either a partnership or the Franchising Scheme.

2.1.27 These two options, the Franchising Scheme and partnership, can be thought of as 'Phase 1' interventions, assuming no additional investment into the bus market. They would provide the conditions for any 'Phase 2' future integrated transport policy development and any further investment in the bus network in Greater Manchester by public authorities to deliver the objectives of the *Transport Strategy 2040*. These further 'Phase 2' measures might include investment in infrastructure for bus priority and other measures for improvement in the reliability of bus services; passenger waiting and interchange facilities; and vehicle enhancement activities, such as public support for (ultra) low emission buses. They would also set the market conditions for the consideration of further spending on lower fares, additional services and the development of integrated sustainable mobility marketing solutions.

2.1.28 The 'Phase 1' interventions would allow the implementation of 'Phase 2' measures to different extents:

i. **Franchising** – with further investment as part of 'Phase 2' the Franchising Scheme would facilitate the use of a wider variety of measures than a partnership. It would also enhance the value for money for measures that could be undertaken in any market situation.

ii. **Partnership** – a partnership would make some difference to the ability of the GMCA to deliver some of the 'Phase 2' measures that could further improve the bus network. It could, for instance, help with the prioritisation of bus priority infrastructure provision. A partnership would not be able to overcome the barriers of competition law and state-aid rules that prevent investment by the authority in, for instance, broad measures on fares or improving service frequencies. In other areas, investment that would create a financial return for the operator by improving services would be poorer value for money if the operator was not the authority making the investment.

2.1.29 Taken together, these factors mean that the recommended option for reforming the bus market in Greater Manchester is the Franchising Scheme.

The Strategic Case sets out the overall comparison of the different options against the objectives (which is repeated in the conclusion of the Assessment). The main differentiators between the options for reform are:

i. the ability under the Franchising Scheme to progressively improve integration of the bus network and improve coordination between bus and other modes of transport. In addition, the Franchising Scheme would assure that the network is as efficient as possible, not competing with other parts of the bus network or other public transport modes;

ii. the introduction under the Franchising Scheme of integrated ticketing, facilitating travel across the full range of public transport options and reducing the cost of journeys that cross current operator boundaries;

iii. the introduction under the Franchising Scheme of a unified brand of the bus service and a single, clear point of contact with comprehensive information provided through a number of channels, overcoming the barriers of unfamiliarity to using the bus service.

iv. the potential under the Franchising Scheme for a more integrated bus service to better facilitate the introduction of MaaS and leverage technology to the benefit of the public transport system;

v. the fact that under franchising there would be clear accountability for the bus service and the funding it receives from passengers and from taxpayers; and,

vi. in terms of 'Phase 2' measures, the Franchising Scheme gives the full range of tools and levers to enable the Combined Authority to improve the functioning of the bus service and achieve its objectives of the bus network more fully.

2.1.30 The Franchising Scheme would mean that Greater Manchester could undertake capital investment and revenue spending decisions in tandem and with equal levels of confidence over their delivery towards its overall goal of a high functioning, integrated transport system and support economic growth, social inclusion and an improved environment in future years

3 Introduction

3.1.1 This chapter sets out the Strategic Case for bus reform. It sets out:

i. Section 4 – Greater Manchester Combined Authority's (GMCA's) vision for Greater Manchester and its social, economic and environmental objectives, the challenges posed by Greater Manchester's economic growth; and the implications for the transport system set out in the *Transport Strategy 2040* including the bus network;

ii. Section 5 – This sets out the Right Mix pathway to implementing the *Transport Strategy 2040* and details the role of bus within the transport system; it also sets out the current trends in travel and particularly bus travel in Greater Manchester;

iii. Section 6 – This section sets out the challenges that face the bus market in Greater Manchester, both from wider social trends and from the functioning of the bus market itself, including the level of competition. It sets out a forecast of bus patronage into the future, and how that relates to the pathway to delivering the *Transport Strategy 2040*;

iv. Section 7 – GMCA's objectives to improve the bus network, as well as potential ways of measuring them, and a consideration of neighbouring authorities' objectives; and

v. Section 8 – The options for reform of the bus market and how they would effect change aiming toward the GMCA's objectives, including a 'Do Minimum' option, a potential Partnership and the Franchising Scheme.

vi. Section 9 – A comparison of the different options against the objectives set out in Section 7. This is repeated in the Conclusion of the Assessment, and it brings in some material from other cases in the Assessment in order to form judgements. This enables a conclusion to be drawn in the Strategic Case as to the preferred option.

4 GMCA's Vision for Greater Manchester

4.1.1 This section sets out the adopted policies and the ambitions of the GMCA as these have been put forward – notably in *Our People, Our Place, the Greater Manchester Strategy* (GMCA, 2018a), the *GMSF* (GMCA, 2019a) and the *Transport Strategy 2040* (TfGM, 2017a). *Our People, Our Place* and the *Transport Strategy 2040* are adopted by the GMCA and describe their policies.

4.1.2 This section sets out:

i. the GMCA's objectives for Greater Manchester – it considers nine priorities in relation to the GMCA's tenth priority of world-class connectivity. In doing so, it considers the challenges and opportunities presented by rapid economic growth, particularly in certain locations, and by urban densification;

ii. the implications of these priorities and challenges for the transport system in Greater Manchester as set out in the *Transport Strategy 2040*;

4.1.3 The section concludes by demonstrating how the challenges to delivering the Combined Authority's objectives – most significantly the implications of economic and population growth – mean that the transport system needs to adapt. Public transport in particular will need to increase its capacity to high-growth locations, and its service-offer will need to improve to provide an attractive alternative to car travel, not least through providing a more integrated network than at present. The challenge for public transport – including bus – is quantified in the proposed pathway to achieving the policies set out in the *Transport Strategy 2040* as the Right Mix vision for transport in 2040 (see Section 4.3 below).

4.2 The Combined Authority's Key Objectives for Greater Manchester

4.2.1 *Our People Our Place: the Greater Manchester Strategy* sets out the Combined Authority's vision of Greater Manchester as "one of the best places in the world to grow up, get on and grow old" (GMCA, 2018a). In order to achieve this ambition, the strategy sets out ten priorities which, in broad terms, reflect the life journey of Greater Manchester's residents.

4.2.2 The policies of the Greater Manchester Strategy are set out in ten priorities. They are:

- Priority 1: Children starting school ready to learn
- Priority 2: Young people equipped for life
- Priority 3: Good jobs, with opportunities for people to progress and develop
- Priority 4: A thriving and productive economy in all parts of Greater Manchester
- Priority 5: World-class connectivity that keeps Greater Manchester moving
- Priority 6: Safe, decent and affordable housing
- Priority 7: A green city-region and a high quality culture and leisure for all
- Priority 8: Safer and stronger communities
- Priority 9: Healthy lives, with quality care available for those that need it

- Priority 10: An age-friendly Greater Manchester

4.2.3 These priorities are clearly inter-dependent. For instance, the first two clusters are necessary (but not sufficient) to deliver the third. And a healthy, educated workforce, as implied by the third cluster, is necessary for a thriving economy. The same is true for being a great place to live, which will encourage businesses and workers to locate in Greater Manchester.

4.2.4 The fifth priority, "World-class connectivity that keeps Greater Manchester moving", is the most important policy of the Strategy for the purposes of this Assessment. It is an important enabler of the others, ensuring that everyone, regardless their age, background and mobility, can get around; that businesses are connected with workers having the right skills and with their customers; and that in doing all of this, the environment is protected through greater use of sustainable transport. This priority forms the main subject-matter of the *Transport Strategy 2040.* It aims to improve transport networks and make Greater Manchester neighbourhoods more sustainable, reduce congestion, and have a future proofed digital infrastructure. The GMS sets targets for 2020 for mode shift away from car, improvement in journey times, and a reduction in the frequency with which NO2 levels exceed legal limits. While these targets (for 2020) will not be impacted by the options (and in the case of air quality have been superseded by targets in the Greater Manchester's Outline Business Case to tackle Nitrogen Dioxide Exceedances at the Roadside ('the Clean Air Plan OBC') which was submitted to Defra on 28 March 2019.) under consideration in the Assessment, they indicate the areas GMCA see as a priority. The Greater Manchester Strategy explains that the different priorities are interconnected and that they each contribute; thus Priority 5 on transport and digital connectivity contributes to each to the other nine priorities. The priorities of the Greater Manchester Strategy can be grouped into three sets – 'a productive, growing and inclusive economy', 'a great place to live whoever you are', and 'a healthy, fulfilled life for all'.

A productive, growing and inclusive economy

4.2.5 Greater Manchester, the largest economy in the North, shares an ambition with other Northern city regions and economic centres, and with central government, to create a Northern Powerhouse that will rebalance the economic performance of the nation, not by reducing the output of the South East, but by expanding the productive capacity and efficiency of the North to secure new activity and prosperity (*Strategic Transport Plan* (TfN, 2019)). As demonstrated by *The Northern Powerhouse Independent Economic Review* (SQW, 2016), the *Greater Manchester Growth and Reform Plan* (GMCA, 2014) and the *Greater Manchester Independent Prosperity Review – Reviewers' Report* (GMCA, 2019b), integrated planning is needed to improve the productivity of the local economy, reduce unemployment and close the productivity gap.

4.2.6 By 2025, total GVA in Greater Manchester is estimated to be approximately £70 billion and expected to reach over £81 billion in 2035 (2013 prices) (Oxford Economics, 2017a) – an average growth rate of 1.7% per year up to 2035. Oxford Economics forecast that, from 1.40 million jobs in 2017, employment in Greater Manchester will increase to 1.48 million in 2025, an increase of 5%. While it is forecast that there will be a reduction in employment in some sectors, particularly manufacturing, this will be more than offset by job growth in other sectors, notably construction; wholesale and retail; professional, scientific and technical; and administration and support services (Oxford Economics, 2017a). That change in sector-mix is expected to increase travel demand to the Regional Centre, which is a major concentration of specialist service-industry employment.

4.2.7 Greater Manchester also has a more optimistic Accelerated Growth Scenario (AGS). Under the AGS, GVA in Greater Manchester is estimated to reach approximately £72 billion by 2025 and approximately £90 billion by 2035 (Oxford Economics, 2017b). Under the AGS scenario, the number of jobs in Greater Manchester is expected to rise from 1.40 million jobs in 2017, to 1.49 million in 2025, and 1.57 million in 2035, an increase of 12% from 2017 to 2035 (Oxford Economics, 2017b).

4.2.8 However, the AGS currently looks to be an underestimate of growth. In employment, the recent observed compound annual growth rate of 2.2% from 2011 to 2017 is much higher than the AGS estimate of 0.6% from 2017 to 2035. As will be seen below, the growth of jobs in the Regional Centre has been a major driver of the recent rapid pace of growth.

4.2.9 *Our People, Our Place* points out that 'to create a thriving, inclusive economy, we need to focus on raising productivity by harnessing the strengths of Greater Manchester's people, assets and places.' (GMCA, 2018a). This is reflected in the *Transport Strategy 2040*, which highlights the critical importance of an effective transport system in supporting a strong and growing economy by enabling people to reach employment and services, goods to reach customers, and businesses to access skills and talent. Access to skills and markets will need to be improved to allow people to take up new jobs, and employers to recruit the workers.

4.2.10 If the current rate of high growth continues, bus services will need to play a larger role in transport in Greater Manchester than allowed for in the forecast used in this assessment, especially in view of its efficient use of what would – under a higher growth scenario – be increasingly scarce road space and environmental capacity. The challenges for bus services would generally be greater in such a scenario, and the need for intervention to improve bus market performance correspondingly greater.

4.2.11 As noted above, the Regional Centre is (and is expected to remain) a particular focus of economic growth. In general, economic growth has been concentrated in specific locations - see Table 1 below - which presents both challenges and opportunities.

Table 1: 2009 to 2017 Greater Manchester principal employment growth locations

		2009	2017	Abs Change	Percent Change
1	Manchester City Centre	130,570	168,940	38,370	29%
2	Trafford Park & Salford Quays	39,740	53,155	13,415	34%
3	Oxford Road	28,965	37,685	8,720	30%
4	Airport	15,370	23,610	8,240	54%
5	Altrincham	3,830	11,560	7,730	202%
6	Bury & Heywood	13,790	17,360	3,570	26%
7	Portwood	780	4,130	3,350	429%
8	Horwich (Middlebrook)	5,505	7,680	2,175	40%
	TOTAL	**238,550**	**324,120**	**85,570**	**36%**

Source: *Greater Manchester Bus Reform – Economic Narrative* (Mott MacDonald, 2019)

4.2.12 A high proportion of the growth in jobs has taken place in Manchester City Centre, Oxford Road, and Trafford Park / Salford Quays[1] . Between 2009 and 2017 the annual compound growth rate for these three areas combined was 3.4% per annum, which – despite including the 2009 to 2011 economic slump – is considerably higher than the 2011 to 2017 Greater Manchester-wide rate of growth in jobs of 2.2% per annum (Mott MacDonald, 2019).

4.2.13 Employment growth is of course related to the economic cycle, but even if the Regional Centre[2] employment growth rate from 2009 to 2017 were to halve in future years, that would yield growth of roughly three times the average long-term forecast AGS rate for Greater Manchester of 0.6% per annum. A deliberately cautious approach to future economic growth has been adopted

[1] Separate data for Trafford Park and Salford Quays is not available, but the latter is likely to account for a high proportion of the combined employment growth of the two adjacent areas.

[2] Manchester City Centre, Oxford Road and Salford Quays

for this assessment, Greater Manchester is presently identifying transport interventions needed to accommodate approximately 400,000 jobs[3] in the Regional Centre in the late 2030s. This value represents an evidence-based target, and forms part of the proposed pathway to achieving the vision of the *Transport Strategy 2040*. The growth of the Regional Centre enhances Greater Manchester's overall economic growth through agglomeration benefits, and enables that growth to be achieved in an environmentally sustainable manner, with most jobs being accessed by public transport or active travel. The higher the economic growth, the greater the need to accommodate more trips on the transport system to avoid curtailing this growth.

4.2.14 If this target is to be achieved, buses will need to move substantially more people into the Regional Centre than it does at present. That will be true even if, as anticipated, there is further expansion of Greater Manchester's metro network[4], especially within the M60 and from locations that are too distant from any conceivable future metro network. Bus as a mode of transport will be even more important if delivery of a step-change in rapid transit capacity to and through the Regional Centre by 2040 proves not to be possible (TfGM, 2019o).

A great place to live, whoever you are

4.2.15 Greater Manchester's ambition for economic growth is supported by a coherent view of sustainable development. The *GMSF* (GMCA, 2019a), will allow Greater Manchester to take an informed, integrated approach to spatial planning across the conurbation, based on a clear understanding of the role of places and the connections between them. It will provide a framework to manage the supply of land to deliver growth to a 20-year timeframe, ensuring that Greater Manchester is able to meet current and emerging occupier demand for housing and employment growth. The Spatial Framework plans for the building of more than 200,000 new homes by 2037.

4.2.16 Between 2006 and 2016, Greater Manchester experienced a significant population increase of 7.7% (199,900), growing to 2.78 million people. This was most evident in the City of Manchester, which saw an increase in its population of 16.7% between 2006 and 2016 – more than double the UK growth rate of 7.9% over the same period (GMCA, 2018b). In GMCA's baseline forecast, Greater Manchester's population growth is expected to continue,

[3] This is a provisional estimate: the target is expected to be adjusted over time by a process of adaptive planning.
[4] As well as Metrolink, this term covers potential new technologies such as tram-train.

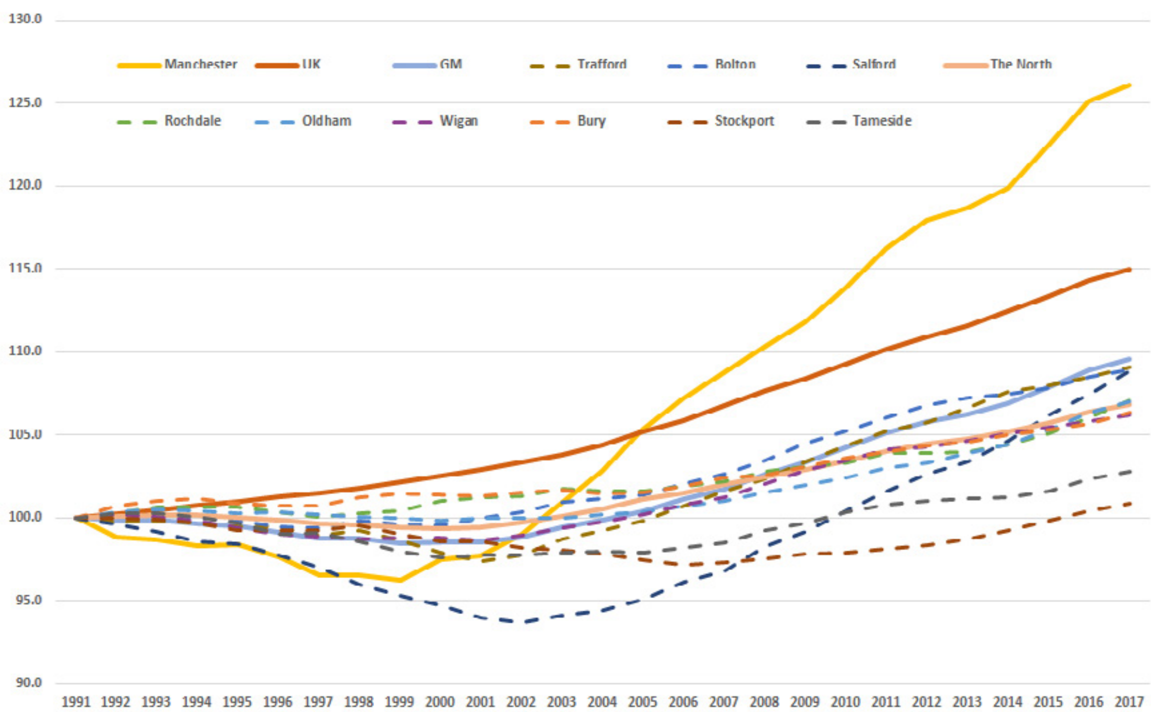
rising to 2.96 million by 2035, an increase of 8% from 2015 (Oxford Economics, 2017a). In GMCA's Accelerated Growth Scenario discussed above, Greater Manchester's population growth is stronger, increasing to 3.04 million by 2035, an increase of 10% from 2015 (Oxford Economics, 2017b).

4.2.17 Associated with high economic and population growth, urban density is increasing, especially within the M60 (as with economic growth, population growth has been uneven). The most recent accurate population estimates for Greater Manchester are from the 2011 Census, which showed that the resident population within the M60 increased from 2001 to 2011 by approximately 123,000, to a total of approximately 800,000. The growth in the population within the M60 accounted for more than half of the growth in the population of Greater Manchester between 2001 and 2011, despite accounting (in 2011) for less than 30% of the total population of Greater Manchester.

4.2.18 Greater Manchester's population in 2017 stood at approximately 2.8 million, compared with 2.7 million in 2011.

4.2.19 Figure 2 below shows how population change since 1991 has been distributed by district council area.

Figure 2: Indexed population growth (1991=100), GM districts, the North and UK



Source: *Greater Manchester Bus Reform – Economic Narrative* (Mott MacDonald, 2019)

4.2.20 Of the Greater Manchester districts, the City of Manchester – a high proportion of which is located within the M60 – shows by far the highest growth-rate in its population since the turn of the century. The second-highest growth rate since 2001 has been in the City of Salford, which is the Greater Manchester District Council area with the second-highest proportion of its population resident within the M60. The mid-year population data strongly suggests that the densification of Greater Manchester within the M60 is continuing.

4.2.21 Increasing density requires changes in the way people travel. It makes car travel less convenient and less attractive, and benefits active travel (because distances are shorter) and public transport (because it improves its financial viability and increases the importance of making good use of limited road space). As noted in Section 5.4 (The Role of Bus) bus travel is particularly important for travel to the Regional Centre from locations within the M60; its role for travel in specific markets in high-density parts of Greater Manchester will need to increase.

4.2.22 Without intervention, additional demand for travel will result in further highway congestion and overcrowding on the public transport network, and further harmful transport emissions.

4.2.23 The *Transport Strategy 2040* sets out the need to do more to reduce emissions from the transport system and to encourage more sustainable travel behaviour. An integrated and more sustainable transport system will need to play a major part in enabling Greater Manchester to meet challenging environmental standards and targets, in terms of both air quality and carbon reduction. Both NOx and CO_2 levels are key performance indicators (KPIs) in the *Transport Strategy 2040*.

4.2.24 The Department for Environment, Food & Rural Affairs (Defra) have published a Clean Air Zone (CAZ) framework for England (Defra, 2017). TfGM is currently producing an FBC to implement a Clean Air Plan on behalf of the 10 districts in Greater Manchester in coordination with GMCA. This builds on the Clean Air Plan OBC which was submitted to Defra on 28 March 2019. The OBC recommended the implementation of a CAZ for various vehicle types, including buses, across Greater Manchester (all ten districts) from August 2021.

A healthy, fulfilled life for all

4.2.25 *Our People, Our Place: the Greater Manchester Strategy* places strong emphasis on ensuring that economic growth is inclusive and that this results in 'reduced inequality in economic outcomes across Greater Manchester's places and population groups' (GMCA, 2018a). This means ensuring that people in Greater Manchester have the skills, opportunities, and accessibility that they need to create an innovative and economically successful city region.

4.2.26 An effective transport system can support this process of local service transformation and have a major bearing on people's health and well-being, by facilitating social interaction and more active travel, in addition to improving air quality as described above. Good access to jobs and training is essential, so that transport is not a barrier to employment. Similarly, good access to education, healthcare, shopping, and recreation is also critical, particularly for disadvantaged groups. Providing good access by public transport to jobs and essential facilities for those without a car is therefore central to the *Transport Strategy 2040*, to ensure that everyone in Greater Manchester benefits from economic growth.

4.2.27 One of the ten priorities of the *Greater Manchester Strategy* is that young people are equipped for life. To achieve this, it envisages all young people being in education, employment or training after they finish compulsory education and that they have improved skills levels.

4.2.28 In order to become centres of excellence, colleges are increasingly playing to their strengths and specialising in particular skills areas. There is also an increased emphasis on apprenticeships in preparing young people for employment. Consequently, to take advantage of the education and training opportunities that best suit their abilities and aspirations, young people increasingly need to travel, often to multiple locations. Yet research shows that the cost and availability of transport is a major obstacle to young people accessing education, training and, later, employment.

4.2.29 In recognition of this, in September 2019 the Mayor and GMCA will introduce an 'Our Pass' on a two-year trial basis. This will give 16-18 year-olds free bus travel at any time of day, with the costs being met by the mayoral precept.

4.3 The Greater Manchester Transport Strategy 2040

4.3.1 The *Transport Strategy 2040* sets out how Greater Manchester will shape the transport system to ensure it fully supports the vision and priorities of the *Our People, Our Place: the Greater Manchester Strategy.* It sets out the policies of the Combined Authority in improving the transport system. While it was adopted while the previous Greater Manchester Strategy, *Better Together – Greater Manchester Strategy 2013* (GMCA, 2013) was in place, it is fully consistent with the current Greater Manchester Strategy. In particular, it represents the strategy of GMCA with respect to the transport elements of the policy contained in Priority 5 on world-class connectivity.

4.3.2 The *Transport Strategy 2040* is the fourth statutory Local Transport Plan. The vision for transport set out in the *Transport Strategy 2040* is for Greater Manchester to have 'World class connections that support long-term, sustainable economic growth and access to opportunity for all'. The Strategy identifies four components of this vision, which also represent the goals of the Strategy:

i. Supporting sustainable economic growth;

ii. Protecting our environment;

iii. Improving quality of life for all; and

iv. Developing an innovative city-region.

4.3.3 The *Transport Strategy 2040* is the fourth statutory Local Transport Plan, all of them public transport-led. The Strategy sets out separate ambitions for five trip-types ("spatial themes") in Greater Manchester, which comprise of:

i. Connected neighbourhoods

ii. Getting into and around the Regional Centre

iii. Travel across the wider city-region

iv. City-to-city links

v. A globally connected city

Bus is particularly relevant for the first three of these spatial themes. The roles it performs, and its potential contribution for different trip-types to the overall vision of the *Transport Strategy 2040*, are described in Section 5.4 *The role of bus and achieving the Right Mix*.

4.3.4 The *Transport Strategy 2040* sets out strategic principles and priorities, identifying how supporting interventions will meet the transport challenges of the future. Integration is central to the *Transport Strategy 2040*: integration of transport with policies for place, in particular housing, regeneration and emissions; integration of transport with public services and business (particularly with education, skills, employment and healthcare); and integration within transport, across different modes, ensuring that the transport system is more than the sum of its parts, that mobility choice is promoted and that the potential offered by transport innovation is harnessed (a point now promoted by DfT's innovation policy framework).

4.3.5 The *Transport Strategy 2040* argues that a lack of connectivity across the different parts of the network is currently a major barrier to enabling people and goods to travel more sustainably. It will be essential to improving physical integration between different modes of transport, as well as providing innovative new ways of planning and paying for travel, and providing real-time information to enable people to make better-informed choices about how, when and where they travel.

4.3.6 Over the coming years, the GMCA's ambition set out in the *Transport Strategy 2040* is that different modes of transport will not be viewed as separate networks, with individual service planning, fares and ticketing and asset management, but instead, the transport system should be planned as a single, highly-connected entity. This would allow better prioritisation of appropriate transport improvements, and save valuable resources by minimising duplication of expenditure and activity across modes. It would allow passengers to see the public transport system as an accessible, high-functioning and convenient way to travel in Greater Manchester, and as such it could act as an adjunct to growth and spreading prosperity.

4.3.7 An integrated public transport network is seen as particularly critical to the success of the *Transport Strategy 2040*, to attract more people out of their cars for more of their journeys, as well as providing access to employment, education and other opportunities for the third of households without access to a car. An integrated transport network is needed to allow a future where car ownership is no longer perceived as indispensable, and where residents and visitors can choose from a range of sustainable and efficient travel options. This will enable Greater Manchester to deliver its economic growth ambitions while simultaneously tackling congestion, deprivation and transport emissions challenges.

4.3.8 The *Transport Strategy 2040* is supported by investment. Greater Manchester's commitment to developing a world class transport system with sustainable transport at its heart is reflected in the creation, in 2009, of a £1.5 billion Greater Manchester Transport Fund (GMTF) investment programme. This programme is shaped by a robust assessment process that prioritises projects on the basis of GVA and employment benefit. GMTF, along with other funding sources, including successful bids for Government funding, has among other things enabled Greater Manchester to deliver the third phase of Metrolink, cycling improvements, new town centre transport interchanges and extensive bus priority. The latter includes the Leigh Salford Manchester (LSM) busway and cross-city bus priority that links Rochdale Road to the northeast of the city centre, the A580/A6 to the west (linking to LSM) and

Oxford Road to the south. As Greater Manchester's economy and population grow, it is all the more important that public transport services align with and make full use of this investment.

4.3.9 Policy 23 of the *Transport Strategy 2040* is to seek to make best use of any powers included in the Bus Services Bill, as well as our existing powers, to give effect to our vision for bus. That Vision was based on four objectives: network integration, a simplified and integrated fares system, customer experience and value for money. It provided further detail about each objective as follows:

Table 2: Vision for Bus in Greater Manchester

Vision for Bus in Greater Manchester	
Network Integration	• The bus network will be dynamic, developed in response to demand for travel, particularly to and from new areas of housing, employment sites, and education and training establishments. It will include the provision of bus services where current or anticipated demand might not support commercially viable services, in order to achieve important social or economic objectives. • An integrated public transport network where services complement each other, will maximise connectivity opportunities. Buses acting as feeder services to rail and Metrolink services will extend commuting options. This will create a clear and logical set of travel options for passengers. • Appropriate levels of bussing provided on routes will be aligned with levels of demand. Frequencies will be increased on some routes and at some times of day to better meet people's needs, particularly for access to work and training. • Passenger convenience will be maximised, and journey times minimised, through optimal location of interchanges, hubs and bus stops to ensure passengers can complete journeys requiring more than one trip or mode. • Network stability will be a key feature, giving customers the confidence to rely on their bus service. Changes to the network will be carefully considered, and their effects on the network as a whole understood before being made.
Simplified and integrated fares	• Bus passengers will benefit from a simple, integrated ticketing system that complements and enhances the integration of the transport network as a whole. It will be easy to understand for passengers, incorporating a simplified number of fare bands, and will allow flexible use of ticketing products across different bus services and other modes. This will facilitate longer and multi-modal journeys to be completed without excessive cost. • A ticketing strategy that allows best possible management of demand within and between modes will allow for best possible management of highway, rail and tram capacity. • Passengers will benefit from easy means of transaction, and swifter boarding, through more use of new technology, including use of their mobile devices and bank cards.
Customer Experience	• The bus network will be easy to navigate for all passengers, including visitors to Greater Manchester. It will also benefit from a unified brand within an overarching identity for the wider public transport network, removing confusion for everyone. • The whole public transport network will be promoted effectively – travel choices will be simple to understand, and customers will be able to make informed choices, using the sophisticated presentation of information through digital communication devices as well as more traditional methods. • A consistent and good journey experience will be achieved through high standards for on-board facilities. The journey experience will be further enhanced through passenger waiting facilities that are accessible, convenient, clean, comfortable and safe. • Passengers will feel confident that the bus will get them to where they want to be, on time, and that buses will turn up when they are scheduled to do so. • Bus performance will be improved through targeted investment in bus priority on the highways, and at relevant junctions. The bus network will be managed in real time, through technology, to minimise service disruption and maintain an even service. • A modern bus fleet, increasingly able to reduce harmful emissions, which will improve air quality.
Value for Money	• The bus network will deliver optimal value for money in terms of the service to Greater Manchester for the inputs available – fares paid by passengers, and the different forms of subsidy.

4.3.10 This vision has helped to inform this Assessment of the Franchising Scheme and the analysis of the bus market in Greater Manchester. While some elements have evolved (for instance for the purposes of this Assessment, environmental performance has been categorised as an aspect of the network rather than the customer experience, and the network category is taken to be broader than integration) these are still the key areas of focus for improving the bus market in Greater Manchester.

4.3.11 There are a number of other stated policies in the *Transport Strategy 2040* that are relevant to this Assessment of the Franchising Scheme and to which it might contribute within the overall framework of the *Transport Strategy 2040*:

i. Policy 2: working with partners, we will seek to deliver integrated pricing and payment systems including integrated fares and smart ticketing for public transport, to support the development of 'Mobility as a Service'.

ii. Policy 3: we will maintain a conurbation-wide programme of travel choices interventions, supported by journey planning tools and information, to encourage travel behaviour change and mode shift, in order to make the most efficient use of available capacity, particularly during peak periods.

iii. Policy 8: we will work with partners to reduce, as far as possible, the emissions from transport, particularly CO_2, NO_2, particulates and noise.

iv. Policy 14: we will work with operators and other partners to improve safety and personal security to tackle crime and anti-social behaviour on the transport network.

v. Policy 18: where feasible, we will introduce appropriate bus priority measures on the highway network to improve reliability and will keep existing measures under review to ensure their effectiveness.

vi. Policy 21: working with partners, we will seek to establish and promote one integrated Greater Manchester public transport network, making it easy and affordable for customers to plan, make and pay for their journeys using different modes and services.

4.3.12 Each of these policies sits within the overall framework of the *Transport Strategy 2040*, which has the integration of the transport system at its heart.

4.4 Conclusion

4.4.1 This section has shown that:

i. the GMCA has clear and ambitious priorities for Greater Manchester set out in the Greater Manchester Strategy, *Our People, Our Place*, covering economic growth, social inclusion and the environment (GMCA, 2018a);

ii. The GMCA's Local Transport Plan, the *Transport Strategy 2040*, is consistent with the priorities in the GMS and sets out objectives centred around the integration of the transport system. It contains a 'Vision for Bus' and also a set of other policies relevant to this Assessment of the Franchising Scheme.

4.4.2 The rapid economic growth of Greater Manchester, the growth in employment at the Regional Centre and urban densification present particular challenges for the transport system. Overcoming these challenges requires a change and adaptation in the transport system and in recognition of this, the *Transport Strategy 2040* sets out a vision for a transport system that, in order to meet Greater Manchester's goals, is integrated both within itself, with other public services and with "place" policies. As part of this strategy, Greater Manchester has set out a clear vision for bus in which the bus network is a more integrated part of the overall transport system, delivering improvements in the network, fares, customer experience and value for money.

4.4.3 The analysis in this Assessment builds on the *Transport Strategy 2040*. It considers how the bus market is performing now and what can be improved to achieve the 2040 vision for bus, which is summarised as "to develop a modern low-emission accessible bus system, fully integrated with the wider Greater Manchester transport network on which everyone will be happy to travel regardless of their background or mobility level" *Transport Strategy 2040* (TfGM, 2017a).

5 Implementing the Transport Strategy 2040 and the Role of Bus

5.1.1 This section sets out:

i. current trends in Travel in Greater Manchester, and particularly the decline in bus travel in recent years;

ii. the Right Mix pathway to achieving the key objectives of the *Draft Delivery Plan*;

iii. the role bus currently plays within the Greater Manchester Transport System, as well as how that role can develop to support the Right Mix pathway to achieving the objectives of the *Transport Strategy 2040*; and,

iv. future trends in bus travel, setting out a forecast of how bus patronage is expected to change in the future and the implications for the Right Mix pathway.

5.1.2 This section concludes that the *Draft Delivery Plan* means bus needs to continue its essential role in the Greater Manchester Transport system and enhance how it functions as part of an integrated transport system. At a minimum it will need to support 172m trips in 2040 for the *Draft Delivery Plan* to be feasible, even with substantial contribution from other sustainable modes. However, left without intervention the forecast for the bus service is for it to reduce in trips to around 140m in 2040, well below the level required to meet the targets for share of non-car modes, and at a level likely to inhibit growth in Greater Manchester. It means that it is necessary to look at the challenges faced by the bus market in Greater Manchester.

5.2 Travel trends in Greater Manchester

5.2.1 The bus network is part of a wider transport network in Greater Manchester, both public and private. This includes not only other modes of public transport, such as Metrolink and rail, but also car, cycling and walking. The *Transport Strategy 2040 Evidence Base* and the *2018 Update* contains detailed analysis of travel trends across all modes from a range of sources (TfGM, 2017b, TfGM, 2018a), and some of this evidence, along with evidence from other sources, is set out below, along with more recent information where available.

5.2.2 The number of trips taken by Greater Manchester residents has declined steadily over the last decade. The Greater Manchester Travel Diary surveys have indicated that around a fifth (22%) of the population do not leave their home on any given day (TfGM, 2017b). (In this context, a 'trip' is any journey with a defined start point, end point and purpose. It can be by one or more modes including walking).

5.2.3 Given this declining trend in the number of trips, public transport usage has been broadly stable over the last decade partly because population has increased. Increases in rail and Metrolink patronage have been accompanied by similar decreases in bus patronage, as shown by the trend shown in Table 3, which relates to Greater Manchester. As shown in Table 3, bus patronage has been falling since 2010/11. In part, but only in part, this is due to some passengers being able to use the expanded Metrolink network. In contrast to bus, patronage on Metrolink and rail has increased in the last decade.

Table 3: Total Passenger Journeys on Public Transport Services in Greater Manchester (Millions of Journeys, 2007/08 2017/18)

MODE	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bus	226.7	233.0	226.6	224.0	218.6	219.7	216.7	210.9	208.5	201.6	194.3
Train	22.2	22.8	22.7	22.1	24.9	25.3	24.7	25.0	25.1	26.7	26.9
Metrolink	20.0	21.1	19.6	19.2	22.3	25.0	29.2	31.2	34.3	37.8	41.2
Total (Millions)	**268.9**	**276.9**	**268.9**	**265.3**	**265.8**	**270.0**	**270.6**	**267.1**	**267.9**	**266.1**	**262.4**

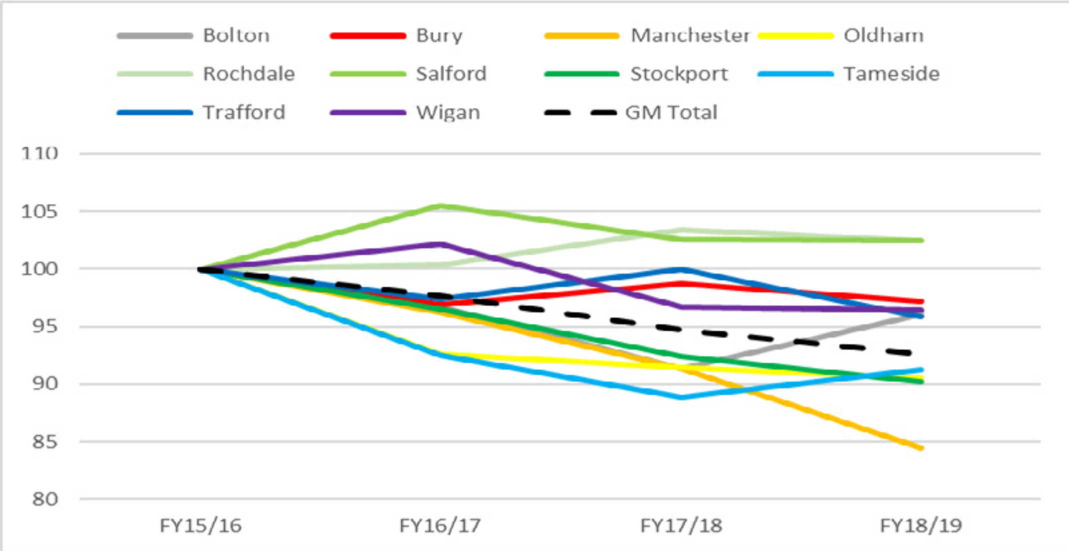
Source: *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b).

Long-term trends in bus patronage

5.2.4 An analysis of the current bus market in Greater Manchester can be found in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). The scale of the network is substantial. In 2017/18 in Greater Manchester, there were 53.3 million miles scheduled and 194.3 million passenger journeys (*Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)). There are strong core routes linking the district centres with the Regional Centre, and in some cases with each other. Most core routes have high Monday to Saturday daytime frequencies, with at least six buses per hour in each direction. In the evenings, however, frequencies often drop to two buses per hour.

5.2.5 Chart 1 shows that bus mileage across Greater Manchester shows a downward trend, but this has affected different areas at different rates. Overall, mileage has reduced by 7% from 2015 to 2019 (*Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). With the exception of services in Salford and Trafford, where developments such as Media City have sustained demand, the amount of bus mileage operated has declined steadily since 2015.

Chart 1: Greater Manchester Bus Mileage Index (2015–2019)



Source: *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b).

The pattern of trips taken in Greater Manchester

5.2.6 As well as overall trends in patronage, the pattern of trips taken in Greater Manchester has also changed over time: broadly, the importance of the Regional Centre has increased and trips to town centres within Greater Manchester have reduced. This in part reflects the increased importance of employment and other trip attractors at the Regional Centre.

5.2.7 Between 2002 and 2017, the total number of journeys into and through the Regional Centre during the morning peak (07:30–09:30) and late morning (10:00–12:00) taken together have increased by c.18%. (*Bus Market in Greater Manchester Supporting Paper*, TfGM 2019b). During the morning peak, there has been a marked reduction in journeys by car, a lesser reduction in bus, with substantial increases in rail and Metrolink journeys, as well as cycling and walking. Bus patronage has also increased in the later morning. These changes may reflect more people choosing to live in or near the Regional Centre and within walking distance of employment, as well as the growth of Metrolink over this period.

5.2.8 Bus trips to town centres have, by contrast, reduced. Between 2008 and 2016, morning peak trips to Greater Manchester's key town centres fell by an average of 22%, with late morning trips falling by 27%. There is considerable variation between town centres, although in part this is accounted for by the impact of Metrolink. This shows the effects of declines in these centres as shopping and employment destinations, but also the potential availability of other modes such as car for these type of trips. This trend reinforced the need for bus to play a strong role in continuing to support employment at the Regional Centre.

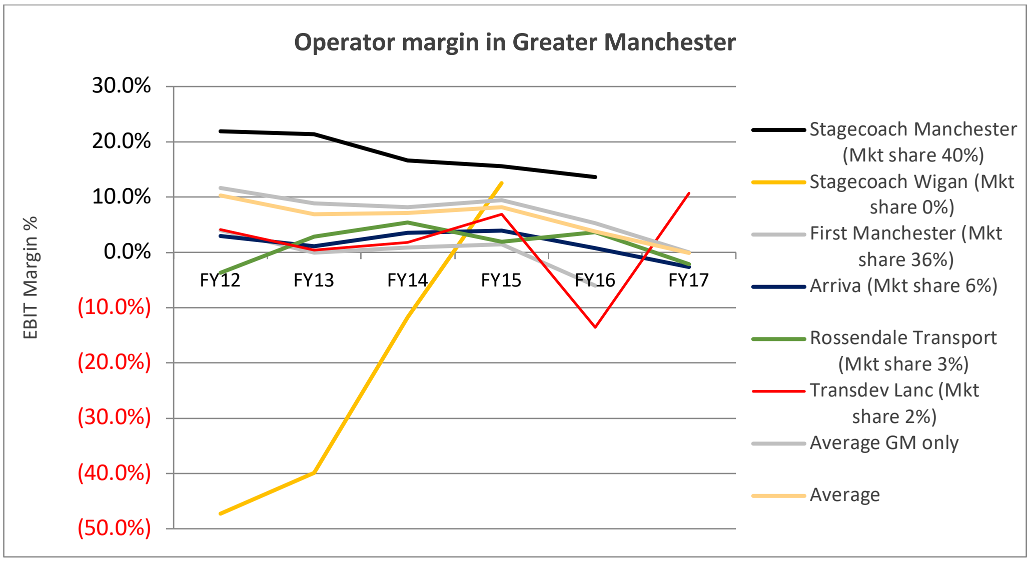
Recent trends in bus patronage

5.2.9 The challenges set out above have has a strong effect on the Greater Manchester bus market. Recently the downward trend in bus travel has become more marked. As of March 2018, the estimated annualised patronage on bus in Greater Manchester was 194.3m as opposed to the 201m figure for 2016/17 (*Bus Market in Greater Manchester Supporting Paper*, TfGM 2019b).

5.2.10 As patronage declines, revenue reduces and consequently, this puts pressure on bus operators to restore profitability. As the scope for reducing costs is low as efficiencies have been made in preceding years, operators are left with the choice of reducing the network and the cost of running it, or increasing fares. Both of these actions have the effect of further reducing patronage, exacerbating the situation. Over the past few years the effect of this has been a reduction in the scale of the Greater Manchester bus network and how effectively it serves its customers.

5.2.11 The pressure on the margins earnt by bus operators is apparent from the following chart which shows the decline in margin of the main bus operators active in Greater Manchester. While it is apparent that First Manchester have seen greater pressure on their margin than Stagecoach Manchester, both firms have been taking action to restore their profitability. Mileage has been cut by reducing frequencies and changing or withdrawing services. In addition, fares have increased: in January 2019, the fare increases of First Manchester and Stagecoach Manchester for period tickets amounted to a rise of 3% above inflation, continuing and exacerbating the trend of above inflation fare rises.

Chart 2: Operator Margin in Greater Manchester



Source: *Operator Profit Margin Report, EY Commercial Team (EY, 2018)*

5.2.12 It is likely that fare raises and cuts to the network (mileage) will further reduce patronage. It is clear that current trends show bus playing a reduced rather than an enhanced role in the travel system in Greater Manchester. If these trends continue then it is likely that the objectives of the GMCA for the transport system and economy of Greater Manchester will not be met.

5.3 The Draft Delivery Plan for the Greater Manchester Transport Strategy 2040

5.3.1 Further detail on how the *Transport Strategy 2040* will be implemented has now been set out in the *Draft Delivery Plan*. While this is currently still a draft, it gives a good indication of how the policies in the *Transport Strategy 2040* can be implemented. Consultation responses are currently being analysed with a final delivery plan to be produced later this year. It sets out the expectation of an increase in trips in Greater Manchester due to increasing population and employment. In order to accommodate the growth in trips within Greater Manchester without an increase in the use of private cars, it is estimated that the share of non-car modes (including walking and cycling) needs to increase from 39% to 50%. Achieving this will prevent the additional greenhouse gases, congestion, air pollution and road accidents likely with increased use of private cars (TfGM, 2019o). This target sets the context for what bus needs to achieve to deliver on the Transport Strategy 2040. The Right Mix vision that sets out a pathway to achieve this.

5.3.2 Bus needs to play a role in this, and the weaker its contribution to travel by sustainable modes, the harder it will be to reach the target and avoid increased congestion for Greater Manchester. The revised evidence base for the delivery plan (*Greater Manchester Transport Strategy 2040 Evidence Base: 2018 Update*, (TfGM, 2018a)) sets out a pathway of how modes and travel could change to reach this target – the Right Mix.

5.3.3 The steps to get to the Right Mix comprise a set of adjustable targets for changes in travel behaviour. These targets (and the interventions to support the targets) will be adjusted by a process of 'adaptive planning' in the light of monitoring of progress, depending on the levers and capabilities available to the GMCA. While the Right Mix is subject to evolution, it constitutes a detailed vision of how the Greater Manchester Transport Strategy can be delivered in terms of the different modes and types of journeys undertaken. It is anticipated that a number of the policies in the Greater Manchester Transport Strategy would contribute to achieving the Right Mix.

5.3.4 The framework for understanding how to achieve the Right Mix comprises the spatial themes of the Transport Strategy 2040. The spatial themes are a useful way of categorising trips in order to quantify at a broad level the potential of different types of intervention to contribute to the Right Mix.

5.3.5 Spatial themes are defined as:

i. Neighbourhood - trips of less than 2km (excluding Regional Centre trips).

ii. Wider City-Region – longer trips, with both ends no more than 10km from the Greater Manchester boundary. Regional Centre trips excluded.

iii. Regional Centre - Trips with an end in the Regional Centre, and the other end no more than 10km outside the Greater Manchester boundary and with one end within Greater Manchester.

iv. City to City – Trips with one end in Greater Manchester and the other end more than 10km from the Greater Manchester boundary.

v. Global – trips to/from Manchester Airport by air travellers.

5.3.6 Bus is relevant mainly for the first three of these spatial themes.

What the Right Mix implies for bus

5.3.7 The evidence-based proposed pathway to the Right Mix anticipates that bus usage in Greater Manchester will be somewhat lower in 2040 than at present, despite an expected 15% increase in population from the 2011 census figures. This is not a forecast of what patronage on buses will be but a pathway, based on the development of the spatial themes set out above and changes to the ways people travel, that implies a level of patronage to support it and the achievement of the target of a 50% share for non-car modes of transport.

5.3.8 However, despite the potential for there to be lower overall patronage, bus will play a key role in each of the relevant spatial themes to support the transport network in Greater Manchester. Bus plays a number of critical roles in the transport system that are set out below, and the weaker the bus network, the weaker the overall transport system. The Right Mix implies that bus would need to support a minimum of 172 million trips per year for the pathway to be viable. Even this number is on the assumption that other sustainable modes such as Metrolink significantly increase their patronage, and walking is the choice for a great deal more trips than at present. The clear conclusion is that bus needs to play a major role in the Greater Manchester transport system.

5.3.9 In delivering the Transport Strategy 2040, this means that not only is it necessary to look at the areas identified in the 'Vision for Bus' to see where improvements can be made, but further measures to support the bus market must be contemplated. The *Draft Delivery Plan* contains a number of measures, such as Quality Bus Transit corridors, that could be undertaken in addition to the introduction of the Franchising Scheme or an alternative for reforming the bus market (*Draft Delivery Plan* (TfGM, 2019o)).

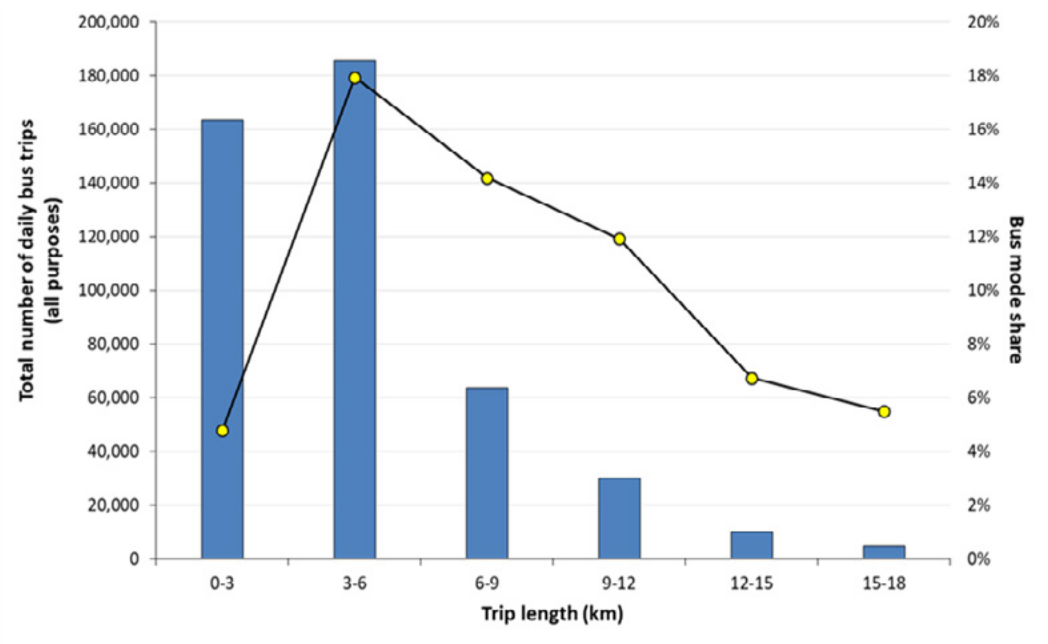
5.4 The role of bus and achieving the Right Mix

5.4.1 It is widely accepted that bus travel at a national level is a major part of the transport system and supports a huge range of economic activity and social interaction (see *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)).

5.4.2 Bus currently plays a major role in the transport system in Greater Manchester. It supports over 75% of public transport trips and as such is still the dominant mass public transport mode. What happens to bus is clearly vitally important for the transport system in Greater Manchester.

5.4.3 The bus is the all-purpose mode of public transport in Greater Manchester. The bus network covers all corners of the city-region. Bus is particularly important for education and shopping trips and for trips of less than six kilometres: beyond that distance, bus mode-share falls quite sharply as trip-distances increase, while rapid transit modes become more important.

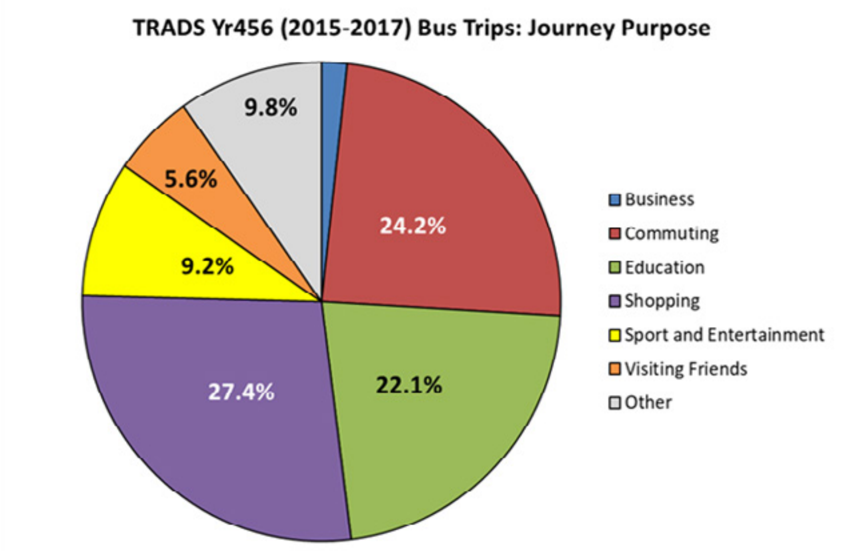
Chart 3: Trip-length distribution of bus trips by Greater Manchester residents (trips over 18km excluded). (Bus mode share denoted by yellow circles)



Source: *TfGM Travel Diary Surveys (2015 – 2017)* (TfGM, 2017d)

5.4.4 Bus also supports trips for a variety of purposes. The proportion of trips made for different purposes is shown in Chart 4 below.

Chart 4: Bus Trips: Journey Purpose



Source: *TfGM Travel Diary Surveys (2015 – 2017)* (TfGM, 2017d)

5.4.5 As well as this overall support for mobility in the conurbation of Greater Manchester, it is possible to see how there are some specific roles that the bus network plays in the transport system: supporting access to essential services such as educational and health as well as supporting trips of social services; supporting commuting to the Regional Centre and elsewhere;

supporting non-car lifestyles; linking with other modes of public transport such as metro, enabling longer trips to be made by public transport, and being a flexible mode of transport that can quickly adapt to new needs or areas of development. These roles will become ever more important in supporting the Right Mix and in achieving the 50% target for non-car modes in the Delivery Plan for the Transport Strategy 2040.

Supporting access to essential services and leisure

5.4.6 The data show that bus is particularly important for commuting, accessing education and also for shopping purposes. These trips are an important part of the social fabric of the conurbation and are themselves supporting economic activity – for instance enabling trips for leisure purposes to town centres within Greater Manchester. For many people in Greater Manchester, the bus is the way they access education and healthcare services, and in many cases they do not have easy access to an alternative mode of transport.

Trips to the Regional Centre and commuting

5.4.7 Supporting the growth of the Regional Centre is important in achieving the Right Mix vision, since car mode share is much lower for travel to the Regional Centre than to any other location in Greater Manchester. Bus travel forms an essential part of the travel mix for the Regional Centre, especially for Regional Centre trips with both ends within the M60. If the Regional Centre is to continue to grow, bus will need to increase its already strong role for these trips. Many of these trips lie outside the catchment of Metrolink and there is little or no capacity for increased volumes of car travel to the Regional Centre. Given the importance of the Regional Centre, bus travel will need to increase to sustain economic growth in Greater Manchester.

5.4.8 Bus is particularly important for travel to the Regional Centre from locations within the M60. Census journey-to-work data from 2011 shows that bus has a 33% mode share of travel-to-work trips to the Regional Centre from home-origins that are within M60 and outside the Regional Centre. Bus is essential to the economic viability of the Regional Centre and to facilitating its growth.

5.4.9 On several corridors radiating from the Regional Centre, Metrolink plays an important role within the M60 – not just for its core market of trips of greater than six kilometres, but also for shorter trips. Metrolink capacity is limited by capacity constraints in the city centre, and as travel demand increases, it will increasingly not make good sense for customers making short trips to walk past a bus stop served by city-centre-bound services in order to use Metrolink.

There is potential to reduce the quality gap between Metrolink and bus so that limited Metrolink capacity is used to its best effect.

Non-car dependent lifestyles

5.4.10 Throughout Greater Manchester, bus plays an important role in facilitating non-car-dependent lifestyles, reducing the need for car ownership – or the need for households to own more than one car. Buses will play an important role in enabling households to choose not to own a car or fewer cars, facilitating everyday short trips, with other modes (potentially car through a car club) being used for longer, more occasional trips.

5.4.11 The higher car ownership resulting from a less attractive bus service would also affect Greater Manchester's ability to achieve its Right Mix targets in other ways. Once a car has been purchased, the marginal costs of using it are low for most trips, and so it tends to be used for a range of trips that would otherwise be made by other modes.

5.4.12 Non- car-owning households, compared with car-owning households, make a higher proportion of their trips in the Neighbourhood and Regional Centre and a lower proportion of their trips in the Wider City-Region. That reflects - among other things - a greater tendency of non-car-owning households to use local facilities, often accessed by walking or cycling. Active modes comprise a particularly higher proportion of Neighbourhood trips, and their use can be expected to fall if car ownership increased.

Multi-modal links

5.4.13 Buses act as a feeder mode to rapid transit for middle-distance trips, with the major town centres acting as the main network hubs for interchange onto the rapid transit network (principally Metrolink, National Rail suburban services, and bus rapid transit). Under the Right Mix scenario, the bus network would play a greater role in integrated journeys that combine a number of different modes. The GMCA has historically supported interchanges between different modes (such as new facilities in Bolton opened in 2017, and those planned for Stockport) which aim to improve the integration of the transport system. However, there is more potential for the bus network to be linked to other modes in the future. One of the barriers to this is the lack of integrated ticketing and the fact that multi-modal ticketing options are not well publicised.

Flexibility

5.4.14 Bus is a uniquely flexible public transport mode, especially when compared to fixed rail modes. New routes can be put on quickly and with little upfront investment. This means that if there are new areas where journeys originate – for instance new housing – or new areas where journeys terminate – for instance new areas of employment – bus can quickly serve these needs. It can establish a public transport connection early and ensure that there is a public transport option available. If patronage does not meet expectations, then the service can be altered or reduced without great cost; if patronage exceeds expectations then the success can be built on. Given the lead times for a new Metrolink line, this is a major advantage in a conurbation needing to accommodate high growth.

Conclusion

5.4.15 Bus currently plays a vital role in the Greater Manchester transport system as the dominant mode of public transport and essential to the mobility of citizens in Greater Manchester. While the Right Mix allows for some decline in bus patronage from its current levels, there are a number of key types of trip where bus will be required to support the achievement of the target of a 50% modes share of non-car modes. In addition, the pressure to improve other sustainable modes (for instance through investment in tram) is greater to the extent that bus is not able to sustain or increase its patronage.

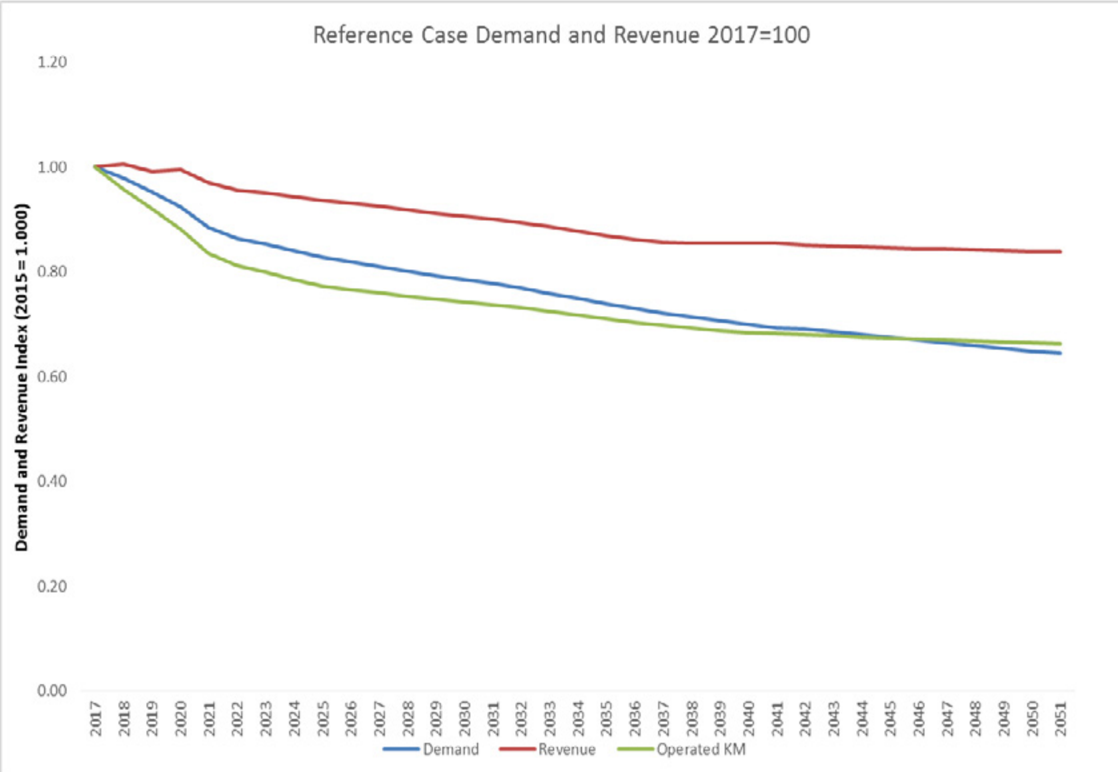
5.5 Future Trends in Bus Travel

5.5.1 It is important to try to understand the future potential direction of the bus network in Greater Manchester and whether the trends identified above will continue and whether it will be able to fulfil the role it needs to within the transport system. A rigorous modelling exercise was undertaken by external advisors to forecast demand for the next 30 years without any intervention. This provides a baseline against which the effects of interventions can be measured. This can also provide some insight into what may happen if current trends continue and what the implications are for the transport system in Greater Manchester.

5.5.2 The forecasts were undertaken by looking at some of the key factors that determine bus demand and using modelling techniques to determine how demand can be expected to respond over time. While some issues that will affect patronage in the long-term are difficult to predict, an estimate can be made that looks at factors that can be forecast with a reasonable degree of confidence to give a forecast of how demand and revenue will evolve over time. An account of the challenges faced by the bus service are set out below in Section 6, and a full description of the elasticities used and the process and the modelling of the Reference Case for bus demand are to be found in Section 4 of the *Economic Case Supporting Paper* (TfGM, 2019a). The Reference Case is the forecast of bus demand and revenue in the absence of any intervention, building upon current trends. It is what would be expected to occur under a Do Minimum option.

5.5.3 The results show that the expected trajectory for patronage on the bus network is downwards, and that the trend seen over the last five or so years can be expected to continue. By 2040, there can be expected to be 138.1 million passengers, 35% fewer than currently.

Chart 5: Patronage Forecast to 2050



5.5.4 The scale and pace of this decline are such that it endangers the achievement of the overall objectives of GMCA for the transport system in Greater Manchester and therefore their overall objectives for the conurbation over the long-term. Specifically, given an increase in overall trips, it is hard to envisage that the objective of shifting the non-car mode share of trips from 39% to 50% can be achieved. This is likely to mean the transport system will not support continued growth in Greater Manchester, nor the wider spreading of prosperity essential to Greater Manchester's future. It also makes some of the policies of the *Transport Strategy 2040* – such as reducing emissions from transport – harder to implement.

Potential disruption to the market

5.5.5 The forecast decline in the bus market would also put pressure on the GMCA (and likely TfGM on its behalf) to intervene to maintain services and this would create a financial pressure to provide funds for services. In addition, there are risks in a declining market that may materialise and cause further disruption to passengers, as decline may not be a smooth process. As profit margins fall, some operators may wish to cut their network more drastically at once or even to exit the market entirely and focus on other aspects of their business. Each of the three major bus operators in Greater Manchester have made service cuts in each of the last three years. This could have adverse effects on the network as a whole, and potentially cause further losses of patronage on those services that remain.

5.5.6 Some changes to the bus market are currently occurring. In February 2019, FirstGroup announced the sale of the Queens Road depot and operations (including the associated fleet of 190 buses) to Go-Ahead, with the intention to complete the sale in a few months. Media reports indicate that there is a possibility that further sales will follow. This will alter the landscape in Greater Manchester and is likely to be in part a reaction to the low profitability that FirstGroup are experiencing.

5.5.7 The Queens Road depot is geographically in the middle of the three FirstGroup depots across the North of Greater Manchester. While no further sales have been announced, a number of media reports suggest a strong possibility that further sales of depots and operations will occur. This will potentially create a number of new entities operating buses in the north of Greater Manchester. This could have a number of effects as the different operators adopt different strategies in terms of running the businesses. They could take different views of the routes that they would want to run and the fares strategy that they would want to adopt – potentially reducing the number of routes or alternatively attempting to compete across a wider area. It is unlikely that the operations, routes and fares will remain the same.

5.5.8 The First Bus sale has been exchanged but not completed (as at the end of May 2019). This highlights a strong possibility of further sales taking place. Where possible the impact of such transactions is reflected in this Assessment. This shows that the structure and performance of the bus market in Greater Manchester is in part determined by decision-making at corporate level that is not in control of those who use the bus service, nor is necessarily focused on the needs or interests of Greater Manchester.

Conclusion

5.5.9 The sharp fall in bus trips forecast is clearly incompatible with the targets set out in the Implementation Plan for the Transport Strategy 2040 for a 50% mode-share for non-car modes. This decline in bus patronage would also have more adverse consequences for achieving the Right Mix pathway even than implied by the direct loss of approximately 50m bus trips in itself. This fall would impede trips to the Regional Centre and make it less attractive to live a non-car-dependent lifestyle. Conversely, a higher volume of bus travel would be compatible with achieving the Right Mix vision in 2040, and in so doing, help GM achieve broader economic, social and environmental objectives.

5.5.10 There are, of course, many uncertainties affecting the proposed pathway to the Right Mix vision, and it is expected that this will be adjusted through a process of adaptive planning by monitoring progress towards the Right Mix. However, the clear conclusion is that the GMCA target of a 50% share of sustainable modes of transport requires increased bus patronage from the forecast for Greater Manchester set out above. Achieving this target will require big increases in rail, Metrolink, cycling, and walking, but even given these increases bus retains an important role. To the extent that bus declines in patronage, it means that other sustainable modes will need to increase their patronage to reach the overall targets. The Right Mix pathway discussed above relies upon increases in other modes – particularly in walking trips, rail and Metrolink – that are dependent upon significant investment. The greater contribution bus can make the easier it will be to hit this target.

5.6 Conclusion

5.6.1 The section has shown that:

i. recent trends in bus travel in Greater Manchester show that there has been a steep decline in bus patronage as well as bus mileage. This decline has the potential to disrupt the market and FirstGroup have already announced the sale of part of their operations;

ii. the targets in the *Draft Delivery Plan* can be achieved through a Right Mix pathway that involves changes in the types of trips taken and the share of different modes. It implies that bus maintains a strong a role and supports at least 172 million trips;

iii. bus plays a set of vital roles within the transport system in Greater Manchester that mean it is vital part of delivering the Right Mix;

iv. This decline is forecast to continue, and patronage reduce from 201m trips in 2017 to 140 million in 2040 and 130 million in 2050. This endangers the delivery of the objectives of the *Transport Strategy 2040* and makes implementing its policies harder. Achieving the targets of non-car modes to be 50% of trips by 2040 implies that bus continues to play a vitally important mode within the Greater

Manchester transport system, and it would require more bus trips (approximately 30 million) to allow the Right Mix pathway in the *Draft Delivery Plan* to be achieved.

5.6.2 This decline, and the growth that Greater Manchester has experienced and will experience, means that there is an urgent need to look now at the challenges facing the bus network and to see whether there is potential to reform the bus market in Greater Manchester in order to achieve better outcomes for the transport system as a whole. If action is not taken, then there is the possibility that growth will be constrained in future and the objectives in the GMS for the people of Greater Manchester not achieved.

6 Challenges Faced by the Bus Network in Greater Manchester and Issues Faced by Passengers

6.1.1 In looking at the case for reforming bus services, it is important to understand better the challenges facing the bus network and how these can be contributing to the declines in bus patronage and mileage seen recently. It is also important to consider the possibility that bus is not able to play the role required in the Greater Manchester transport system in the future. The challenges set out here are informed by an analysis of the bus market in Greater Manchester.

6.1.2 These challenges also raise issues for passengers in using the bus market – in part from how the challenges affect the viability of the service, and in part because they reduce the quality of service that they receive. This section will point out where challenges to the bus market raise issues for passengers. The views of passengers on bus travel in general and Greater Manchester in particular are set out in more detail along with the sources used in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b).

6.1.3 This section sets out:

i. the challenges faced by the bus network from external trends in society, such as car ownership; and

ii. the challenges faced by the bus network from the structure of the market itself. These include the effects of limited competition and the lack of co-ordination, social and economic externalities and complex fares and ticketing.

6.1.4 The section concludes that bus needs to play a stronger role than is currently forecast in an integrated transport system in order for Greater Manchester to achieve its objectives for the economy, society and environment. To do so, the challenges set out in this section need to be addressed.

6.2 Challenges for the Bus Network from External Trends

6.2.1 There are a variety of reasons for the long-term trends that affect the bus market, and some of these factors occur over an extended period of time – the decline of the bus market has occurred since the 1950s. It is not possible to fully disaggregate all of the potential factors that have led to this shift over such a period of time, but some of the key reasons for the changes include the factors set out below. Consideration of these factors can also feed into the potential forecasts for bus patronage.

The declining number of trips per person

6.2.2 There has been a trend towards fewer trips per person, which feeds into the trends for the bus market. The reasons for this are not entirely understood but are likely to include:

i. online shopping: this has had a significant effect on the retail market, and by December 2018, online sales averaged £1.9 billion per week, about 20% of total retail sales (Office for National Statistics, 2018). This has reduced travel for shopping purposes including by bus, and has also reduced the attractiveness of town centres as destinations;

ii. commuting patterns: it is likely that part of the decline in trips overall is driven by changing work patterns. Along with email, online communication such as Skype and video conferencing have enabled some people to work from home where previously they would have needed to be in an office environment. This has reduced commuting demand to some extent as some workers no longer work in a central office each day.

New alternative modes

6.2.3 As set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM 2019b), there have been changes in travel markets driven by technology. While it is too early to say what the overall effect of these new services and changes will be, some of these trends are likely to have a negative effect on bus patronage:

i. New forms of Demand Responsive Transport (DRT) commonly called ‘ride-hailing’, such as Uber and Lyft, are changing the way the public access transport. DRT acts as a competitor to traditional taxi companies, but also competes with bus services providing a cheaper and more accessible and reliable service;

ii. This effect might be exacerbated when DRT services exist that pool rides or use larger vehicles, although trials of these services have not led to wider rollout in the UK thus far. As set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) these are largely at the trialling stage (and some trails have failed), but they have potential to change transport in the future.

6.2.4 As discussed above, technology may change travel services in the future. Some transport authorities in the United States have partnered with ride-hailing firms using new technology and operators to provide services in low density areas and as alternatives to traditional bus or light rail services, particularly in fulfilling demand in the 'last mile'. This can support the public transport network as well as being a rival to it, and could be part of an integrated public and private transport network.

6.2.5 While there can be erosion of patronage the long-term effect of new forms of DRT is hard to predict, and will in part depend on how effectively operators and transport authorities shape the transport system. 'Mobility as a Service' (or 'MaaS') goes beyond DRT and describes the bringing together of many different modes of transport and transport providers to offer various travel options that best suit the individual making the journey, potentially through a single application offering all services from travel planning to payments (MaaS Global, 2018). It has the ability to combine many of the aspects of ride hailing technology, smart ticketing and other developments with data use to create an integrated transport system. This may strengthen the position of bus within the transport system as well as change its role. Shifts in technology are therefore not part of the forecasting.

6.2.6 This potential of technology, and new forms of DRT in particular, to both act as a threat to mass transit modes and reduce the viability of services and also support an integrated transport system means that it is important to harness this technology for the benefit of the public transport system. Road space is limited, and it is not possible to accommodate growth with an unlimited proliferation of DRT services competing with each other and with mass transit modes. The development of technology has the potential to create issues for passengers in terms of congestion of the overall road network, and a confusing and sub-optimal MaaS offer.

6.2.7 It is therefore important to be able to use technology in such a way as to expand the range and attractiveness of different transport modes. This would lead to a fuller use of technology to provide MaaS, which would enable passengers to access the whole of the transport network with different modes acting in a complimentary way to expand the range of journeys for which public transport becomes an attractive proposition.

Car ownership

6.2.8 There has been an increase in car ownership and reduction in the costs of car use. This has been a significant factor over a long period of time as more people gain access to a car and are using cars for more trips. This has been a long-term factor in the decline in bus use since the 1950s and has been a continuing trend. There have been shifts in patterns of land use, employment and retail over the long-term that have increased car use for instance in the growth of out of town shopping destinations which are mainly reached by car.

6.2.9 The relative costs of car travel have also been reducing as cars have become more efficient. This makes people more likely to use their car for particular journeys. In DfT forecasts, this trend is expected to continue into the future. Increasing car ownership and use has the potential to cause issue for passengers in increasing congestion in the road network and also reducing the overall viability of the bus service.

Shifts in competing modes

6.2.10 Shifts in competing modes have also had an effect as there has been an increase in rail travel and commuting by rail. As a mode, rail reached a low point during the early 1980s but rail travel over the past 20 years has more than doubled, with rail passenger journeys in Great Britain reaching over 1.5 billion over the last 5 years (DfT, 2018). Greater Manchester in particular has seen significant growth in the Metrolink of light rail service. Patronage increased from 22 million to 38 million between 2011/12 and 2018/19 (refer to Table 3). It is difficult to be conclusive about how much of this demand is new travel (as city centre employment has increased) or abstracted from bus or other modes. Using survey data, an estimate can be derived of the amount of new demand abstracted from bus between 2012 and 2017 of around 10-11 million (TfGM, 2017c). This is approximately 65% of the decline in bus patronage seen over the past six years of 17 million (from 218.6 million to 201.6 million as identified in Table 3).

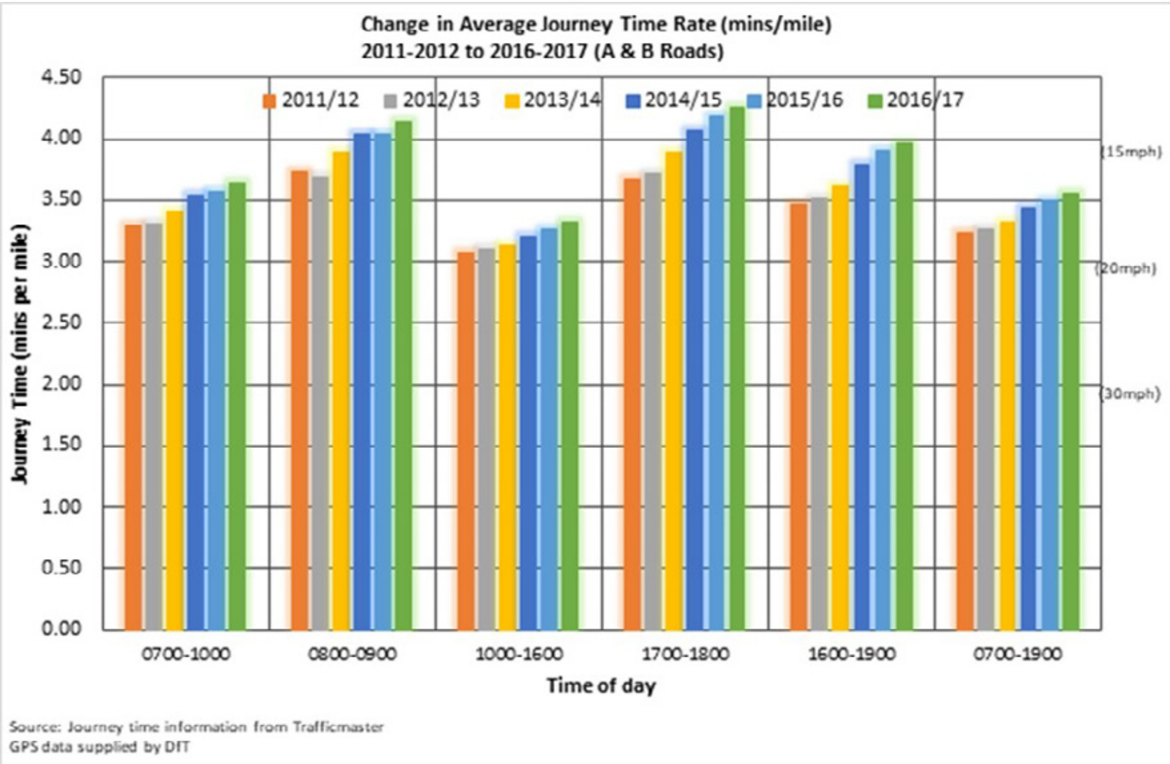
6.2.11 While this affects the bus service negatively, this creates more choice for passengers and creates the potential to complete more complex journeys by public transport using a number of different modes.

Congestion and changes in traffic speeds

6.2.12 Changes in traffic speeds – slower speeds have a negative effect on patronage as longer journeys are less attractive. Congestion also affects travel by car and reduces the attractiveness of that mode. The relationship is between journey times and patronage is not perfectly understood, particularly where small changes are concerned. The picture in Greater Manchester over the last few years has been mixed in terms of the trends at different times of day.

6.2.13 Chart 6 shows that there has been a continued increase in average journey times on A and B roads in Greater Manchester from 2012 - 2017, and that the increase is most apparent at peak hours of 07:00 – 10:00 and 16:00 – 19:00. The chart also shows that road speeds for general traffic in Greater Manchester have declined since 2011/12, with the evening peak being particularly affected.

Chart 6: Average Journey Time per Mile on A&B Roads in Greater Manchester



Source: *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)

6.2.14 Road congestion makes car travel less attractive but also affects bus speeds. Speed and punctuality are priorities for bus passengers and slower speeds have a negative effect on patronage. Between 2002/03 and 2018/19, Greater Manchester spent over £90 million on bus priority measures and further interventions are planned. Nevertheless, bus priority can only partially insulate buses from congestion.

6.2.15 This means that increased road traffic creates obvious issues for passengers in increasing journey times and reducing the attractiveness of bus services compared to other modes. The views of bus passengers nationally and locally echo the importance of journey times to the decisions that they make about modes. In the 2016 Survey 'Bus passengers have their say' the number, timeliness and frequency of buses were the second, third and fourth factors that passengers consider. While not all of these factors are associated with slower road speeds and have other influences (e.g. the resources devoted to the service) slower road speeds makes it harder for operators to achieve timeliness and frequency.

6.2.16 It is not possible to isolate the changes in terms of the speed of buses (as opposed to other vehicles), and total journey times for buses will also include time taken at stops and the efficiency of boarding passengers. The time taken is also different from other traffic because of the advantages given by bus priority measures. However, slower bus speeds and hence long journey times for passengers will contribute to falling demand for bus travel.

6.3 Challenges from the Functioning of the Bus Market

6.3.1 This section considers the challenges to the bus market in Greater Manchester that come from whether there are features of how the Greater Manchester bus market functions that could be improved. They could be considered 'supply side' issues that affect how the service is provided, and they affect the nature, quality and price of the service that passengers receive.

6.3.2 The HMT Green Book sets out that a rationale to intervene in a market to improve outcomes exists if there are 'market failures'. In this section the market failures that affect the bus market in Greater Manchester are examined. This does not mean that the bus network has failed, nor that it is not delivering a great deal of benefit currently to Greater Manchester. It means that the structure of the market leads to sub optimal outcomes, and that there is potential to improve outcomes with the right intervention.

6.3.3 *The Green Book* defines 'market failures' as situations in which "the market mechanism alone cannot achieve economic efficiency" (HM Treasury, 2018). An example of an imperfection in the market mechanism (referred to in *The Green Book*) is a firm's decision as to how much to invest in technology aimed at reducing pollution. A profit maximising firm may not take into account the benefit to wider society of clean air (referred to as a 'positive externality'). This means that the return to the firm from investment is lower than the return to society as a whole, resulting in a lower than socially optimal level of investment in pollution abatement technology.

6.3.4 The illustrative example provided above falls into a category of market failures called 'externalities'. *The Green Book* recognises four imperfections in the market that can result in 'market failure' of various forms: public goods, externalities, imperfect information and market power. The bus market exhibits the market failures of both externalities and market power – a lack of competition.

Analysis of competition in Greater Manchester's bus market

6.3.5 Healthy competition has clear benefits to consumers in different industries. Firms compete on both price and quality of the goods or services that they provide; the market provides choice, and firms whose goods are too expensive or not of sufficient quality tend to fail. In some sectors, competition is weak because of the characteristics of the industry, particularly where there are natural monopolies and no competition can be expected. An example would be electricity distribution networks. In this instance, where they are in private hands, the price and levels of investment are regulated by an independent body to protect consumers. Instead of the benefits of competition, consumer pay a regulated price for the good whose quality is also effectively determined by a government body.

6.3.6 The bus industry lies between these two extremes. The bus industry has the characteristic of being competitive, as bus operators can compete with each other for passengers, but this competition is limited by the nature of the market. The Competition Commission (reporting in 2011) concluded that there was a lack of competition in the bus industry (Competition Commission, 2011). Bus networks are geographically specific and run on a network with capacity constraints, which means that there are barriers to entry to the market:

i. the large and variable costs of entering a new market where an existing operator is active on the same network;

ii. ticketing effects where period and discount tickets tie passengers into one operator;

iii. operators' behaviour in spending money for short periods to 'see off' any incomers, and conversely, being content to stay within their own areas; and,

iv. customer conduct – passengers preferring the first bus to factors of price or quality that would usually distinguish services provided by firms.

6.3.7 More detail is given within the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). These factors hold true of bus markets in different places at different times. They do not eliminate competition as is the case for closed networks (such as in electricity distribution), but mean that competition is limited. This means it is likely that the benefits of competition are limited. It is also the case that this limited competition may introduce dis-benefits, primarily in a lack of co-ordination, in the provision of bus services that would mean the service to passengers was not as good as it could be.

6.3.8 The *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) sets out a specific analysis of the competition in the Greater Manchester bus market. This demonstrates that the deregulated portion of the market in Greater Manchester suffers from a high level of concentration and geographic segregation of operators. It shows higher levels of market concentration than the portion of the market tendered by the GMCA, where operators compete to win contracts to deliver services (competition 'for the market' as opposed to 'on-road' competition). Until the sale of part of an operation, there has been little meaningful market entry over the last decade to provide competition to incumbent operators.

6.3.9 A market which exhibits limited competition in a networked industry like bus does also introduce some potential disadvantages in terms of co-ordination from the competition that does occur. Such disadvantages would matter less if there were fuller competition, but the nature of a market with limited competition means they are apparent and can cause problems for passengers. As different operators seek to compete within a market that is necessarily constrained by geography and the networks that exist, the network overall can suffer from a lack of co-ordination. The most significant effects of a lack of co-ordination within the bus network are set out below in areas such as network planning, fares, and the provision of information.

6.3.10 While there may be some changes in the level of competition given potential sales of FirstGroup operation, it is unlikely that the long-term trend in competition will change markedly. The bus market is likely to be characterised by limited competition, so Greater Manchester is unlikely to see long-term benefits from a competitive market. At the same time, some of the dis-benefits of a lack of coordination may continue.

Limited competition and the cost of travel

6.3.11 The cost of travel has a major impact on bus patronage. One effect of limited competition in any market can be high profit margins. Despite the limited competition, it is not automatically the case that there are high margins in the current Greater Manchester bus market that could be 'captured' through a change to market structure in order to boost investment. Some operators are earning high margins in Greater Manchester, while others are earning notably less. However, over the long-term, it remains the case that the low level of competition has created the situation where profits in some parts of Greater Manchester have far exceeded the level they would obtain if there were more competition in the market.

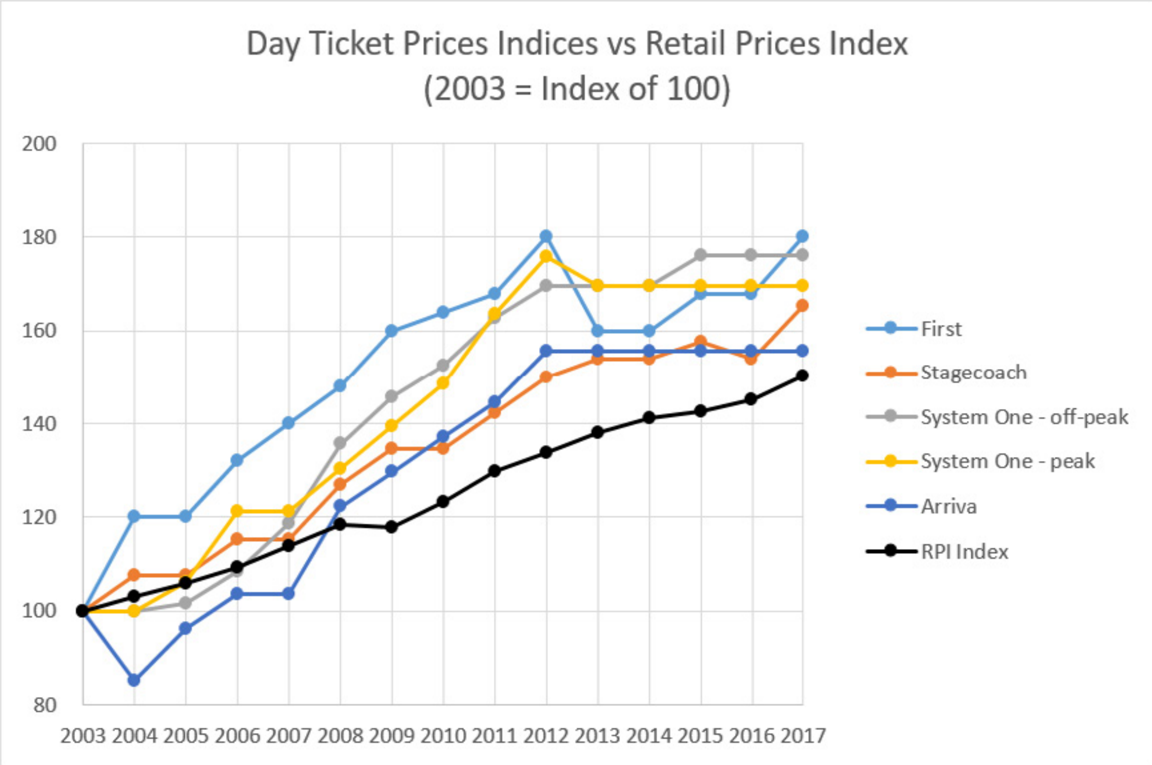
6.3.12 Potentially, if the level of competition were increased, then a greater proportion of the overall resources available to the Greater Manchester bus network would be devoted to bus services, rather than extracted as profit for shareholders. This is because operators would need to attract passengers through spending resources on improvements to services (or reductions in fares which would be a direct benefit to passengers) to avoid passengers going elsewhere.

6.3.13 The cost of travel is also strongly determined by external factors in terms of the costs that operators face – vehicles, fuel and labour costs all contribute to the overall cost for passengers. Such factors may be more important in the long-term in determining the cost of travel than the level of competition.

6.3.14 The cost of bus travel is an important issue for passengers. Cost compared to other modes of travel, including car and active modes (such as walking and cycling) affects the absolute demand for travel and the relative attractiveness of bus. Analysis of fares charged on buses across GM since 2002 shows that fares have increased above inflation (*Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)) which will have negatively affected demand. There is also a premium to be paid for tickets which provide travel on all buses (GMTL products).

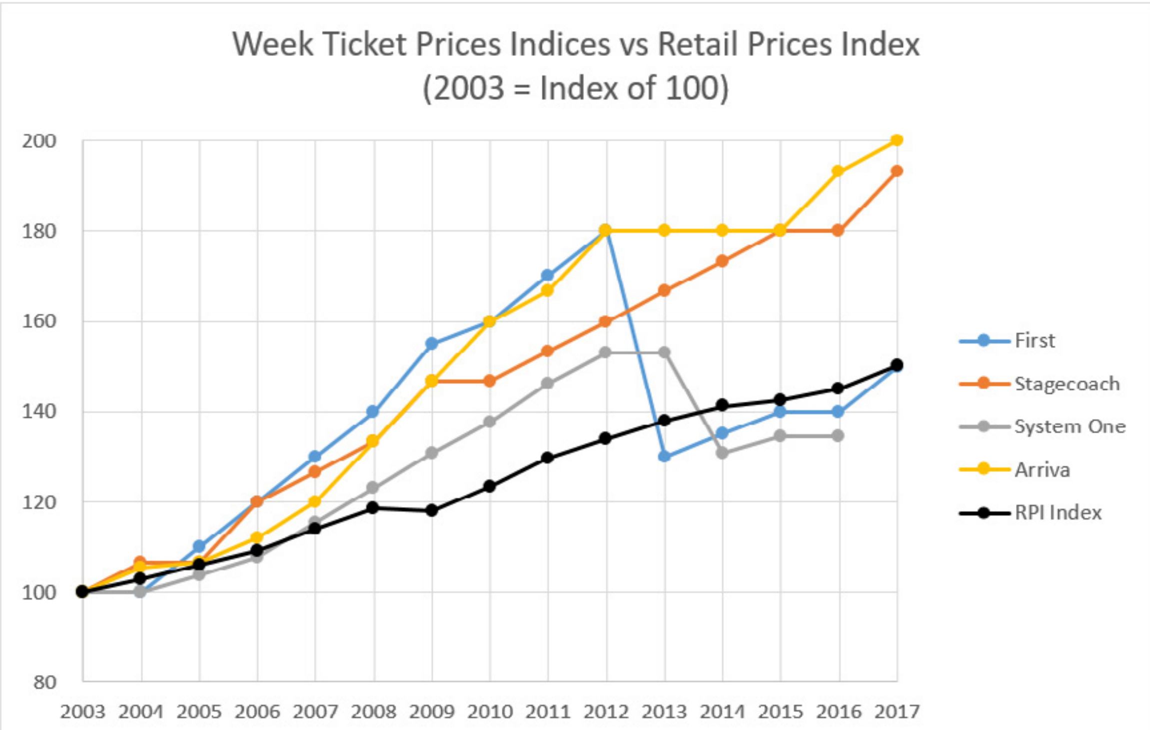
6.3.15 Analysis performed and shown in Chart 7 and Chart 8 below shows that the on-bus daily and weekly ticket price for the largest operators in Greater Manchester (as well as System One travel card) grew in excess of inflation from 2003-2017.

Chart 7: Day Ticket Prices Indices vs. Retail Prices Index



Source: *Analysis of period ticket prices in Greater Manchester* (TfGM, 2019r)

Chart 8: Week Ticket Prices Indices vs. Retail Prices Index



Source: *Analysis of period ticket prices in Greater Manchester* (TfGM, 2019r)

6.3.16 Passenger views often place value for money high on their list of priorities. In the Transport Focus survey 'Bus passengers have their say', better value for money from bus journeys was the number one priority for improvement, and the range of fares led to a lack of trust (*Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)). One of the concerns raised in responses to the *Transport Strategy 2040* consultation was that fares paid were not necessarily being reinvested into the bus service. A small number of respondents (20) expressed this in terms of value going to shareholders rather than Greater Manchester.

Lack of network integration

6.3.17 While competition in the Greater Manchester bus market may be limited, the competition that does exist can have effects on the bus network. Networks are planned not as an integrated whole but to compete with each other, and potentially to compete with other modes such as train or Metrolink.

6.3.18 Markets, particularly those in industries reliant on networks, can suffer from a lack of co-ordination. In the bus market, this can occur as a result of competition both within the bus network and between the bus network and other modes. For an operator, there is little motive to integrate services with services run by other bus operators or with other modes (and indeed it could even reduce demand for their services in particular situations). The benefits that can be derived from the network being a co-ordinated whole are lost because such integration is not present. Instead there are a set of individual competing networks.

6.3.19 This lack of co-ordination means that interchange and coordination between services that could benefit passengers is limited. It leads to incoherent service patterns where there is on-road competition, characterised by a duplication of route numbers, and unnecessary variance in service frequencies, operating periods and terminus points.

6.3.20 The situation in the current bus market is exacerbated by the fact that in a deregulated market, competition law prevents some types of coordination and integration that could, in the short-term, improve the service, such as coordination of individual operators' fares. It also restricts the coordination of timetables and routes between current commercial operators. This can mean that the bus market is characterised by a lack of network integration, even though mechanisms exist (such as qualifying agreements) to legally allow a degree of coordination.

6.3.21 The issues that can affect the network are:

i. the commercial networks of the various bus operators in Greater Manchester cannot be fully integrated within a competitive deregulated framework;

ii. in some locations direct competition leads to over-bussing on key corridors;

iii. the supported bus network is inevitably largely planned reactively, dependent on private, commercial service planning decisions of operators on their commercial networks, resulting in complexity and inefficiency; and

iv. there is little integrated planning between bus and rail-based modes (including heavy rail and Metrolink) and there is lack of co-ordination between the modes to varying degrees.

6.3.22 The *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) sets out some examples of these effects in the bus market in Greater Manchester. This analysis shows that, in a number of ways, the market failures that affect the routes and timetables of the Greater Manchester bus network mean that the service offered to passengers is not as good as it needs to be. More importantly, the market dynamics characterised by 'on road' competition mean that bus operators will act in competition with each other and with other modes to maximise the share of passengers they carry. This means that these effects are unlikely to be mitigated without intervention. The lack of integration of the network and lack of support for new routes means that there are opportunities for a reform which would improve and possibly expand services for current passengers, and make the bus service more attractive to those who do not currently use it.

6.3.23 The lack of co-ordination means passengers experience a sub-optimal bus network. Passenger's views also show that they value a more integrated network, and about 11% of the respondents to the *Transport Strategy 2040* Consultation were concerned with routes and timetables. One particular concern was the idea that some routes were neglected and that a lack of evening services discouraged them from using the bus earlier in the day, as they lacked confidence they could return. This is an aspect of the integration of the network with itself and how complete a public transport service it is able to provide.

6.3.24 The announcement of the sale of the FirstGroup Queens Road depot and operations, and the potential for further sales, means that the level of co-ordination of the bus network, particularly in the north of Greater Manchester, could get significantly worse. It is not clear how the incoming operator (or operators) plans to run their network and to what extent the coherence of the former First Manchester network would be maintained. Having two, or potentially three, new entities plan and operate a network that was previously run by one entity as a single network will necessarily reduce its coherence. In time, different strategies, and some competition among the entities planning the network, could further worsen network co-ordination and the outcome for passengers.

Social and economic externalities

6.3.25 Externalities "occur when consuming or producing a good or service produces benefits or costs for others that are not directly involved in the consumption or production" (HM Treasury, 2018). As explained in Section 6.3.3, the presence of a positive externality may result in less of a desirable activity being undertaken, given that a firm/individual may only take into account the benefit that accrues directly to themselves, rather than society as a whole. In a market where operators face competition, they are necessarily focused on maximising returns and therefore will not run services that do not meet their threshold for what the operator considers an acceptable financial return, even if there are benefits to wider society. This threshold may change over time and be influenced by wider factors than those local to the Greater Manchester bus market.

6.3.26 The primary positive externality of a bus service is the economic or social benefits that result from the provision of a public transport service. Almost all bus services (and transport services in general) will exhibit some level of positive externality, bringing a wider range of benefits than returns to operators would suggest. Whilst it is not to be expected that private-sector operators take this into account even though it is a feature of their networks, it can be the case that there are strong social and economic benefits of a service that is not in itself financially viable. Examples of these services include:

i. Early morning, evening and Sunday journeys for services which are operated commercially during other periods.

ii. Peak period services providing links to key employment destinations which cannot be made directly on the commercial network. This situation is exacerbated by the barriers preventing users making multiple-leg journeys involving the services of different operators. In particular, fares and services are not being planned in a way so as to facilitate convenient interchange.

iii. Peak period school services primarily running to schools and colleges. In some cases, these services provide unique links which are not available on the general network, a problem that is exacerbated by the barriers to interchange between services. In other cases, services are operated to provide additional capacity.

6.3.27 These services form the core of the services that are currently subsidised and tendered by the GMCA where funds are available, and are those where the social or economic benefit is such that, despite the seeming lack of commercial viability, the provision is seen as sufficiently important for Greater Manchester to spend public money on the service. How and where a transport authority can intervene in this way is limited by law.

6.3.28 The incentives on commercial operators to ensure that profit margins remain high mean that services that may be of social or economic benefit for Greater Manchester, but are not profitable, will not be provided. Some gaps in the service can be filled by the provision of tendered services if funding is available. In a declining market there are likely to be fewer socially useful services provided because they will not reach the threshold return set by operators. Spending on tendered services would need to increase to fill the gap.

6.3.29 Passengers value services that are not seen to be profitable by operators, particularly where they make a service complete and viable that was otherwise more difficult to use. These services can play an important role in people’s lives and enable the principles of the GMS of “Grow Up, Get On, Grow Old” – for instance access to education or healthcare.

Complex fares and ticketing

6.3.30 Competitive markets can also affect integration in terms of fares offered to passengers. The availability of different fares (including all-operator fares) can affect operators’ competitive position and the revenue they, as opposed to other operators, receive. There can be an incentive against integrated ticketing, as where passengers generally use an operator-own ticket, they would need to pay more to catch another operator’s bus on the same route. This makes it easier to maintain a territory and to ward off competition.

6.3.31 Having an overlapping set of competing operators can therefore lead to a fares offer to passengers that is not well integrated, and on those corridors where active competition exists, a very complex picture for them to navigate.

6.3.32 In terms of ticketing integration, the *DfT Smart and Integrated Ticketing Consultation Paper* (DfT, 2009) contains some insight into the market mechanisms that affect integrated ticketing. It lists the principal bus operator concerns around implementation, which included:

i. losing market share as passengers are not locked into one operator when buying a ticket;

ii. not receiving a fair proportion of revenue from integrated tickets;

iii. concerns about Office of Fair Trading (now CMA) fines for anti-competitive practices; and

iv. the lack of freedom to set all ticket prices.

6.3.33 This research concluded that despite the perceived advantages of integrated ticketing, it is apparent that the market is not delivering integrated ticketing in the quantity and speed which would make the full benefits realisable for customers. The incentives in the current market have not significantly changed from those that existed in 2009, and integrated ticketing is not a strong feature of deregulated markets. By contrast, in regulated markets such as London and elsewhere in Europe, the benefits of integrated ticketing (such as the Oyster Card) have been apparent for many years.

6.3.34 The benefits of integrated ticketing may accrue partly to wider society (and operators of other modes of transport) rather than simply to the bus operators. This implies that the social return to integrated ticketing is higher than the private return to operators, indicating the presence of a positive externality. In a report for Transport Scotland (PwC, 2011) it was suggested that externalities are the key market failure that prevents greater ticketing integration, being the "wider social and environmental benefits which would not solely accrue to the transport operators…these include the presence of convenience benefits to passengers in enjoying seamless, cashless ticketing across modes". The incentives in the deregulated market system mitigate against integrated ticketing and therefore help to perpetuate a sub-optimal ticketing system in Greater Manchester.

6.3.35 The *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) sets out an analysis of the ticketing arrangements in Greater Manchester and some of the issues that this creates for passengers. In summary, there are a number of key issues that emerge:

i. There is a vast range of tickets available for trips, with overlapping tickets from different operators even for similar journeys. For non-users, this could contribute to making the system appear very complex and off-putting.

ii. Choice can be very confusing, with passengers having to make trade-offs between the cost of different tickets and the restrictions in terms of the services upon which they are valid.

iii. The picture for single fares is also varied, and may be confusing to current and potential passengers. There can be a wide variation between the fare charged for similar length journeys and the resultant picture is confusing with as many as 30 different price points.

iv. Information on ticket prices is not always easily available and each operator only tends to give information on their own tickets rather than the range of tickets available.

6.3.36 There are also a number of ‘discount corridors’ in Greater Manchester where special fares are offered and period tickets are available from operators at a cheaper price than their regular period tickets. These corridors tend to exist where there are competing services from another operator, for instance on the Middleton corridor where Stagecoach offer a reduced price ticket. These reductions do not necessarily match to where there is a social need or where patronage is particularly price sensitive, because they are designed in the main to gain aggregate bus patronage at the expense of other operators in a competitive situation.

6.3.37 The lack of integrated ticketing is felt by passengers to be a key issue in Greater Manchester. As the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) sets out, in terms of solely the bus market, the lack of automatic integrated ticketing (and the need to buy different tickets for different parts of the network or pay a premium for a ‘System One’ ticket), was seen as a major inconvenience and as poor value for money. This particularly applied where buses run by different companies used the same routes. Different rules and fares stages were seen as a barrier for customers, making the service more difficult to understand and reducing confidence that it could be used.

6.3.38 Furthermore, many respondents to the consultation on the *Transport Strategy 2040* felt that Greater Manchester was behind other cities in the integration of tickets between modes. Tickets that enabled passengers to switch modes easily were valued, and the smart ticketing solutions where cities had capped fares for different modes were felt to be ideal.

6.3.39 Following the sale of the Queens Road depot by FirstGroup, the existence of two or three operators in the north of Greater Manchester has the potential to make fares offers to passengers less coherent than it is now and with more complexity and variation for them to navigate. As a new operator (or operators) compete, they will develop a fares strategy primarily designed to improve their position rather than designed to further integration from a passenger perspective. While there may be benefits to passengers it is likely that the coherence of the fare offering will further reduce.

Smart ticketing

6.3.40 Smart ticketing has the potential to make the transport offer easier to navigate for potential passengers and encourage mode shift from car. It offers passengers convenience benefits, and reduces operating costs through dwell time (the time buses stay at stops). ITSO supports contactless, cash-free, paper-free travel tickets (mostly via bank cards). The five major operators in the UK have made a commitment to deliver ITSO-compliant interoperable smart card ticketing across the country by 2022. The GMTL System One ticket is now available on any ITSO-compliant smartcard under the ‘get me there’ banner. Most buses in Greater Manchester are equipped with ITSO-compliant smart card readers and Stagecoach delivered contactless bus travel in Greater Manchester in early 2017 and FirstGroup in 2018.

6.3.41 Greater Manchester does not currently benefit from smart integrated ticketing in the form of a ‘fair price promise’ that would allow passengers access to multi- operator and multi-modal fares without preplanning their travel requirements. This would be a significant advance on the current situation in Greater Manchester, even if some of the underlying complexity were not addressed. Furthermore, delay to the introduction of account-based smart ticketing, or a sub-optimal version, would reduce the benefits for passengers.

6.3.42 The lesson learnt from previous attempts by TfGM to introduce smart ticketing is that the significant challenges are made more complex by having to reach voluntary agreements with a large number of operators, each of whom has different back office systems and fare structures. TfGM will shortly anticipate introducing account-based smart ticketing on the Metrolink system, which is entirely in its control. TfN has committed to producing a back office to allow account-based smart ticketing to be introduced in the North of England, and bus operators have committed to using this technology for the delivery of electronic ticketing in due course. Operators have not, as yet, committed to the introduction of a fair price promise ‘capped’ fare in Greater Manchester using this technology, though they have said that they would do this as part of a partnership arrangement.

Information

6.3.43 The provision of information and customer service also suffer from the limited competition in the Greater Manchester bus market. There are a variety of sources of information and it is often fragmented or incomplete. This partly reflects the lack of integration of fares as rival operators often wish to direct passengers to their fares their own services. As set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b), passengers also feel that the provision of information on and off the bus could be improved.

MaaS and lack of co-ordination in networks, fares and information

6.3.44 A lack of integration can impede efforts to develop MaaS in a positive direction and provide seamless transport service across different modes. The potential of MaaS requires a ticketing offer that can cover all parts of the journey without the user as well as high quality and real-time information. It also works better where there is good integration of the different transport networks themselves. Currently in the bus market, the provision of information is fragmented among different operators, the networks act in competition with each other and other modes, and the incentives in the market work against integration of fares, as operators are incentivised to keep passengers on their own networks.

6.3.45 This means that as the market is currently configured, new DRT services and other transport innovations are more likely to act in competition with mass transit services such as the bus network. Currently, DRT services have made taxis more attractive and transparent to use, which has provided some level of competition for bus services. It is important that the next stage in the development of this type of technology builds and enhances an integrated transport network and allows mass transit modes and DRT services to work together to provide an offering.

Conclusion

6.3.46 While not all of the issues that affect bus patronage are attributable to the structure of the current market, it is clear that the functioning of the market in the areas identified here – the level of competition, network externalities and lack of co-ordination, social and economic externalities, and complex ticketing – all contribute to a sub-optimal outcome for the overall public transport system in Greater Manchester. These challenges cause issues for passengers that mean the bus market is not performing as well as it needs to in order to deliver best outcomes for passengers. This section shows:

i. limited competition is apparent in Greater Manchester where until the recent agreement on the purchase of a part of FirstGroup's operations, there has been very little entry to the market in recent times;

ii. the limited nature of competition means there is potential for poor value for money and detriment to customers;

iii. that limited competition can have detrimental effects in terms of co-ordination. These would matter less if there were fuller competition, but in a market characterised by limited competition they create issues for passengers. One key effect is that the bus network functions as a set of competing networks and therefore not as efficient, or integrated, either with itself or with other modes;

iv. the Greater Manchester bus network does not take account of social and economic externalities arising from services that are not in themselves profitable;

v. there is a complex fares and ticketing offer for passengers in Greater Manchester.

6.3.47 Bus passengers encounter a market that suffers from limited competition, and loses some of the potential benefits of competition. At the same time, the bus market in Greater Manchester suffers from some of the drawbacks of the limited nature of the competition, which currently does exist. The outcome is that the bus network does not perform well enough as part of an integrated transport system. This means that the network is not currently fully delivering the overall goals of the *Transport Strategy 2040*, and is unlikely to be able to do so without reform.

6.3.48 For passengers, this ultimately means the bus and wider transport network is not joined-up across the city region: routes and timetables are not aligned; buses are not interconnected effectively with other transport modes such as trams and trains; and customers are faced with a complex range of tickets and fares resulting from a confusing mix of different brands and businesses. There is therefore a rationale to intervene in this market and a case for change to improve the outcomes for the city region.

6.4 Conclusion: the role of bus within an integrated transport system

6.4.1 GMCA's ambition for the bus market in Greater Manchester is for it to contribute more effectively to our overall public transport strategy, and to be part of a more fully integrated transport system. Greater Manchester has the ambition to develop into a world centre of employment and of innovation. If these ambitions are to be realised, the transport network beyond the private car needs to offer an integrated and easily understood network as set out in the *Transport Strategy 2040*.

6.4.2 This section has shown that:

i. the bus market faces a series of challenges from social trends, such as the declining number of trips, new alternative modes, increases in car ownership, competing modes such as Metrolink, and increases in journey times. The impact of technology could play a supportive or a negative role as current trends develop into more sophisticated transport offerings;

ii. the bus market faces a series of challenges from the functioning of the market itself and the limited competition that is apparent; and

iii. some of these challenges directly affect passengers – such as the complexity in terms of the ticketing arrangements – and some indirectly as the bus market is reduced in its reach or becomes more costly.

6.4.3 These challenges make it harder for bus to fulfil the role set out as part of the Right Mix in delivering the *Transport Strategy 2040* and the target of a 50% mode share for non-car modes by 2040. They contribute to the forecast decline in patronage set out in Section 5, meaning that the potential 172m trips seen in the Right Mix pathway is unlikely to be reached. Whatever the eventual pathway to reaching the Delivery Plan targets, a stronger bus services that can respond to some of these challenges will be a vital part of delivering the *Transport Strategy 2040*.

6.4.4 There are clear challenges facing the bus network which mean that the objectives that GMCA have for the transport system in Greater Manchester are unlikely to be realised unless they are, at least in part, addressed. While there are external factors that will continue to put pressure on the bus service, it is important to look at how the offering to passengers can be improved. This will enable bus to play a greater role than is currently forecast in the achievement of the vision for the transport system in Greater Manchester in the *Transport Strategy 2040*.

7 GMCA's Objectives for the Bus Network

7.1.1 Given the evidence cited above on the travel trends in Greater Manchester and the current and forecast trends in bus travel, and the need for the bus market to play a strong role in the future of Greater Manchester, it is evident that there is a case for intervention to improve the bus network for the benefit of passengers.

7.1.2 Bus travel should become a stronger part of the travel mix within Greater Manchester than it would be without intervention. Taking the Vision for Bus in the *Transport Strategy 2040* as a starting point, objectives have been derived by looking at the challenges set out above in Section 6 which make the realisation of the Vision (in accordance with Policy 23 to give effect to the Vision for Bus) more difficult without intervention, and also impede the implementation of other relevant policies (as set out in Section 4.3). The following sections set these objectives out and they are summarised, alongside potential measures, in the boxes for each objective.

7.1.3 These objectives differ in some respects from the elaboration given in the Vision for Bus in the Local Transport plan, including how they are categorised:

i. Network:

- the five points on network integration in the Vision for Bus are covered in the first two network objectives – one on the accessibility and reach of the network (which matters to passengers) and one on the level of integration of the network and its efficient use of resources. Interchange location is not covered here as that is already part of TfGM's remit;
- an objective has been added on the reliability and speed of the bus network as this is important to passengers and affects their willingness to use the service;
- an objective on the reduction of CO_2 and dangerous emissions has been added to the network section as this is a function of the fleet and hence part of the network;

ii. Fares:

- an objective on value for money has been added to the Simple and Integrated Fares section as this is important to customers;
- the aspect of the Vision for Bus regarding easy means of transaction has been updated to be the introduction of account-based smart ticketing, which goes beyond means of payment to offer greater benefits to passengers;

iii. Customer Experience:

- the points on ease of navigation and effective promotion of the bus network (including informed decision-making) has been combined into an objective on the network being easy to understand, comprising points on provision of information, branding and also having a single point of contact;
- improvement in the safety of travel has been added as this is shown to be important to passengers;
- the point on confidence of passengers in the Vision for Bus is important but is seen to be a product of achieving the other objectives in this section;
- investment in bus priority and service management is included under the objective of improving the speed and reliability of the service as it is a means to that end;
- the point on network efficiency delivering value for money is included in the network objective;

iv. Value for Money:

- an objective on feasibility of delivery of any reform option has been added as this is an important consideration;
- an objective of affordability for any intervention has been added as this is also an important consideration.

7.1.4 Some of the objectives below also contribute to the implementation of other policies in the *Transport Strategy 2040*. Where appropriate, this is noted.

7.1.5 Given the long-term nature of the challenges faced by the bus network, it is not always possible, to put specific timeframes around the achievement of some of these objectives. Some of these objectives will therefore be more specific and time-bound than others. The measure of timing (for instance concerning a measure of improvement) is from the complete introduction of an intervention in the market.

7.2 Network

7.2.1 Whatever market structure is in place, a bus network should function as a component of an integrated, multi-modal public transport system, which facilitates the efficient balancing of resources, on different routes to deliver the maximum benefit to Greater Manchester. The bus network should be as accessible as possible for customers wishing to travel for a variety of purposes, including journeys to work, education and training, and to destinations such as shops or hospitals.

1. Accessibility and reach of the bus network

7.2.2 The bus network should be easy to get to and should facilitate convenient access to where people want or need to travel (work, education and training, shops, leisure, healthcare, etc.), when they want or need to travel. To achieve this the network should be:

i. comprehensive, in terms of both geography and operating hours; and

ii. simple, so that it is easy to understand and use. This means, for example, service variants should, as far as possible, be eliminated.

7.2.3 And, since passenger cite waiting times and journey times as barriers to bus travel, services should be:

i. frequent; and

ii. have direct (that is non-circuitous) routes.

7.2.4 There is some tension between wanting, on the one hand, a comprehensive network and, on the other, a simple network with direct services. A service that was perfectly 'comprehensive' i.e. services from most major trip generators to most other trip generators, and at the same time simple, so that direct routes were taken would be uneconomic to provide and would stretch the capacity of the road network. These objectives need to be balanced and interchange between services facilitated (in terms of timing, ticketing and environment) to get the most out of the network.

7.2.5 There is a limit to how comprehensive the network can be, since it needs to be financially sustainable. This emphasises the need to obtain value for money from fares revenue and public funding.

7.2.6 There is also a need for the bus network to be:

i. stable, so that passengers are confident it will continue to meet their travel needs and are able to build and maintain a mental map of the network; and

ii. responsive to changing demand patterns and land use. 'Stable' is not the same as 'static' and where necessary the network should adapt, in a controlled way, to meet new customer and social needs.

1. Reach and stability of the bus network	
Objective	Measures
• Comprehensive network • Simple network • Frequent services • Direct services • Stable network • Responsive network Accessibility improves by comparison to the scale of the network within three years; continued improvement to 2040. Improvement in simplicity of the network within three years of intervention.	• Comprehensive network – Greater Manchester Accessibility Levels (GMAL). • Simple network – number of routes per million trips per annum (excluding schools services). As a larger network with more routes would have greater patronage, this measure gives an idea of the simplicity of a network. • Frequent and direct services – as long as services are integrated, frequent and direct services would reduce overall journey times; journey time contour maps to a representative sample of trip attractors would be the best way of measuring overall journey times. • Stable network – frequency and number of service changes, suitably categorised by the degree of change. • Responsive network – links to new developments.

2. Integration and efficiency

7.2.7 The bus network should be integrated within itself, so that services link with each other and facilitate interchange to onward journeys (see above). The frequency of services in the network should be balanced, providing frequencies that are appropriate to demand, thus enabling buses to be efficiently deployed across the network to maximise passenger benefit. As well as being a key aspect of the Vision for Bus, this contributes in part to Policy 21 of the *Transport Strategy 2040*: "Working with partners, we will seek to establish and promote one integrated Greater Manchester public transport network, making it easy and affordable for customers to plan, make and pay for their journeys using different modes and services." As shown in Section 6.3, the current bus network is not integrated and this results in a worse service for passengers.

7.2.8 For similar reasons, the bus network should also be integrated with the wider transport network, particularly the public transport network such as Metrolink, complementing but not duplicating other public transport modes. A better co-ordinated and integrated network will also enhance the utility to passengers of MaaS services based on new technology that can give a transport offer across the bus network and different modes of travel.

2. Integration and efficiency	
Objective	Measures
• Integrated within itself, planned as a single network within one year of intervention. • Efficient deployment of bus resources, with frequencies appropriate to demand levels • Integrated with other transport, particularly public transport Improvement in measures of efficiency within three years of an intervention Benchmarking of GM network by 2040	• Integration – use of journey time contour maps to representative trip attractors. • How network is planned. • Efficient deployment of resources – network modelling to reflect changes in the overall generalised journey time of bus passengers and, more generally, public transport passengers, relative to the resources deployed.

3. Reliability and speed of the bus service

7.2.9 Quality of service can cover a number of aspects but in terms of the network the key issues are reliability and speed. Reliability can be divided into reliability (whether the bus runs); punctuality (whether it runs to time) and regularity (whether it runs at the right intervals for frequent services). A reliable and punctual bus service should be provided at all times. Passengers should feel confident that the bus will get them where they want to be, on time, and that buses will turn up when they are scheduled to do so. The speed of the bus service is also important as this affects journey times in Greater Manchester.

7.2.10 Bus performance should be improved through targeted investment in bus priority and at relevant junctions. Policy 18 of the *Transport Strategy 2040* states, "where feasible, we will introduce appropriate bus priority measures on the highway network to improve reliability and will keep existing measures under review to ensure their effectiveness." Bus priority measures should be effectively targeted.

3. Quality of service provided	
Objective	Measures
A high standard of reliability (whether the services run) punctuality (whether scheduled services are on time) and regularity (whether frequent services come at the stated intervals) is maintained across the network. Reliability, punctuality, regularity of services improve within three years of an intervention; improvement continues year on year. The bus service provides journeys that take as short a time as possible given the distance and the nature of the journey. Speed of bus journeys stabilises or improves in each year; no deterioration within three years of intervention.	Increased reliability of services (and reduction in variation). Current Code of Conduct standard: 97%. Current overall on-road reliability: ~98% [measured by PRMS]. • Maintain overall Code of Conduct level • Reduction in variation in reliability of services measured by reliability of services from different depots. Increased punctuality of services (and reduction in variation). Current Code of Conduct standard: 90% (start point), 70% (mid-point). Current on-road punctuality: ~89% (start point), ~78% (mid-point) [measured by PRMS]. • Maintain overall Code of Conduct level • Reduction in variation in reliability of services measured by reliability of services from different depots. Increased Regularity of high frequency services. Current Code of Conduct standard: 97%. Current on-road regularity: ~95% [measured by PRMS]. • Maintain overall Code of Conduct level • Reduction in variation in reliability of services measured by reliability of services from different depots. Speed of bus journeys as measured by journey times on key corridors (divided by time of day).

4. Clean air and reduced CO_2 emissions

7.2.11 The fifth priority of the Greater Manchester Strategy, "World-class connectivity that keeps Greater Manchester moving", is the policy relating, in part, to improving air quality. Whilst the targets for 2020 in respect of NO_2 and PM10 are now unlikely to be met, the Clean Air Plan OBC includes revised targets.

7.2.12 The *Transport Strategy 2040* also contains the ambition to reduce transport emissions to near zero. Given the pace of change in technology, it is difficult to predict exactly when and how this will be achieved. It mentions in Policy 8, that: "We will work with partners to reduce, as far as possible, the emissions from transport, particularly CO_2, NO_2, particulates and noise." If the current age profile of the fleet were to be maintained at the current rate of replacement, then the fleet operating in Greater Manchester would be Euro VI compliant by 2030.

Therefore to support this policy the bus fleet should be configured to increasingly improve air quality performance, moving as quickly as possible to Euro VI standard or better for the whole network with a road map for moving to zero emission technologies in the future. The Mayor of Greater Manchester has pledged that Greater Manchester will have a zero-emission bus fleet as part of its ambition to meet Greenhouse gas emission targets. This supports the EU's long-term goal of reducing emissions by 80–95% by 2050, compared to 1990 levels (European Commission, 2016a), and the UK commitments under the 2016 *Paris Agreement* of reducing greenhouse gas emissions by at least 40% below 1990 levels by 2030 (European Commission, 2016b).

7.2.13 Greater Manchester has to comply with the legal limits for NO_2 at the earliest possible time. Under current plans contained with the OBC this is anticipated as being achieved in 2024. Under the proposals in the Clean Air Plan OBC, a CAZ across the whole of Greater Manchester would be implemented from August 2021. Buses entering the zone would be required to meet Euro VI standard or pay a charge. The Clean Air Plan OBC requests that Defra provide funding to upgrade the bus fleet, where possible, to meet these standards so that all buses would conform to the required standards if the CAZ is implemented. However this is still subject to Ministerial decision.

4. Harmful emissions from buses are reduced and CO_2 emissions from buses are reduced.	
Objective	Measures
Harmful emissions such as NO_2 and particulate matter together with CO_2 from buses are reduced. All buses are Euro VI standard or better sooner than the current predicted date of 2030 (including alternative fuel) across GM, with an aim of achieving it by 2024 (the date GM anticipates meeting the legal limits for NO_2) All buses should conform to any required standards of a CAZ to the extent that this is implemented.	Fleet profile of buses running in the CAZ to the extent that this is implemented. Forecast date of all buses being Euro VI or better (currently 2030), including year by year road map to achieving this target.

7.3 Simplified and integrated fares

7.3.1 Bus users should benefit from simple and integrated fares covering all buses and also journeys using buses, Metrolink and, in time, local rail within Greater Manchester. This would reduce the complexity of bus use for existing passengers, as well as for those who do not currently use buses. It would also enable passengers to make full use of the public transport network. Coupled with a bus network having the qualities described in the previous section, simple and integrated fares and ticketing would remove barriers to travel across the region, widening the access of Greater Manchester residents to jobs, education and training, healthcare, shopping, leisure and other activities. It would also widen employers' access to labour markets, benefiting the Greater Manchester economy. This vision for the fares and ticketing offer draws upon the objectives of the public transport fares strategy set out in the *Transport Strategy 2040*, for:

i. Simplicity: customers can easily understand and choose options, and transport products and offers are straightforward to promote and market;

ii. Convenience: transactions are quick and easy for the passenger; one payment allows multi-modal travel;

iii. Value for money: passengers see their fare as a fair price for the service they get;

iv. Transparency and trustworthiness: passengers have a clear understanding of pricing and product;

v. Inclusivity: passengers find public transport affordable;

vi. Balanced funding: fare revenues must contribute to and support a sustainable long-term funding position for the network.

5. Integrated and simple fares

7.3.2 Integration and simplicity would contribute to achieving the first five of the *Transport Strategy 2040* objectives listed above. Policy 2 of the *Transport Strategy 2040* states "working with partners, we will seek to deliver integrated pricing and payment systems including integrated fares and smart ticketing for public transport, to support the development of 'Mobility as a Service'." As set out above in Section 6.3, integrated and simple fares is a priority of customers and is not a feature of the current market. Integrated ticketing would increase the convenience of buses and public transport generally, enabling passengers to make multiple journeys with one ticket; simplicity would increase the transparency and trustworthiness of the fares system, making the system's value for money to customers clearer; and by eliminating inconsistencies in fares and facilitating travel throughout the network, simple and integrated fares would ensure consistent value for money and would be more inclusive.

7.3.3 Integrated and simple fares on the bus network is an important part of helping to deliver the potential of MaaS technology as it improves transparency of fares and the ability of the transport authority to shape an attractive offer for passengers in terms of the level and predictability of the fare paid.

7.3.4 In practice for bus users, this means that:

i. period tickets (day, week, month or annual), should be valid on any bus service in Greater Manchester, giving customers the flexibility to travel throughout the network;

ii. alongside bus-only period tickets, there should be equivalent period tickets covering multi-modal travel on bus and Metrolink and, in time, local rail services in Greater Manchester;

iii. single fares should be as simple as possible: the number of different price points for single fares should be reduced, making it easier to understand what the fare might be before taking the bus. This means simplifying distance-based fares and removing inconsistencies between different operators' fares for similar journeys.

5. Integrated and simple fares	
Objective	Measures
The fares system is simple to understand and convenient to use: • Period tickets should be valid on any bus service within one year of an intervention. • There should be equivalent period tickets covering bus and Metrolink within one year of intervention and, in time, local rail services in Greater Manchester. • Single fares should be standardised so that there are similar fares for similar journeys within one year of intervention.	• Is there a single range of period tickets valid on any bus service? • Are there equivalent period tickets covering bus and Metrolink? • Are there equivalent period tickets covering bus, Metrolink and local rail? • Are single fares standardised?

6. Fares should offer value for money

7.3.5 Fares should offer value for money to customers. Whilst a balanced funding position is necessary to maintain the bus network, fare increases should not be higher than required to fund the service. The standardisation of single fares (see above) would eliminate differences in fares for similar journeys. This would remove one reason why fares could be perceived as unfair, since it is not unreasonable for customers to conclude that where such differences exist, the higher fares must be poor value for money.

7.3.6 Any discount fares should be to stimulate demand or address specific issues such as social deprivation and barriers to employment / education and training for specific categories of passenger. Such discounts should be assessed using an agreed framework and criteria to decide if they were appropriate.

6. Fares should offer value for money	
Objective	Measures
• Fares offer value for money to customers while supporting a balanced funding position for the bus market. • A framework approach is taken to consideration of any further discounted tickets within one year of intervention.	• Fare revenue and budgeted public subsidy is sufficient to ensure the short- and long-term financial viability of the bus network. This would be measured in every year following a market intervention. • Survey data demonstrates an improvement in customers' perception of the value for money of fares. • There is a framework agreed by GMCA for considering further discounted tickets.

7. Account-based smart ticketing introduced as soon as possible

7.3.7 To maximise customer convenience and confidence that the fares they pay offer value for money, account-based smart ticketing should be introduced as soon as possible. At set out above in this section, Policy 2 of the *Transport Strategy 2040* includes the ambition to introduce smart ticketing. Currently customers can choose between mobile ticketing via an operator's 'app' and the ability to load tickets onto ITSO-compliant smartcards. This includes the System One offer from GMTL which offers travel on all buses. However truly 'smart ticketing' involves an intelligent back office that caps the total amount paid for travel on a given day or week in line with a 'fair price promise'. This will be introduced on Metrolink very soon (June 2019) by TfGM.

7.3.8 The definition of the fair price promise is a guarantee that customers will be sold the best product (i.e. charged the best value fare) for the journeys they have made, without having to pre-plan. A fair price promise could be offered on bus initially, then extended to cap the cost of travel across bus and Metrolink and, ultimately, short-distance rail within Greater Manchester. Smart ticketing should be implemented in such a way as to enable future mobility services such as MaaS to build on the platform and offer progressively more sophisticated services.

7. Account-based smart ticketing introduced as soon as possible	
Objective	Measures
Quick introduction of account-based smart ticketing, enabling a 'fair price promise' for different modes. • Whole bus network capped products for day and week tickets available as soon as possible, offering the lowest possible fare. • A multi-modal capped product introduced as soon as possible.	Dates of introduction of account-based smart ticketing with a fair price promise for: • Bus • Bus and Metrolink • Bus, Metrolink and local rail

7.4 Customer experience

7.4.1 As well as simplified fares and ticketing, the bus network should be as easy to use as possible for passengers and potential passengers, and provide a positive journey experience. The network should also be easily navigable so that those unfamiliar with it and those from outside Greater Manchester are encouraged to use public transport options for their journey.

8. Bus service should be easy to understand

7.4.2 Travel choices should be simpler to understand, so customers can make better informed decisions. The sophisticated presentation of travel information, both through communications devices and in physical form, should give passengers the clearest and quickest possible understanding of how they might complete their desired journey. This means that the information should be:

i. Comprehensive, no matter what platform is used, so that this is not information on only part of the bus network. Ideally travel information for the whole of the public transport network should be available;

ii. accurate, so that information is up to date, consistent and where relevant, in real time;

iii. easy to understand and on a number of channels;

iv. available on the bus through audio and visual systems.

7.4.3 There should be a unified and modern brand for the bus network, within an overarching identity for the wider public transport network. The unified branding would help to ensure the public transport network is simple to understand and easily recognisable, giving customer's confidence in using the network. For instance, there should be little confusion over which tickets are valid on which services.

7.4.4 It is important that passengers know where they should go for information or to make comments or complaints. This would be best supported by a single point of contact for passengers and clear accountability. These objectives on ease of understanding respond to the weakness in the provision of information identified above in the current bus market at Section 6.3.43, as well as Policy 3 of the *Transport Strategy 2040*, which states: “We will maintain a conurbation-wide programme of travel choices interventions, supported by journey planning tools and information, to encourage travel behaviour change and mode shift, in order to make the most efficient use of available capacity, particularly during peak periods.”

8. Ease of understanding of the bus service is improved	
Objective	Measures
The ease of understanding of the bus service is improved for users and there is a high quality of information available (at stops and stations; on buses; and on the web). Branding is clear and enhances improved perception of the service. • Comprehensive information is put forward covering the whole of the public transport network, whether provided by TfGM or third party. • Accurate information is provided - information that is up to date, consistent, correct and where relevant, in real time. • Information presented in an easy to understand way on a number of channels. • All buses fitted with audio and visual communication systems to convey information to customers during journeys about stops and routes. • Branding and marketing - a unified brand is there for the bus network to ensure that the public transport network is simple to understand and easily recognisable, giving customers confidence in using the network. • Customer contact - a single point of contact for customers to make enquires. Each of these should be achieved within one year of any intervention.	Upon the implementation of a market intervention: • All sources of information (including websites) reflect a comprehensive view of the total bus network and public transport system in Greater Manchester, enabling potential passengers to navigate the system more easily. • Information is well presented and is easy to understand for passengers. • Information presented is accurate – i.e. up to date, consistent, correct and where relevant in real time. • Brand changes are introduced on buses and branding is clear. • A single point of contact for passengers is established. Ongoing improvement year on year in: • Customer survey data on the quality of information. • Proportion of buses with audio and visual communication systems providing real time information.

9. Safety of travel is improved

7.4.5 The bus system as a whole should prioritise the safety of passengers, and should aim for the lowest number of incidents of antisocial behaviour as possible. It is also important that the perception of the safety of the bus service is improved as this encourages bus use. Policy 14 of the Greater Manchester Transport Strategy states “We will work with operators and other partners to improve safety and personal security to tackle crime and anti-social behaviour on the transport network.” It is also important for passengers. Safety includes the provision of physical systems, such as CCTV on buses, as well as active management to improve safety in partnership with the police, and to reassure passengers and potential passengers that bus is a safe form of transport to use. Safety also extends to off the bus. Transport interchanges should be well lit and maintained, easily navigable and with appropriate staffing.

9. Safety of travel is improved	
Objective	Measures
Safety is improved and incidents of crime or anti-social behaviour on buses are reduced. There is a perception of improved safety on the bus network, encouraging bus use within three years of intervention, and continued improvement after that. • There is active management to improve safety in partnership with the police, and to reassure passengers and potential passengers that the bus is a safe form of transport to use. • All buses installed with CCTV within one year of intervention. • Off-bus safety – there are well-lit and maintained, easily navigable interchanges with appropriate staffing.	The number of incidents of antisocial behaviour reported as occurring on the bus network reduces each year following an intervention in the market. Current number of transport incidents that have occurred on the bus service for year 2017/18 is 1,344. Transport Focus survey data on anti-social behaviour (% worried by other passengers behaviour) shows improvement. In 2017, the percentage of passengers answering “yes” to “other passengers’ behaviour giving cause to worry or feel uncomfortable” had dropped to 6%, from 10% in 2015 (Transport Focus, 2018).

10. Improvement in on-bus experience

7.4.6 A good journey experience should be achieved at all times, through high standards for on-board facilities. The bus fleet should be as new as possible and have high standards of physical accessibility (particularly for disabled passengers) and aids for partially sighted or blind customers to help them navigate the network. In particular, to improve customer experience:

i. Buses should be clean, both inside and outside, as this is a concern of passengers and clean buses could encourage bus use;

ii. There should be continuous improvement in driver behaviour as this is a concern of passengers – drivers are the main customer interface for the bus network. This could be achieved by the appropriate standards of professional training of drivers; and

iii. Passengers also value the quality of the bus itself, so improvement in the quality of assets and in connectivity on board will be important.

10. Improvement in on-bus experience	
Objective	Measures
Consistent high standards are achieved for the cleanliness of buses and for driver behaviour, and the quality of vehicles improves. • Cleanliness - commitment to a high standard of cleanliness across all services. All buses to receive external clean daily; light interior clean pre-service; interior deep clean once a month within one year of intervention. • Bus drivers - continuous improvement in driver behaviour to improve customer experience. Appropriate professional standards and training of drivers. All drivers to have undertaken appropriate customer service training within the last year within three years of intervention. All buses fitted with Eco drive systems within three years of intervention • Quality of assets - improved vehicle quality and connectivity for passengers.	% buses fitted with technology to monitor driving standards such as acceleration, braking and cornering. Survey results showing passengers' opinions on cleanliness of buses and driver behaviour improves year on year. % drivers will have undertaken customer service training within last year. % buses fitted with [Eco drive systems] which are actively monitored. % buses cleaned externally on a daily basis. % buses subject to interior light clean prior to service. % buses receive monthly interior deep clean. Transport survey data on passenger's satisfaction with on-bus experience.

7.5 Value for money

7.5.1 The bus network should be delivering optimal value for money in terms of the service to Greater Manchester for the inputs available – fares paid by passengers and the different forms of public investment. As indicated in the Vision for Bus, as well as being operationally efficient – in terms of use of capital and human assets to deliver the service – Greater Manchester should get the most mobility for its investment of fares and public funds. In terms of the specific objective, this is articulated in terms of value for money for public investment in the bus network, as it is more straightforward to measure and assess.

7.5.2 In circumstances where there is a mixture of funding sources between the fares paid by the user of the service and taxpayer funding (for concessions, subsidised services and direct subsidy), it is important that the spending of public money gains the best value for taxpayers investment. In financial year 16/17, approximately 36% of the funding of the Greater Manchester bus market was from taxpayer funded sources. As set out in the analysis of the current market in Section 6, the difficulty in co-ordinating services between commercial and subsidised services means that those services are difficult to optimise. It is important that any money that is used to provide services not supported by the fare box revenue gains as much value for money as possible.

7.5.3 In addition, given the current state of the bus network and the forecast decline, GMCA and the Mayor may decide to undertake further intervention in this market. If this is to be the case, then any further interventions should be able to be made so as to get the best value for money.

11. Value for money for public investment

7.5.4 Whilst it is difficult to measure the overall value of a bus network to a conurbation such as Greater Manchester, it is important that Greater Manchester gets the most out its bus network given the inputs to it. That is why this was part of the Vision for Bus. However, because it is hard to measure overall value, the objective here focuses on the value of marginal changes to the bus system in Greater Manchester brought about by public sector intervention. This is because it is possible to look at the value that is achieved by specific interventions – whether large scale or smaller changes. There are two ways of looking at this value. Firstly measuring this including all of the costs to society, as is it not value for money in term of public investment if an option imposes large social costs; this means it is important to look at the overall social value of any option or plan. Secondly it is important to understand how benefits compare to the specifically public investment that will be employed to gain them. This applies to any overall intervention in the Greater Manchester bus market, including the Franchising Scheme as well as smaller scale more specific measures taken.

11. Value for money for public investment	
Objective	Measures
The best value for money for public investment into the bus market, specifically the options being considered as part of the Assessment to reform the bus market.	The social value of any public investment, taking into account all of the costs of the intervention, measured by a Net Present Value (NPV) calculation (the benefits minus all of the costs).
The best value for money for any other specific intervention in the bus market.	The benefits of the investment with regard to the constrained budget of public sector investment (money available to the Mayor and GMCA), measured by a Benefit Cost Ratio (BCR) of the benefits divided by the costs to that constrained budget.

12. Any market intervention is feasible and sustainable in the long-term

7.5.5 The feasibility of any intervention in the bus market is critical, and central to it truly being value for money, as the benefits of any intervention need to be realised over a long period of time. It should be feasible from the perspective of the commercial arrangements, including procurement, risk transfer and contract management. It should also be feasible from the perspective of implementation and management aspects: the proposed operating model, and the management of change and the management of risk.

7.5.6 A key factor in achieving value for money over the long-term is creating an effective market where benefits can accrue and the network can be developed in the most efficient way possible, whilst objectives are achieved. Any market intervention should therefore be long lasting so as to create a sustainable improvement in the Greater Manchester bus market.

12. Any market intervention is sustainable in the long-term	
Objective	Measures
Any intervention in the market should be feasible in its commercial and management arrangements. Any intervention in the market is long lasting, given the need to create a sustainable improvement in the Greater Manchester Bus market. It should still be in place in 2040 at the least.	The intervention is, on an annual basis, still in effect in Greater Manchester. Intervention is delivering benefit and patronage above what would be expected in without intervention.

13. Any market intervention is affordable

7.5.7 Any intervention in the market should be affordable for GMCA over the long-term. While underlying trends may change the characteristics of the market, the transport authority must be able to maintain its commitment to the market and ensure benefits are maintained.

13. Any market intervention is affordable	
Objective	Measures
Any intervention in the bus market is affordable for GMCA over the long-term. Affordability in each year following intervention.	If the current market structure is retained: • Any additional costs of setting up and running a partnership or other intervention, including ensuring that benefits derived are affordable for TfGM and funding is available If the Franchising Scheme is introduced: • Over the anticipated appraisal period for the scheme, the balance between any spending required and income generated is either cost neutral, or any discrepancy is fundable by GMCA. • Any financing requirement to fund transition costs is affordable to GMCA.

7.6 Objectives of neighbouring authorities

7.6.1 Greater Manchester borders seven neighbouring transport authorities: Blackburn with Darwen, Lancashire, West Yorkshire, Derbyshire, Cheshire East, Merseyside and Warrington. They each have transport plans and policies for transport in their areas. Some of these are described as 'priorities' or 'goals' rather than objectives or policies, and each authority takes a different approach to how it fills out the detail behind these objectives and the extent to which more detailed objectives exist. A detailed analysis of all policies of the neighbouring authorities set out in their Local Transport Plans and other documents was undertaken to see where they might be impacted by reform of the bus market in Greater Manchester. This is set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b) at Section 6. This also sets out the discussions that were held with neighbouring authorities to discuss reform of the bus market in Greater Manchester and the prospective Franchising Scheme.

7.6.2 While each authority has high level objectives and, in some cases, detailed transport plans and policies relating to their areas, the key issue in terms of bus reform options in Greater Manchester in terms of the impact on their policies is facilitating travel to and from Greater Manchester and hence the running of cross-boundary bus services. These services allow travel from these areas into and out of Greater Manchester which is of benefit to the people who live in those areas, as well as travel from Greater Manchester (for instance to centres of employment in Cheshire East). While most long-distance commuting to the Regional Centre is by train, these services still play an important role for communities outside Greater Manchester. This was reinforced by discussions held with neighbouring authorities on bus reform and the potential for the Franchising Scheme. Analysis of the cross-boundary services for the neighbouring authorities can be found in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). This shows that there are 111 services, roughly split half and half between commercial services and school or supported services. Services vary in terms of the extent to which they have significant portions of the route within Greater Manchester.

7.6.3 The critical impact on the policies of neighbouring authorities that changes to the bus market in Greater Manchester will affect is any impact on the running of cross-boundary services. Any improvement to the transport system within Greater Manchester may be assumed to benefit passengers travelling into or out of the conurbation, once they are in Greater Manchester.

7.7 Conclusion

7.7.1 Achieving the objectives set out above will improve the bus network and enable it to play a stronger role within the Greater Manchester transport system.

7.7.2 This section has shown that:

i. there are a set of coherent objectives for improving the bus service that cover some of the key areas identified in this Assessment and by passengers for improving the bus network in Greater Manchester;

ii. while there are differences between the objectives, there are measures of achievement in these objectives that would enable the success of any intervention in the market to be tracked; and,

iii. relevant neighbouring authority's objectives are centred on the cross-boundary services that serve their communities.

7.7.3 In order for bus to play an adequate role in meeting the GMCA's policies, progress will need to be made in meeting these objectives, and, in so doing increase use of a critical sustainable mode of transport for Greater Manchester. Achieving these targets will lead to positive outcomes for Greater Manchester – growth will be achieved as the transport system will be able to cope with additional demand, and increases in congestion avoided as Greater Manchester grows. This will enhance clean air and the mobility options available to people in Greater Manchester.

8 Options for Reform of the Bus Market

8.1.1 This section sets out the options for reforming the bus network that the Assessment considers and describes how they would address the objectives set out above. It sets out:

i. the geography that any intervention would need to cover to be considered a viable option and the reasons for this;

ii. the longlisting and shortlisting process which led to the shortlisted options under consideration – a Do Minimum option, a partnership and the Franchising Scheme;

iii. what the Franchising Scheme is, how it would work, and what changes would be made to the bus service as a result;

iv. what a partnership is, how the partnership would work, and what changes would be made to the bus service as a result;

v. further 'Phase 2' measures that could help achieve the objectives and could be facilitated or improved by the options under consideration;

vi. how effectively the Franchising Scheme would facilitate 'Phase 2' measures; and,

vii. how effectively a partnership would facilitate 'Phase 2' measures.

8.2 Geography of any Intervention

8.2.1 Any intervention could cover the whole or potentially a part of Greater Manchester. In terms of achieving the objectives set out above, there are a number of reasons why the geography of the whole of Greater Manchester would be more suitable than a part of the city region:

i. In order to achieve the objective of an accessible and integrated network to facilitate travel in Greater Manchester, the integration needs to be at the level of the whole conurbation. A partial intervention would leave barriers in place to travel. It would not be possible to make the bus network more integrated as a whole while only making changes to one part of it. The scope for positive change would be reduced if a smaller area were chosen. It would not achieve the GMCA's objectives to make positive change to the whole conurbation;

ii. integrated fares and ticketing in Greater Manchester would not be deliverable without an intervention that covered the whole of the city region as divisions and inconsistencies would still remain;

iii. any standards of customer service should be applicable across the whole market in Greater Manchester, to avoid inconsistency between different areas and passengers being confused about the standards they could expect; and,

iv. Value for money is less likely to be markedly improved by an intervention that did not cover the whole of the city, as a partial intervention would have less effect and less scope to make the service more efficient.

8.2.2 Ideally, therefore, any intervention in the bus market in Greater Manchester will cover the whole of the conurbation and be able to drive consistent change and improvement across the whole area. This Assessment will therefore cover the whole of Greater Manchester in considering the options for improving the bus service.

8.3 Longlisting and Shortlisting of Options

8.3.1 The options available to a transport authority in looking to improve the functioning of a bus market are defined in legislation passed since the deregulation of the bus industry in the 1980s. This means there is a relatively small number of options, with some overlap among the different forms of partnership and what they enable operators and authorities to do.

8.3.2 A longlisting process to look at options for reforming the Greater Manchester bus market was undertaken by TfGM, on behalf of the GMCA in collaboration with the DfT prior to the devolution agreement being signed and the introduction of the Bus Services Bill 2016 that expanded this range of options (and which became the 2017 Act). At this stage a number of potential options were considered: including current partnerships, a stronger partnership, using incentives such as BSOG, quality contracts and franchising.

8.3.3 The shortlisting of options took place in parallel with the legislative process. The publication of the Bill showed that options previously considered (i.e. using BSOG as an incentive) were very unlikely to be supported by legislation, but also confirmed that franchising was likely to be possible and there would be a new form of partnership. A Franchising Scheme under the new Act was shortlisted as this looked to offer the greatest scope for reform. A quality contract scheme was discounted as it offered a similar market structure to franchising but would be time limited and offer less flexibility in terms of contracting. A new stronger partnership in Greater Manchester was shortlisted as an alternative option; it was assumed that this could take advantage of the new partnership provisions in the 2000 Act (an 'Enhanced Partnership') but this was not confirmed as engagement with operators had not taken place.

8.3.4 This process led to a shortlist of:

i. a Do Minimum option that would serve as a reference point for the other options and help to show whether any intervention was appropriate;

ii. a franchising option covering the whole of Greater Manchester, the Franchising Scheme. This means that local bus services would be specified by the GMCA who would contract with operators to provide the services, taking revenue risk; and,

iii. a partnership among operators and the GMCA, potentially using the new partnership provisions within the 2000 Act. This is envisaged to contain commitments and have strong enough governance to deliver sustained benefits.

8.3.5 These options were chosen because they offer the most potential to effect real and long-lasting reform in the bus market in Manchester and to ensure that the whole of the Greater Manchester market is improved in line with the objectives set out in Section 7. However, it is important to recognise that they would not be the only way in which intervention would support improvement in the performance of the bus market. Each of these options would be implemented in the context of the broader transport interventions set out in the *Draft Delivery Plan* (TfGM, 2019o). In terms of bus market measures, how these would work is set out below at Section 8.6.

8.4 How Franchising Would Work

8.4.1 This section sets out how the proposed Franchising Scheme would work, what benefits it would bring and how it would help achieve GMCA's objectives.

Under a Franchising Scheme and in accordance with section 123J of the 2000 Act, no local service can operate in an area unless it is franchised, it is an interim service, it has a service permit or it is otherwise specifically excluded from the terms of the scheme. This would allow the GMCA to specify what bus services it wants to be delivered and in doing so, it would tender the delivery to private firms who compete on the basis of price and the quality of their bids to secure the contract and hence, deliver the services. Section 1.5 sets out further information on the proposed scheme and describes, if accepted by the GMCA and subsequently implemented, what services would be franchised by the GMCA. The GMCA would receive the income from fares and other sources to pay for the service, thus taking risk on the revenue. Where an operator has fewer controls on the nature of the service it provides, it is unreasonable to ask that operator to take revenue risk, which is why it is proposed it should instead be borne by the GMCA. The GMCA would also be able to manage revenue risk through specifying the routes and desired frequencies as well as fare structures and prices.

8.4.2 Franchising would change the nature of competition in the market from 'on road' competition, which has resulted in a market characterised by limited competition, to one where there was competition 'for the market' to deliver franchise contracts. As set out in the Commercial Case at Section 0, it is expected that there would be a competitive market for franchise contracts as exists in other franchise markets in London and outside the UK.

8.4.3 As set out above, the provisions in the 2000 Act will provide the ability for the GMCA to pool all available revenue streams, including passenger fares, and pay the operators to run bus services. Under this option, the Greater Manchester bus network would be split into appropriately sized packages which would be competitively tendered. The contracts would include financial incentives, including penalties linked to poor performance, ensuring that the operators meet the expectations of passengers and the GMCA.

8.4.4 A service permit scheme would be in operation allowing operators to run services which are not franchised by the GMCA. These services would largely include cross-boundary services, thus allowing operators from outside the Greater Manchester boundary to run services into Greater Manchester, provided they did not cause an adverse effect on franchised bus services. The coherence of the franchised network and fares structure would be preserved through the use of permit conditions.

8.4.5 The service permit scheme would not apply to services operating wholly within Greater Manchester during transition because it is proposed that to the extent that those services operate between sub-areas and originates from a non-operational area and into a sub-area where franchising is operational, those services would instead be excluded from needing a service permit. This means that when franchising is operational in that area, the service would either effectively have been replaced by a franchised service or would otherwise need a service permit to run. Further information on service permits is provided in the Commercial Case at Section 33.

Changes to the network

8.4.6 The introduction of the Franchising Scheme would make some immediate and short-term changes to the operation of buses in Greater Manchester that would help achieve GMCA's objectives and bring benefit to passengers. In addition to the benefits to passengers this would bring, it would also change how the market functions and how further supply-side measures set out in Section 8.3 to improve bus services in Greater Manchester could be implemented.

8.4.7 Without the constraints of the competitive market on the planning of the network in Greater Manchester as a whole, the network would be planned to maximise the attributes set out in the objectives at Section 7, to aim for a network that is comprehensive, simple, frequent, direct, stable and responsive. Any trade-offs between these objectives – for instance between how comprehensive and how direct the network was, would be made with the aim of maximising the benefit for passengers. Supply and demand would be matched to best use the resources available to get the best possible service, and no routes would be planned to compete with other routes. Changes would be made initially on a revenue neutral basis – any efficiencies gained would be re-invested to improve the service. The structure and nature of potential changes are set out in the Economic Case at Section 13 and in the *Network Supporting Paper (TfGM, 2019e)*.

8.4.8 In the longer-term, the network would continue to evolve to improve the service, driven by data from the operation of the service itself and information about new potential areas of demand.

8.4.9 The GMCA's service specification would set out operational performance requirements including those for punctuality across the franchised network. This would be managed via a performance regime with financial penalties for non-compliance.

8.4.10 The GMCA's specification would require ongoing investment in new fleet by operators but not be accelerated to improve the average age of the fleet.

While the GMCA would have the ability under franchising to specify the vehicles used by operators, acceleration of improvement to environmental performance compared with the current fleet would require additional funding, either through direct procurement of vehicles or through specification and higher franchise payments. Fleet improvement (including retrofit to upgrade buses to Euro VI standard) to comply with the proposed CAZ in Greater Manchester has not been costed for any of the options under consideration as the final proposals have not yet been decided. The Clean Air Plan OBC requests that Defra provide funding to upgrade the bus fleet, where possible, to meet Euro VI so that all buses would conform to the required standards when the CAZ is implemented. However this is still subject to Ministerial decision and would be confirmed in the Clean Air Plan FBC which is in development. It is likely that GMCA would seek for any buses to comply with the CAZ requirements, rather than pay the charge or withdraw services and therefore would need to look to see if this could be funded.

8.4.11 GMCA could decide to implement, if funding were available, an even stronger clean air or emission policy through franchising if they chose to – for instance moving beyond Euro VI to electric vehicles as the specification of the fleet would be in their control.

Changes to fares

8.4.12 Should franchising be introduced, all period fares would be made valid for the whole of the network once the whole of the Greater Manchester network was franchised. This means that there would be a one day, week, month and annual fare for the whole network for each category of passenger, and one set of passenger categories. Initially, the set of current single fares would be simplified by reducing the number of stages and introducing a single pricing schedule.

8.4.13 The fare level would be set at the level of the lowest fare offered for a sustained period by a current large-scale incumbent operator. This would offer benefits for those passengers that currently pay more, particularly ‘System One’ passengers who pay a premium to access the whole network. Passengers currently buying an ‘Operator own’ ticket would now be able to catch any bus. Smart ticketing will be available on the Metrolink system as this will be introduced very soon (June 2019) and this will be extended to all fares on the bus network as soon as practicable. Having the same back office and, crucially, not having to agree apportionment among different operators, would make this a straightforward change to make.

8.4.14 In the longer-term, single fares would be further simplified as data from running the service allowed insight into the potential effects of changes. Smart ticketing across different modes (initially bus and tram) would be introduced as soon as the technology to be introduced by TfN allows. Fare rises would be limited to the level required to maintain the bus network. As set out in Section 4 of the *Economic Case Supporting Paper* (TfGM, 2019a), it would still be the case (as now) that above–inflation fare rises may be necessary.

8.4.15 Initially, TfGM proposes that the GMCA would retain the discount corridors that operators have in place in Greater Manchester, and the discount tickets available termly to students. In the medium-term, TfGM proposes that the GMCA would look at the set of discounts and whether they would be changed in order to optimise the effects on patronage in a franchised network or whether discounts for specific groups of people to serve a social need would better achieve the GMCA's objectives.

Changes to customer service

8.4.16 By improving current systems, the GMCA would create a comprehensive, real time source of information on a website and also a mobile application. Information would be up to date, consistent and correct. While aiming to be the best guide to the Greater Manchester transport system, the data would be made available so that third party providers could use it to provide high quality and value-add information services, always with the aim that partial or incomplete information would be avoided. This will build on any provisions introduced following DfT's consultation on data regulations and seek to maximise their impact. A single point of customer contact would be introduced for advice, information and lost property.

8.4.17 The GMCA's fleet specification will require the inclusion of audio-visual and CCTV systems for all new buses entered into a franchise, with free passenger Wi-Fi on all non-school services fleet. Cleanliness standards would be part of the franchise specification (stipulating that the buses should be cleaned inside and outside each day). The provision of each of these aspects of specification would be managed via a performance regime. Franchise operators would also be obliged to meet a common standard of driver training set by the GMCA.

8.4.18 Under franchising, the GMCA would continue the partnership with police and the use of civil injunction powers to improve safety on buses. It is also anticipated that the GMCA would increase the number of revenue inspectors.

8.4.19 In order to gain further insight and inform future operations, the GMCA would monitor passengers' views on the bus service in a number of ways. These would include the current panels and sources of information that TfGM uses; regular surveys undertaken by other organisations such as Transport Focus; bespoke surveys of passengers (and those who do not use the bus service) including work done to consult on how well the Franchising Scheme is working, and the intelligence resulting from TfGM becoming the single point of contact for all bus related queries (including complaints).

Changes to value for money

8.4.20 The public subsidy used currently to support further services would be part of the overall revenue of the franchised bus service, and would therefore be used in a planned fashion to improve the level and reach of bus services. Franchise competitions would be run so as to get the best value service possible (as set out in the Commercial Case at Section 0). Moving from the limited competition 'on road' to competition 'for the market' as operators compete for franchise contracts will increase the level of competition. This will help to ensure value for money in the long-term.

8.4.21 The bus service would be run with the view of being revenue neutral – without generating a surplus over time. Therefore, all of the income for the bus service – from fare-paying passengers and from taxpayers – would be used to provide the best service possible.

8.4.22 As set out above, approximately a third of the income in the bus market in Greater Manchester comes from taxpayers, channelled through concessions, tendered services, and BSOG. The rest comes from fares paid by passengers. The Franchising Scheme would provide accountability for the value that was gained from this funding, as the Mayor and GMCA would be responsible for the overall performance of the bus market given the funding it received from different sources. They would be responsible for setting fares and specifying the service that passengers received.

The Franchising Scheme and neighbouring authorities

8.4.23 Under franchising, all local bus services within the franchised area would be let by local service contracts. Those services that will cross the boundary and are not franchised services would require permits to be operated. Under the 2000 Act, the franchising authority must satisfy two conditions to grant a permit – that the proposed service will benefit those making journeys in the area, and will not have an adverse effect on the local services the authority is specifying as part of franchising. Conditions for permits may include requirements to participate in ticketing arrangements.

8.4.24 The principles behind the permit regime are set out in the Commercial Case at Section 33, and the practical arrangements are set out in the Management Case at Section 48.3. The permitting regime would be adapted to the type of service and the degree to which it entered Greater Manchester. For those services with a substantial portion of the journey within Greater Manchester, there may be restrictions on routes or the setting down or picking up of passengers. This means that the operators may lose revenue from journeys wholly within Greater Manchester. Operators of cross-boundary services would be free to set the prices of their own tickets for journeys within the franchised area as well as journeys that crossed the boundary. The impact on these services is considered in the Economic Case at Section 17.4.25 to Section 17.4.29.

8.4.25 In determining the permitting regime, GMCA will be mindful of the importance of cross-boundary services to the communities they serve. The permit regime would be designed to facilitate such services. If there are adverse effects on the viability of such services from ticketing arrangements, the franchising authority will consider with neighbouring authorities how to ensure a service should continue.

8.4.26 For supported cross-boundary services, especially where they are supported in conjunction with neighbouring authorities, franchising may offer the possibility of greater certainty and co-ordination in the provision of such services.

Decision-making under franchising

8.4.27 The most significant decisions to be made in running a bus network are the structure and level of fares and the shape of the network – bus routes and timetables. Currently, these decisions are made by bus operators using their understanding of their networks and with a view to maximising their commercial outcomes. Under franchising, operators would continue to make day-to-day operational decisions on the running of the network, thereby capturing and making use of their knowledge and understanding, as they would have responsibility for operational efficiency and reaching performance targets.

8.4.28 Broader strategic decisions about the network would be taken by GMCA and the Mayor supported by TfGM. Ultimately, control of the bus network would rest with the elected Mayor and GMCA under the powers devolved to Greater

Manchester under the Greater Manchester Agreement (HM Treasury/GMCA, 2014) and the 2017 Act, as well as Greater Manchester Orders. The GMCA would have the role of managing contracts with bus operators and ensuring high standards of service, and taking decisions about the nature of the bus service. These would likely be delegated to TfGM. More significant decisions that affect overall levels of fares or large-scale changes to routes would need to be taken at mayoral level. TfGM would have responsibility for making recommendations about such decisions, and presenting the evidence and information upon which those recommendations would be made.

8.4.29 The GMCA would introduce a new fares structure, with period tickets covering the whole of Greater Manchester and simplified single fares, in accordance with the Vision for Bus. Any changes to routes to make the bus network more efficient and deliver better outcomes for Greater Manchester would be introduced over the period of the first franchises, rather than immediately upon franchising, to ensure a smooth transition and avoid damaging instability in the network. Contracts would have change clauses to allow for such changes (the structure of this is set out in the Commercial Case at Section 0). A potential scenario for such changes has been modelled as part of the Economic Case – the principles on which it is based are set out in Section 13. However, final decisions on the network would only be taken in the light of further data and information about the network and the needs of passengers.

8.4.30 In making decisions on the bus network, the GMCA would balance its different objectives for the bus service. These include affordability, so the GMCA would need to take account of the commercial reality of potential revenue lost or gained in specifying and modifying the network. The GMCA would not aim to have a surplus on the service over the long-term with any surplus being reinvested in the network. The GMCA would also likely consider its other objectives, such as serving areas of employment or encouraging modal shift and reducing congestion, in making decisions about the bus network. Decisions would be based on:

i. The best data and information available. The amount and quality of information would be expected to improve with time as information on patronage and performance was gathered. The GMCA would analyse data from the bus service and also other available information, such as data segmented by geography and social groups, to help make decisions.

ii. Effective consultation with those affected by any changes. The level of consultation would depend on the scale of any changes being considered, but it would be important to understand how proposed changes would affect people.

iii. Feedback from consultation on how well the Franchising Scheme is working as a whole

8.4.31 In this way, The GMCA would respond and try to get the best out of the network – whether through making improvements where resources allowed in terms of fares paid and potential network changes, or alternatively, dealing with the challenge of how to reduce costs while retaining a high standard of service. Getting such decision-making right becomes even more critical in the context of the recent trends of falling demand and revenue that can put pressure on the network irrespective of the structure of the market. Although such trends may be reversed through the intervention in the market, consultation and decision-making become ever more important if available revenue continues to be constrained, forcing difficult choices to be made.

Changing the proposed scheme

8.4.32 Section 46.9 sets out the process that must be followed if the GMCA wanted to vary the proposed Franchising Scheme after any decision is made to proceed with the proposed scheme. There is however the possibility that the draft scheme could be amended before this to retain consistency with the assessment. For example, as it is proposed that the initial services under the Franchising Scheme would reflect the then current commercial market, the services identified in the scheme as those that would be franchised would be updated to reflect network changes carried out by operators. The sub areas proposed may also be amended if required, for example to ensure that the transition process remains aligned with the treatment of individual strategic depots in accordance with the proposals set out in this assessment. The scheme may also be amended to appropriately reflect any feedback and responses received to the same during any consultation carried out in accordance with section 123E of the 2000 Act.

8.4.33 In addition to this, there are a number of elements of the proposed scheme that will require completion to reflect the date of implementation. These include the first date on which the GMCA would enter into franchise contracts, the subsequent mobilisation period before services would begin to run and the minimum PVR required for a franchise to be viewed as a large franchise.

8.4.34 Provided the above changes are made before any decision is made to proceed with the proposed scheme and not after, the GMCA would not need to comply with the process set out in section 123M of the 2000 Act and as detailed in

Section 45.9.2 of the Management Case. Instead, public law and governance considerations would need to be considered with level of consistency between the considerations set out in this assessment and any such changes.

8.5 How a Partnership Would Work

8.5.1 This section sets out how a partnership would work, what benefits it would bring and how it would help achieve GMCA's objectives. Under a partnership, revenue risk remains with operators and they retain the responsibility for commercial decision-making on bus services. A range of terms might be agreed between operators and the transport authority to improve the provision of bus services and address the GMCA's objectives. The statutory forms of partnership allow different types of agreement without participants falling foul of competition law. It is also clear what all parties have agreed to do and by when they will do it, giving more confidence to both operators and the transport authority to take measures to improve the service.

8.5.2 Various forms of partnership exist in the UK between transport authorities and bus operators. In the UK, these have historically been under the 2000 Act definitions of Statutory Quality Partnerships (SQPs), Voluntary Partnership Agreements (VPAs) and qualifying agreements. The 2017 Act amended the 2000 Act, which in turn developed the SQP options as the 'Advanced Quality Partnership (AQP)' with some changes, including removing the need to base the scheme on improved infrastructure. The 2000 Act now also gives an additional option – the Enhanced Partnership. This is a scheme that can impose requirements in relation to local services in a specific area, and can also impose requirements on the transport authority. As well as allowing provisions to be made as to the frequency and timing of local services, it allows provision on other issues such as vehicles, tickets to be sold (including the price of multi-operator tickets), branding and information.

8.5.3 An Enhanced Partnership includes arrangements about the services that will be provided, in terms of both routes and timetables for specific operators. An Enhanced Partnership more expressly allows for the specification of the network than previous forms of partnership, which would need to be complied with by any operators who apply to run services in the appropriate area. The provisions of the AQP were more aimed at changes within a particular route than determining services at the network level. This allows a level of planning of services between operators and the transport authority, although ultimately a transport authority could not insist on an operator providing a service. Qualifying agreements would be necessary for operators to agree specifics of who ran particular routes to ensure compliance with competition law.

8.5.4 In respect of assets, operators would provide their own depot facilities and bus fleet. The GMCA would have no depots; however, it might own (but not operate) a service-specific fleet, for example, Metroshuttle, Yellow School Buses, or Green Buses.

8.5.5 Under any form of partnership, the structure and function of the GMCA and TfGM would remain largely unchanged. However, there would be additional activity and responsibility in delivering and maintaining a Partnership, which would require people to be employed to manage the partnership and potentially some systems and processes to help with the handling of data. This would result in additional costs to both the GMCA and operators. Operators would take revenue risk on their commercially operated services, with the GMCA continuing to take some risk on subsidised services.

8.5.6 TfGM would attempt to secure the best possible partnership on behalf of the GMCA, both in terms of the commitments by operators and potential improvements to the bus service in Greater Manchester, and in terms of the governance and potential longevity of the partnership. While using Enhanced Partnership provisions in the 2000 Act might be an obvious choice, without this a partnership or partnerships could be delivered through other provisions or a mixture of statutory governance arrangements.

What a partnership could achieve

8.5.7 TfGM would endeavour to agree with operators the best partnership terms possible to deliver against the objectives. The appropriate governance arrangements would be part of these discussions. As discussed in Section 8.2, TfGM believes that the geographic area over which a partnership or partnerships would need to operate would be the whole of Greater Manchester in order to meet objectives for the Greater Manchester bus network.

8.5.8 Discussions have been held with bus operators over the last 18 months in Greater Manchester on the potential for a partnership and what a partnership could deliver and how it might be governed. TfGM shared the GMCA's objectives for the bus network in Greater Manchester and sought to explore how a partnership might help achieve them. There is still some uncertainty about what a partnership would look like and what it could achieve, and how strong any governance arrangements would be, but these discussions have not led to a partnership that would represent a clear change from the status quo. More detail on the discussion with operators can be found in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h).

8.5.9 The following sections sets out how a partnership would be used to achieve the GMCA's objectives for the bus network, and where current discussions indicate this could be achieved. This analysis, and that in other parts of the Assessment, also consider the possibility of a more Ambitious Partnership as an illustration of what might be achieved. In the Assessment these will be referred to as the 'Operator Proposed Partnership' and the 'Ambitious Partnership'.

8.5.10 The recent announcement of the sale of Queens Road depot and operations by FirstGroup means that there is very likely to be at least one new market entrant. FirstGroup have indicated that they will continue to support the partnership and have been part of the discussions. It may be that new entrants to the market continue with the approach taken by FirstGroup, or may not wish to enter into a partnership. Alternatively, they may wish for a more 2, but that would need to be agreed with other operators in Greater Manchester.

Changes to the network

8.5.11 A range of changes to the network could be agreed, with the aim of greater efficiency and integration. The more ambitious the changes, the greater degree of trade-offs between different operators and different areas would be required. Currently, operators have proposed that a network review would take place following agreement of a partnership. This would take place according to an agreed methodology and set of service planning principle. An Ambitious Partnership, if it used an Enhanced Partnership Scheme, could set out the services standards that operators would have to comply with if they wanted to operate in that area, therefore specifying routes and times, if changes to the network could be agreed prior to a partnership being put into place. In either case, as with franchising, the objective would be to make changes to the network to improve the efficiency of the network and improve the service to passengers.

8.5.12 Operators have however clarified that any savings will only be redistributed within a limited review area and there would not be any redistribution of resources between operators. This limitation means that the level of change to the network as a whole will necessarily be limited through the current Operator Proposed Partnership. A proof of concept to see what could be achieved in a sample area of Greater Manchester is currently ongoing, and has not yet shown that a great deal of change could be achieved. An Ambitious Partnership could go further and make more changes to the network to the benefit of passengers.

8.5.13 Targets for punctuality and reliability could be agreed as part of a partnership. Specifications as to vehicles could also be agreed as part of a partnership. Operators have indicated willingness to have targets for reliability and punctuality, and that there should be a regime of monitoring these targets and some degree of enforcement through the need to develop a remedial action plan.

8.5.14 Operators have indicated that vehicle specification would be done on an individual operator basis. The Operator Proposed Partnership includes a commitment to 150 new vehicles for the first three years of the life of the partnership although this is broadly what would be achieved in normal operations through natural replacement of vehicles as they end their useful life. They have also committed to reducing average fleet age during the life of the partnership to seven years although they have indicated that such any changes to this trajectory would be down to individual operators and no specific detail has been provided on how such a commitment will be delivered. TfGM's analysis suggests that to achieve this would require a greater of level of new vehicles per year than proposed above. Reference has been made to implementing four zero emission corridors, (but is 'subject to available funding') and operators have not been able to provide any detail to support the reference. Nothing in the current partnership discussions would therefore bring forward the date of a 100% Euro VI compliant fleet significantly from 2030, though if there were funding available (through specific Government funds for ultra-low emission vehicles or the Clean Air Plan OBC funding request set out earlier) or further commitments made as part of clean air discussions this would bring the date forward. Equally the current commitments would not mean that all buses would conform to any required standards of a CAZ to the extent that this is implemented. Therefore, operators would face a choice of upgrading or buying new vehicles, paying a charge or withdrawing a service.

Changes to fares

8.5.15 Under a partnership, operators could agree to remove some of their own period tickets and to simplify and align single fares (within the constraints of competition law). They could, if their own period products were kept, agree to link the price of an 'all-network' ticket (such as the current System One) to the prices of operator tickets, limiting the premium paid for such a ticket. It would also be possible to agree interoperability of tickets between operators on particular shared routes or 'corridors'.

8.5.16 Currently, operators have indicated that they would like to maintain their own period products and have not offered a limitation on the premium for an all-operator ticket. They have offered a two-year freeze in the price of the all-operator ticket, but only 'following a review' during a partnership.

8.5.17 Operators have indicated a willingness to simplify single fares following the implementation of a partnership and look at inconsistencies between their ticketing structures as part of a partnership. They have also indicated that they would take advantage of the TfN platform to introduce smart ticketing.

8.5.18 Operators have indicated that while potentially interoperability of fares could be introduced in Greater Manchester, this would be subject to criteria for corridors where this could happen. Currently no corridor in Greater Manchester meets these criteria. An Ambitious Partnership could go further in permanent limiting the all-operator fare and in offering some interoperability in corridors in Greater Manchester, offering greater benefit to passengers.

Changes to customer service

8.5.19 Under a partnership, operators could agree a range of requirements on information and branding, including not giving partial information on their own websites but referring to a single comprehensive website or application for Greater Manchester. They could also agree branding and the appearance of vehicles.

8.5.20 Currently, operators have not agreed to remove their own sources of information and ticket sales, but have agreed that there would be a central website that would contain comprehensive real-time information and could sell their tickets. By contrast, an Ambitious Partnership could see all information about the Greater Manchester bus market in one place. There could also be a (jointly funded) single point of contact if practical co-ordination issues could be overcome. This would not amount to a 'single point of contact' but could improve the level of information available to passengers and potential passengers.

8.5.21 Operators have agreed that the appearance of vehicles could partially reflect a unified 'Greater Manchester' travel brand as well as their own branding. With mixed branding on buses and different branding continued to be used in other parts of the offer, (such as tickets), this does not amount to a 'unified brand' for the bus market in Greater Manchester.

8.5.22 Operators have indicated that there could be requirements as to the provision of CCTV, Wi-Fi and the cleanliness of buses. Operators have agreed that buses would be fitted with audio and visual communications to the timescales set out by DfT under the terms of the 2017 Act (i.e. subject to funding they would be legally compliant). Under a partnership, operators have indicated that they would continue the partnership with the police to improve safety on buses.

Changes to value for money

8.5.23 A partnership would not change the market dynamics of the bus service in Greater Manchester, or the relationship between private bus firms and the investment made through various means. This means that support for the bus service (for instance though provision of evening or week-end services making the daytime service more viable) would be justified by the economic benefits it might bring but not provide any financial return.

8.5.24 A partnership would provide greater value for money to the extent that operator's invest more funds in services than they otherwise would, or where efficiencies could be made through the partnership. For instance, if operators were to freeze the price of all-operator tickets, this would represent a loss of potential revenue (although some would be recouped by increased patronage). This would create better value for money for passengers in terms of the prices paid for their tickets, as well as greater outputs from the partnership given the public investment required to sustain the partnership. Current partnership proposals do contain some statements on levels of investment but it is not clear that this represents a net increase in investment over the status quo.

The level of ambition in a partnership

8.5.25 There remains considerable uncertainty about what operators would sign up to at the outset, and for how long they would be prepared to commit. As set out above, there is a difference between what operators have envisaged as part of a partnership and what could be in principle achieved. The operators have set out that they would favour the use of a Voluntary Partnership Agreement (as is currently in force) as the legal form of the partnership and the basis of its governance. In some of the key areas of the GMCA's objectives the partnership has the potential to contribute more and greater benefits could be derived. It is not clear how the potential sale of FirstGroup operations and the entry of new operators to the Greater Manchester market would affect the level of ambition.

8.5.26 There are some additional aspects to the partnership proposals discussed with operators. These are set out in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h). For instance, operators have proposed that there is stronger information sharing on bus priority measures. These are aspects that could be pursued independently of any market reform option and the GMCA/TfGM would look to pursue these in any case – i.e. as part of a Do Minimum option. They are no anticipated to have a significant effect on the extent to which the objectives for the bus network are achieved.

A partnership and neighbouring authorities

8.5.27 In TfGM's view, as supported by engagement with those authorities, a partnership will not have a great effect on the achievement of the objectives of neighbouring authorities. It would not change the market incentives on cross-boundary services, and they will continue to be run in a deregulated fashion as currently. Operators have indicated they would also wish to exclude a significant number of cross-boundary services from a partnership. The effects on such services would not be significant in the event that some form of voluntary partnership arrangement was in place.

8.5.28 While this is not the favoured option of operators, if an Enhanced Partnership structure were to be used, then the provisions of that scheme would apply to cross-boundary services. This would mean that any agreements on service levels, tickets or vehicles as part of the scheme would apply to cross-boundary services. It is unlikely that an operator that only operated cross-boundary services without a major presence within Greater Manchester would be able to object to an Enhanced Partnership, so there is a possibility that such services could be adversely affected.

8.6 Further 'Phase 2' Measures to Support the Bus Network

8.6.1 Neither the Franchising Scheme nor the partnership (whether the current partnership or one that is a more ambitious option) would on their own necessarily deliver in themselves the desired improvement in the bus market and scale of improvement in patronage consistent with GMCA's objectives for Greater Manchester. The *Draft Delivery Plan* sets out some examples wide range of actions that may be necessary in order to reach the targets for sustainable travel in Greater Manchester (*Draft Delivery Plan* (TfGM, 2019o)). It may be that further support for the bus market is seen as desirable in the context of achieving the Right Mix targets for sustainable travel. These include some measures that would be specific to the bus market and show that reforming the bus market sits in the context of a broad range of actions

8.6.2 There are a wide range of further measures that can play an important role in improving the performance of bus services in Greater Manchester. The measures taken, (which would include things like public investment in infrastructure and bus priority) could be implemented in a piecemeal fashion and some of these could be undertaken under a variety of market structures. They do not therefore amount to separate options for reforming the bus market and are therefore excluded from the shortlist of overall bus reform options. However the ability to take such actions is an important part of the consideration of the shortlisted options, so they will be set out below.

8.6.3 Supply-side measures refers to a range of interventions that transport authorities can make to support transport networks in general and bus networks in particular. Public spending on such measures has been justified historically because of the positive externalities of the bus network, and to some extent GMCA and other authorities have and will continue to spend on these type of measures, because of the benefits to passengers and the wider economy in Greater Manchester of having a high-functioning bus network mean that that GMCA has, for instance, put in place bus priority measures such as those on Oxford Road, completed in 2018.

8.6.4 This section sets out what these measures are and the approach that could be taken by the GMCA. The scope to undertake these measures and their effectiveness would vary under different approaches to the market – the Do Minimum (as currently), a partnership or the introduction of franchising.

Supply side measures

8.6.5 A bus journey starts with the access trip to the bus stop (typically on foot). A wait for the bus is then followed by the bus journey itself, for which a fare is paid or entitlement to travel shown. After alighting, there is a further trip to the final destination, or sometimes a walk to an interchange stop or station, where the sequence restarts.

8.6.6 The time taken to complete each element, the fare paid and the quality of each element of the trip are important to the passenger. Taken together, they reflect the “cost” of the journey. When weighing up alternative choices, it is this “Cost” (usually referred to by transport economists as the “Generalised Cost”) in comparison with the cost of alternatives that influences choice decisions. This cost can provide a ‘common currency’ to understand how different measures might affect bus travel.

8.6.7 Passengers place a value on each element of the journey and improvements to any aspect of the bus service will increase how attractive it is relative to alternatives (and therefore increase patronage). The extent to which improvements to the bus service translate into increased patronage is understood through the use of "elasticities", i.e. empirically derived relationships between the performance of a bus service and its usage.

8.6.8 Interventions can improve the service and reduce the 'generalised cost' of travel in different ways. They can be categorised according to the attributes for the bus network that they will affect, which link to the objectives set out in Section 7:

i. Reliability of the bus network (Objective 3)
ii. Speed of the bus network (Objective 3)
iii. Improved network (including better integration) (Objectives 1 and 2)
iv. Fares (Objectives 5 and 6)
v. General (non-speed related) quality and customer service (Objectives 8, 9 and 10)

8.6.9 Passengers' choice of mode will in part be determined by how they respond to the changes made in these key five areas. These relationships can be used to understand how to invest tactically (local intervention by local intervention) in the bus network to achieve the best return on investment. They can also be used to understand how to invest at the level of the system to get the best value for money.

Service reliability

8.6.10 Service reliability problems are a function of buses not running to the scheduled time, or not running at all. The causes of poor reliability can be various and complex but are usually identifiable. For particularly poor performing services, packages of mitigation are usually possible to identify on a route by route basis. These could include:

i. Additional Peak Vehicle Requirement to increase running and recovery (layover) times
ii. Additional engineering resource
iii. Improving Terms and Conditions for staff
iv. Additional staff training
v. Additional supervisory resource and/or technology investment to support service control
vi. Tighter control on roadworks
vii. Bus priority measures

8.6.11 Lack of bus reliability causes passengers to experience journey times (in particular the waiting time component) that are in excess of that expected. Where information provision is inadequate, the problem is compounded for the passenger by feelings of anxiety, not knowing when the bus is going to turn up. As set out in Section 6.2, a lack of reliability can be a disincentive to use buses.

Vehicle Speed

8.6.12 A variety of measures can be considered to increase the in-vehicle speed of travel for bus passengers. As set out in large scale surveys of bus passengers such as that undertaken by Transport Focus in 2016, the speed of the journey is one of the most important factors in determining whether to travel by bus (Transport Focus, 2016). Slow journey speed makes travel by bus less attractive and convenient than alternatives that are faster.

8.6.13 A non-exhaustive list of measures that can be considered include:

i. Bus priority measures
ii. Cashless buses
iii. Additional doors on those buses serving routes with significant (conflicting) two way movement at busy stops
iv. Public transport-only streets in the city centre and elsewhere if appropriate
v. Introduction of express bus services where demands justify it
vi. Better integration with rapid transit to reduce interchange penalties
vii. Complementary measures that reduce traffic levels and increase road speeds (for example, active mode investments)
viii. Greater regulation/control of roadworks

8.6.14 There are a number of relevant measures in the *Draft Delivery Plan* that are being explored (*Draft Delivery Plan* (TfGM, 2019o)):

i. Quality Bus Transit services: these are whole-route upgrades of key bus corridors, with a strong focus on quality and reliability. These services would be focused mainly on short-distance trips of less than six kilometres, and would incorporate comprehensive bus priority packages
ii. Options for new bus rapid transit links for longer distance journeys, following the success of the Leigh-Salford Manchester guided busway

Accessibility, reach and integration of the network

8.6.15 Increasing the volume of service where required, either through frequency improvements on existing service or through the introduction of services into new areas (for example GMSF sites such as the Northern Gateway in inner northern Manchester) or through the provision of new direct links are all measures that can be used to support the development of the bus market.

8.6.16 Among the relevant measures in the *Draft Delivery Plan* is:

i. a more effective city centre bus termination strategy: the Manchester city centre transport strategy envisages more cross-city services. This would mean passengers would benefit from direct links to and beyond the far side of the city, and it would make better use of limited city centre space.

8.6.17 By contrast, in the context of a falling market where significant demand reductions in some segments are expected over time, there will be the need to carefully resize and potentially reshape the network to maintain financial stability while retaining the best possible levels of service.

8.6.18 Network improvements also include network design measures that reduce interchange time, for example, through better integration of schedules. Both network expansion and network contraction can be quantified and measured in terms of impacts on passengers and their generalised costs of travel.

Integration of public transport fares and fares reductions

8.6.19 Fares simplification, fares integration and fares reduction are all tried and tested ways of strengthening demand for public transport systems. Targeted interventions create social value over and above the amounts invested.

8.6.20 Fares interventions can be quantified and measured in terms of impacts on passengers and their generalised costs of travel.

Other quality measures

8.6.21 A variety of measures can be considered to improve the overall quality of the service offer. Some of these interventions reflect improvements that passengers can see directly (such as improved quality of the waiting environment or vehicles, improvements to customer services, etc.). Other improvements may not immediately be visible to passengers but may yield equally tangible quality improvements, for example through staff training and use of staff incentives to improve the quality of the service they deliver to passengers.

Conclusion

8.6.22 It is likely that the pathway set out under the Right Mix in Section 5.4 will not be possible without the implementation of at least some of these measures in addition to the overall reform options. The wider measures to improve the bus service in Greater Manchester set out above would be pursued to a greater or lesser extent whether the Franchising Scheme or some other option is chosen as the appropriate option for reform. In addition to making some improvements to the bus service in their own right, both the Franchising Scheme and a partnership will be able to make a difference to the potential for these wider measures to be implemented in terms of their feasibility, legality and value for money.

8.6.23 The analysis below first sets out how the Franchising Scheme and partnership options would facilitate 'Phase 2' measures and the differences between them in this regard.

8.7 How the Franchising Scheme Would Facilitate 'Phase 2' Measures

8.7.1 This Section sets out how the Franchising Scheme would support the different types of interventions that could be undertaken under 'Phase 2'.

Further spending on measures to support the network

8.7.2 The full range of wider measures to support the bus network set out above in Section 8.6 would be possible. Franchising would benefit from any enforcement measures such as parking or bus lane enforcement, in a similar way to other options. Measures to improve speed and reliability that involve infrastructure could be implemented – such as bus priority measures or Quality Bus Transit or further bus rapid transit such as the Leigh Guided Busway. This would be done in a similar way to the current, deregulated, market, but there would be certainty that services would be run using the infrastructure as the GMCA would specify the service to further the objectives of the GMCA. Any financial return from these measures because of increased patronage would be re-invested into the service.

8.7.3 It would also be possible under the Franchising Scheme to create additional routes, links and frequencies in a franchised market. In a deregulated market, a transport authority is very restricted in terms of the additional services it can fund where there are commercial services running: this means that the current subsidised network is planned reactively as the commercial network changes. However, under franchising, the GMCA would be able specify the required routes and frequencies to be run, and take the revenue risk on additional services.

8.7.4 The speed and reliability of the service could also be improved through spending money on further operating resource (vehicles and drivers), including scheduled and standby resource, and engineering resource. In a deregulated market it would not be possible for the authority to provide funds for extra operating resource within a private operator. This is because of state aid and competition rules and also the fact that it would very difficult to be certain of value for money from effectively subsidising a company with its own shareholders. In the Franchising Scheme the GMCA would be able to set targets for the reliability, punctuality and regularity of services, and operators would price into their contracts how much this would cost to deliver.

8.7.5 Under franchising, it would also be possible to specify vehicles that should be used to deliver services, for instance specifying emissions standards or also new technologies such as electric vehicles. The cost would be paid through the resultant higher franchise payments. Alternatively, if the GMCA were to acquire and seek to lease vehicles, their use could be specified in franchise contracts.

Further spending on fares measures

8.7.6 Under franchising, it would be possible to take a range of measures on fares, such as reducing or freezing fares for all passengers, or reducing fares for multi-modal travel, if there were funds available to take such measures. In a deregulated market, it would be possible to subsidise fares only through concession schemes that targeted an identifiable group of people, and compensated operators on a ‘no better no worse’ basis.

Further spending on measures on customer service

8.7.7 As in the current deregulated market, the GMCA would be able to make improvements to the waiting environment for passengers, such as improving bus shelters and interchanges. Under franchising, it would also be possible to spend money on other aspects of customer service, such as the vehicle quality of the fleet and its environmental performance (which would benefit society). This could be specified with the GMCA accepting the additional costs, or the GMCA could potentially purchase buses and lease it to operators.

8.7.8 The GMCA could also undertake marketing and provide additional information services to support the bus network. In the current market, the GMCA can market the service as a whole, but there are competition and state aid risks in marketing a specific operator’s service. Under franchising the GMCA would be able to shape marketing to fit potential demand or services aimed at particular needs.

The value for money of additional spending measures

8.7.9 Under franchising, the value for money of additional measures to support the bus network would be assured through a process of assessment of the intervention and how it was able to balance against other interventions in the market. In other franchised markets such as London where further funding has been available, successful methodologies have been developed in order to rank measures and ensure the maximum benefit for passengers.

8.7.10 The wider range of measures available to the GMCA under franchising would also mean that it is more likely that value for money could be assured. Putting all available funding into a small range of measures, such as bus priority, is unlikely to be as good value for money as a more balanced package.

8.7.11 There are some measures that would be possible under any form of market intervention including franchising and partnership (and even without a partnership). There would, however, be a difference in terms of value for money for the public investment in these measures, as the returns in terms of increased patronage and revenue would go to operators in a deregulated market and to the authority (who could use these to fund measures) under franchising. For instance, the authority could fund a new service to establish a market (potentially to a new trip attractor); if this was successful in a deregulated market it would be taken over by a commercial operator and the authority would simply cease to operate a subsidised service. Under franchising, the service would continue and the uptick in revenue would be used for further investment in the network as well as recover costs incurred.

8.8 How Partnership Would Facilitate 'Phase 2' Measures

8.8.1 This section sets out how a partnership could support the different types of interventions that could be undertaken.

Further spending on measures to support the network

8.8.2 Under a partnership, it would be possible, as in the current market, for a range of enforcement measures to support the speed and reliability of the network. They would be likely to be as effective as under franchising or under a Do Minimum option. It would also be possible for the GMCA to invest in infrastructure such as bus priority measures. The partnership might give some more certainty than in a Do Minimum option that the infrastructure would be used. However, this would not provide the same degree of long-term certainty as the Franchising Scheme.

8.8.3 Because the market would be structured as it is currently and the GMCA's legal powers would be the same, the GMCA would be in the same position as the

Do Minimum in terms of creating additional routes, links and frequencies to improve the network. This would mean it would be difficult to freely improve the network using the current powers to add subsidised services under the Transport Act 1985, as it would be difficult in terms of state aid and competition rules to put services in where commercial services already run. If a commercial service were introduced where a completely new service has been put on, its viability and legality would need to be reconsidered. It would also be very difficult to subsidise any resource for improving speed and reliability through operating, standby and engineering resource.

Further spending on fares measures

8.8.4 Under partnership, the GMCA would be in the same position as in the current deregulated market. Intervention would be limited to a 'no better no worse' position for the operators, most often done through a statutory concession scheme to ensure that the intervention would be legally sound. It would be very difficult to implement fares measures such as spending to limit increases or introducing reductions.

Further spending on measures to improve customer service

8.8.5 Partnership does allow some further measures to be introduced to improve customer service. As currently, intervention would be possible to improve the waiting environment for passengers. In terms of intervention in the fleet, it would be difficult to introduce additional measures to those agreed in the partnership offer to improve the fleet. There would be competition and state aid barriers to GMCA spending money on fleet of commercial operators. It may be possible to fund improvements to the fleet in terms of a competition similar to those run by DfT to subsidise spending on fleet with alternative power sources.

8.8.6 As set out above, the partnership might be able to improve matters in terms of the provision of information and marketing through a partnership – for instance through pursuing some form of the single point of contact. It would still be difficult for the GMCA to fund activity that related to a specific service, and so the GMCA would be restricted to activities similar to those currently undertaken.

Value for money of further spending measures

8.8.7 Under partnership, there would be a level of co-operation in place that would mean that spending on measures such as bus priority could be assumed to be better value for money than in a Do Minimum. The range of measures available would still be less than that under the Franchising Scheme, as some would be very difficult or impossible to implement in a deregulated market. In addition, there would be no financial return to the GMCA from measures that improved patronage such as bus priority measures or new services to establish a market, though these interventions would benefit passengers and operators. This could reduce the scope of future interventions.

8.9 Conclusion

8.9.1 This section has shown that there are various options to undertake reform of the Greater Manchester bus market and to improve services for passengers. It shows:

i. that the appropriate geography for any intervention would be the whole of Greater Manchester rather than a part of the city-region;

ii. that there was a longlisting and shortlisting process that arrived at the key options for reform – a Do Minimum option, the Franchising Scheme and an improved partnership offering;

iii. that the Franchising Scheme would make changes to address the objectives set out in Section 7, enabling a range of actions on changes to the network, integrated and simplified fares and customer service. It would do more to address the objectives than the other options and in particular go further to creating an integrated transport system;

iv. that partnership would address the objectives set out in Section 7, enabling a more limited set of actions than the Franchising Scheme. A partnership would potentially make some difference to further measures to support the network, but as it would leave the market structure the same, it would not make a substantial difference to range of measures that would be feasible;

v. there are also a further set of supply-side interventions that would be able to help achieve the objectives set out for the bus network: ‘Phase 2’ measures. While these would be pursued irrespective of the option chosen, these interventions would be facilitated to a greater or lesser extent by the ‘do something’ options – the Franchising Scheme and a partnership. This would be an important reason to intervene;

vi. the Franchising Scheme would also enable a full range of ‘Phase 2’ measures to be put in place and in addition some of these would be better value for money than in a deregulated market; and,

vii. that partnership would facilitate a much more limited range of ‘Phase 2’ measures than the Franchising Scheme.

9 Comparison Against Objectives

9.1 Introduction

9.1.1 This section sets out the extent to which the different options are likely to achieve the objectives set out above at Section 7. Given that these objectives are derived from the GMCA policies in the Local Transport Plan (*Transport Strategy 2040*) and other adopted policies, achieving these objectives can be considered to show the extent to which the different options would contribute to the implementation of those policies.

9.1.2 Where timings are given in this section, it is assumed that these will be from the introduction of an intervention – this will vary between the different options, although given the processes involved there will be an interval before either are fully implemented. For the Franchising Scheme, this is taken to be when the whole of the scheme is implemented across Greater Manchester as a whole.

9.1.3 This section incorporates material and insight from all five cases in this Assessment in order to support the conclusions that are drawn.

9.2 Network

1. Reach and stability of the bus network
Objective
• Comprehensive network • Simple network • Frequent services • Direct services • Stable network • Responsive network Accessibility improves by comparison to the scale of the network within 3 years; continued improvement to 2040. Improvement in simplicity of the network within 3 years of intervention.

9.2.1 **Do Minimum**: network design and planning would continue to be led by the commercial operators. The commercial operators would plan services and timetables to maximise return on investment and to protect their market. Without intervention the current downward trend in terms of network mileage would continue, making the bus network less accessible – this would lower frequencies and fewer routes.

9.2.2 It is not anticipated that any improvement in accessibility would occur, or improvements to how comprehensive, simple, frequent and direct the service is. In fact, the forecast decline in bus mileage is likely to reduce accessibility in the future. This would create financial pressure for GMCA to increase spending on tendered services to compensate for the mileage which was lost.

No more services would be put on that would serve a social need that did not already exist.

9.2.3 **Partnership**: Under the Operator Proposed Partnership, operators would retain the responsibility for network design and planning. Operators have agreed there would be a network review process that would have the objective of improving access to the network but would be subject to limitations as resource would not be redeployed between areas or between operators. A network review process would take place, likely brokered by TfGM on behalf of the GMCA, though the extent of change driven this process is uncertain and likely to be limited.

9.2.4 The network is unlikely to change significantly from the current network, and as operators will continue to compete in some areas, the network will not be simplified or made more integrated by this review process. Thus, the ambitions on the network being more comprehensive, simple, frequent, direct, stable and responsive would not be met. It is unlikely that the network would be significantly more accessible or simple within three years. It is not possible to forecast the measures such as Greater Manchester Accessibility Levels (GMALs).

9.2.5 An Ambitious Partnership could in theory deliver more in terms of network changes than current proposals, especially if the constraints of geography and trade-offs between operators were relaxed. Doing so would mean that an operator would need to potentially give up or change some routes and accept results in shifts in market share, at least at a local level which they are not currently prepared to do. Continuing competition would mean that this would still be a limited exercise and this would limit the extent of changes that could be agreed, but there is scope to go further than operators have currently indicated.

9.2.6 Changes under an Ambitious Partnership could deliver greater accessibility of the network and more integration of the bus network within the timeframe specified, though integration with other modes might be more limited. In terms of services that have a strong economic or social benefit but are not commercially viable, operators have suggested that some funding could be provided to services that the GMCA would wish to support, or services that the GMCA are no longer able to support given funding cuts. However, any funding would need to come from savings resulting from the partnership or other actions by the authority such as reducing congestion. No mechanism for verifying savings and distributing funds has yet been identified. Operators have proposed committing to evening and week-end services for daytime services of a sufficient daytime frequency. However, operators have indicated that this is limited by commercial viability of the individual departure and does not represent a significant change from the status quo, where viable evening services are run by operators.

9.2.7 **The Franchising Scheme**: the ability of the GMCA to control the network planning process without the constraints of preserving an individual operator's routes, market share or profitability would enable a greater degree of improvement than a partnership. As set out in the Economic Case, resources would be deployed to further the objectives on a whole-network basis as opposed to the constraints on what could be achieved in a partnership, which would lead to greater benefit. The decision-making process for a franchised service (described in the Strategic Case) would mean that the network objectives were considered alongside the profitability of routes, potentially leading to longer-term improvements in access and integration.

9.2.8 The network design work presented in the Economic Case modelled initial changes that could be made, and these are more extensive than those likely under even an Ambitious Partnership. This means that is it likely that more would be achieved in making the network more comprehensive, simple, frequent, direct, stable and responsive. Greater changes are likely to lead to a more comprehensive network – facilitating convenient access to where people want or need to travel (work, education and training, shops, leisure, healthcare, etc.), when they want or need to travel.

9.2.9 Changes to the network modelled in the Economic Case which would improve accessibility (compared to the scale of the network) are introduced over the early years of the Franchising Scheme, and so there would be improvement within three years. Significant changes, such as the introduction of new routes or the withdrawal of others, would be subject to a process that would involve consultation. In contrast, more minor changes such as when services run or which stops they alight to would not be subject to the same process and could take place more quickly. Even during a process of change, because such changes would be planned, subject to consultation and introduced at set times there would be an improvement in stability compared to the current market, where each individual operator introduces changes they decide on when they decide to.

2. Integration and efficiency
Objective
• Integrated within itself, planned as a single network within one year of intervention. • Efficient deployment of bus resources, with frequencies appropriate to demand levels • Integrated with other transport, particularly public transport Improvement in measures of efficiency within three years of an intervention Benchmarking of GM network by 2040

9.2.10 **Do Minimum**: The network would not change in terms of its how it responded to demand, and nor would stability and customer confidence be enhanced. As set out in Section 6.3 of the Strategic Case the network currently suffers to some extent from inefficiency and a lack of integration, and the existence of competing individual networks means that this is likely to continue.

9.2.11 **Partnership**: the network review process envisaged in the current Operator Proposed Partnership has some potential to improve the integration and efficiency of the network (with itself and other modes). The limitations placed on this exercise mean that the ability to overcome the network issues set out in the Strategic Case and to make improvements will necessarily be limited. The network would not, however, be planned as a single network but still remain composed of multiple networks, so the objective of changing the integration of the network and its planning as a single network within a year would not be met. Any improvements that could be agreed would take time to work through and discuss among all of the different operators and the GMCA.

9.2.12 The modelling forecasts set out in the Economic Case Section 14.4 show benefit to passengers from the network changes is thought to be possible under the different options. This gives an indication of the ability of the different options to improve efficiency as this results in greater benefit to passengers for the same level of input. Given the limitations placed on network changes, there was not seen to be a clear monetizable benefit from the changes under an Operator Proposed Partnership. Benchmarking of this at a later date (such as 2040) is unlikely to show significant improvement under current proposals.

9.2.13 It is possible to envisage a partnership that would take a more ambitious approach to changing the network, but, as set out above, this would necessarily still be limited as would the level of integration possible. As part of the modelling an Ambitious Partnership option was modelled where a greater degree of changes were included. The benefit to passengers from such changes to the network was £12 million although the limitations placed by incumbent operators on what may be agreed indicate that this scale of change is not currently possible under a partnership. Benchmarking at a later date would potentially show some improvement compared to the Operator Proposed Partnership. As with the Operator Proposed Partnership, the network would not be planned as a single network.

9.2.14 **The Franchising Scheme**: the network planning process would look to balance objectives including meeting social and economic need as well as developing a more efficient network. The network exercise described in the Economic Case at Section 14.2 was one that redistributed resources to better match supply and demand and therefore benefit passengers. The areas for improvement included improving the coordination of services on shared corridors, the removal of service variants and re-routeing services within corridors to redistribute resources from over-bussed sections to poorly served areas. The planning process would plan the network as a single network immediately upon the introduction of the Franchising Scheme.

9.2.15 It would be possible to introduce changes under the Franchising Scheme, making use of the ability of the GMCA to plan services without reference to the limitations of network design in the deregulated, competitive market. The modelling forecasts benefits to passengers from the redesign of the network under the Franchising Scheme of £51 million. Benchmarking at 2040 is likely to show a greater degree of benefit from the modelling of changes to the scheme than would be possible under either partnership option.

9.2.16 An integrated and cohesively planned network would also aid the implementation of a MaaS offering for Greater Manchester. It would improve the ease of interchange between different bus services and buses and other modes. As potential new services such as new forms of DRT evolve with technology, the GMCA would seek to use these to provide a stronger mobility offer for travel in Greater Manchester, combining them with fixed route public transport services.

3. Quality of service provided – reliability of the service
Objective
A high standard of reliability (whether the services run) punctuality (whether scheduled services are on time) and regularity (whether frequent services come at the stated intervals) is maintained across the network. Reliability, punctuality, regularity of services improves within three years of an intervention; improvement continues year on year. The bus service provides journeys that take as short a time as possible given the distance and the nature of the journey. Speed of bus journeys stabilises or improves in each year; no deterioration within 3 years of intervention.

9.2.17 **Do Minimum**: the commercial incentives of the bus operators would continue to determine their approach to improving performance. Punctuality and reliability would continue to be objectives for bus operators whose passengers value these attributes, and Traffic Commissioner standards would still apply. Measures to tackle congestion would be taken forward irrespective of any reform to the bus network so there may be improvements to punctuality and reliability that come from such measures. Allowance has been made in the financial modelling for increased resources required to maintain standards with increasing congestion, using DfT's forecasts of congestion.

9.2.18 Existing mechanisms such as the enforcement of priority lanes would continue, along with network monitoring, through analysis of the Punctuality and Reliability Monitoring System (PRMS). The current mixed standards of reliability and punctuality are likely to continue unless other action is taken. No improvement is anticipated in reliability and journey speeds would be likely to continue to decline. The enforcement regime through the Traffic Commissioner would continue.

9.2.19 **Partnership**: it is likely that a series of targets for punctuality and reliability would be agreed upon as part of the current Operator Proposed Partnership. There would be a remedial plan process if operators were to fall short of any targets that would be set. It is not yet determined whether there would be any form of penalty regime. It would be up to operators to determine how to meet such targets and their level of commitment to them. As such a great improvement in reliability, punctuality and regularity of services is unlikely within three years of the introduction of the partnership, or in future years.

9.2.20 Improvements to punctuality would be limited to those achievable by operators running an efficient and effective service. There would be further measures that the GMCA would take to tackle congestion, such as bus priority measures or parking enforcement. These would be considered in terms of their own effectiveness and value for money, but the Operator Proposed Partnership may contribute, potentially by operators agreeing in the partnership to use facilities provided. It is also envisaged that the partnership would be able to contribute to better prioritisation and design of any infrastructure investments made. This may help to stabilise the speed of bus journeys in the three years following the introduction of a partnership, and in future years.

9.2.21 An Ambitious Partnership could potentially have a stronger remedial process than under current proposals, although it not clear what this would look like or whether there could be some form of penalty regime, although this would remain effectively voluntary. It is unlikely to have a great effect on the achievement of this objective.

9.2.22 **The Franchising Scheme**: consistently high standards of reliability and punctuality would be incentivised through each franchise's performance regime, which would financially incentivise the achievement of targets for reliability and punctuality.

9.2.23 Improvements to punctuality would be limited to those achievable by franchise operators running an efficient and effective service in response to the incentives in their contracts. It is not assumed that the Franchising Scheme would mean more external funding for measures to improve punctuality and reliability. This means that the introduction of franchising alone is unlikely to see a step-change improvement to reliability, punctuality and regularity, but by eliminating poor performance it would be likely to improve these aspects of the service within the first three years following introduction, and in future years.

9.2.24 The commercial arrangements would ensure that operators were incentivised through franchise contracts and it could be expected to see an improvement in consistency and therefore in the overall level of punctuality and reliability. The contractual enforcement mechanism would be more effective than a partnership in raising reliability standards, and this is likely to bring up standards for the whole network. However, without further resource dedicated to reliability, it is unlikely that the Franchising Scheme alone would make a dramatic difference to reliability.

9.2.25 Similarly, under the Franchising Scheme is not assumed that there would be a step-change in the speed of journeys in the three years following introduction. Close linking of potential infrastructure for bus priority may help journey times, which would help to stabilise bus journey times during this period and in future years.

4. Harmful emissions from buses are reduced and CO_2 emissions from buses are reduced.
Objective
Harmful emissions such as NO_2 and particulate matter together with CO_2 from buses are reduced. All buses are Euro VI standard or better sooner than the current predicted date of 2030 (including alternative fuel) across GM, with an aim of achieving it by 2024 (the date GM anticipates meeting the legal limits for NO_2) All buses should conform to any required standards of a CAZ to the extent that this is implemented.

9.2.26 **Do Minimum**: A general improvement in environmental standards would be expected as the industry continues to reduce harmful emissions through manufacturing improvements, technology and government initiatives. Under the current trajectory, all buses will be Euro VI standard (or better) by 2030, through natural replacement (although the rate of replacement has slowed in Greater Manchester over the past two years). Operators would be expected to take advantage of any available government funding (as they have done in 2019), but the speed of uptake will be influenced by commercial factors. If further funding becomes available and is taken up, this may bring forward the date when all vehicles are Euro VI compliant.

9.2.27 As set out in Section 4.2.25 the Clean Air Plan OBC proposes a draft package of measures that complies with the Government guidance for tackling NO_2 emissions including a charging CAZ for various vehicle types, including buses, across Greater Manchester from August 2021. Buses that do not reach Euro VI standard would need to pay a daily charge to enter the zone. If such a scheme comes into effect, operators would have to choose whether to upgrade vehicles, purchase new vehicles, pay the charge or withdraw the service on a commercial basis. It is not possible at this stage to predict the outcome of these decisions, noting that the Clean Air Plan OBC requests that Defra provide funding to upgrade the bus fleet, where possible, to meet these standards so that all buses would conform to the required standards when the CAZ is implemented. However this is still subject to Ministerial decision.

9.2.28 **Partnership**: the Operator Proposed Partnership includes a commitment to 150 new vehicles for the first three years of the life of the partnership although this is broadly what would be achieved in normal operations through natural replacement of vehicles as they end their useful life. They have also committed to reducing average fleet age during the life of the partnership to 7 years although they have indicated that such any changes to this trajectory would be down to individual operators and no specific detail has been provided on how such a commitment will be delivered. TfGM's analysis suggests that to achieve this would require a greater of level of new vehicles per year than proposed above. Operators are currently engaging with Government and bidding for funding available to invest in ultra low emission vehicles, and have been successful. Reference has been made to implementing four zero emission corridors, (but is 'subject to available funding') and operators have not been able to provide any detail to support the reference. Nothing in the current partnership discussions would therefore bring forward the date of a 100% Euro VI compliant fleet significantly from 2030, though as noted above if there were funding available (through specific Government funds for ultra low emission vehicles or the Clean Air Plan OBC funding request) or further commitments made as part of clean air discussions this would bring the date forward. Without such funding or commitments it is extremely unlikely that the partnership would meet the objectives of all buses being Euro VI standard or better sooner than the current predicted date of 2030 (including alternative fuel) across GM, with an aim of achieving it by 2024. However partnership could stimulate a programme of investment in vehicles that would improve on the Do-Minimum option. Equally the current commitments would not mean that all buses would conform to any required standards of a CAZ to the extent that this is implemented. Therefore, as with Do-minimum operators would face a choice of upgrading or buying new vehicles, paying a charge or withdrawing a service.

9.2.29 Co-operation with the GMCA on taking advantage of Government initiatives might be agreed through partnership governance. Such co-operation has been undertaken in the absence of such a partnership. Any improvement in public transport patronage that involved mode-shift from car would improve air quality and reduce CO_2 emissions. The modelling forecasts that the Operator Proposed Partnership would reduce car km by 3.2 million trips per year.

9.2.30 Further measures under a partnership could include a roadmap for the move to alternative fuel vehicles that would have zero, or ultra-low emissions. An Ambitious Partnership could go further and include either minimum standards for fleet as part of an EPS or stronger commitments to invest in new vehicles to improve air quality or reduce CO_2 emissions. Any improvement in public transport patronage that involved mode-shift from car would improve air quality and reduce CO_2 emissions. The modelling shows that a more Ambitious Partnership would increase patronage and hence reduce car km by 4.1 million trips per year.

9.2.31 **The Franchising Scheme**: under the Franchising Scheme there would be a maximum age for buses to operate and a maximum average age for the fleet used by operators. This would mean that the rate of replacement would need to be kept up, ensuring newer technologies (especially Euro VI) were introduced, and that the average age of the fleet would not increase over time. Initially this would be the age of the current fleet in Greater Manchester. If the Clean Air Plan OBC's request for funding is successful then this would be applied to vehicles in the franchise (to the extent that vehicles had not been upgraded prior to the implementation of franchising) Whether under a Do-Minimum, Partnership or Franchising, the Clean Air Plan FBC would consider options including other funding sources if the request for funding is not successful. If other Government funding became available e.g. for low-emission vehicles, TfGM would apply as the operator for this funding on behalf of the GMCA to cover the whole of Greater Manchester. TfGM would establish a roadmap for the move to alternative fuel vehicles that would have zero, or ultra-low emissions.

9.2.32 The GMCA could, through franchise agreements, impose tougher standards on emissions, or even look to increase the proportion of the fleet that runs on low carbon technologies; this would bring forward the date on which all buses were Euro VI compliant. No funding has been identified for such initiatives, but the GMCA would be open to proposals as part of the procurement process. While it would be possible for the GMCA to specify the fleet used for franchises, no further funding has been assumed that would reduce the age of the fleet or introduce electric vehicles and dramatically change its current performance.

9.2.33 The Franchising Scheme would therefore give GMCA tools to bring forward the date on which all buses were Euro VI compliant, but would not in itself ensure that this happened before 2030 as this is dependent on further funding as noted above. If the proposed CAZ were to be introduced, the GMCA would determine whether to ensure all buses were compliant or pay the daily penalty. It is however more likely under the Franchising Scheme that the objective of all buses conforming to any required standards of a CAZ to the extent that this is implemented would be met as GMCA is more likely to require that buses meet the required standards than pay the charge and therefore would need to look to see if this could be funded.

9.2.34 Any improvement in public transport patronage that involved mode-shift from car would also improve air quality and reduce overall CO_2 emissions. The modelling shows that, as the Franchising Scheme has the greatest effect on reducing car km, of 13.4 million trips per year.

9.3 Fares and Ticketing

5. Integrated and simple fares
Objective
The fares system is simple to understand and convenient to use: • Period tickets should be valid on any bus service within one year of an intervention. • There should be equivalent period tickets covering bus and Metrolink within one year of intervention and, in time, local rail services in Greater Manchester. • Single fares should be standardised so that there are similar fares for similar journeys within one year of intervention.

9.3.1 **Do Minimum**: policy on fares and ticket types on the bus network would continue to be determined by the commercial operators. The current range of fares and ticketing products would be retained. The individual operators would determine the pricing of their tickets and continue marketing their own individual products. Operators could further expand multi-operator ticketing or introduce different areas or zones for such tickets under the GMTL arrangements or otherwise through a Ticketing Scheme Block Exemption compliant ticketing agreement. Little further progress would be expected toward integrated and simple fares.

9.3.2 **Partnership**: Under any partnership scheme, individual operators would continue to determine their fares and the marketing of their own individual products. Operators might choose to go further than they currently do toward integrated ticketing, and have indicated that they would continue to support the current all-network ticket – System One. However, they would retain and continue to promote their own period tickets at the same time. They would face the same commercial pressure as they do currently to prevent abstraction by other operators and grow their commercial patronage. It would not be the case that period tickets would be valid on all bus services within one year of the introduction of a partnership.

9.3.3 The current Operator Proposed Partnership contains the intention that some simplification of single tickets and fare stages will result from the partnership, the timing and level of simplification is unclear. The VPA agreed in 2008 contained commitments to simplify single tickets but this did not result in significant change. Operators have proposed to produce a roadmap to potential simplification during the lifetime of the partnership. This means that under any partnership, the simplification of single tickets is unlikely to take place within one year of the introduction of the partnership.

9.3.4 A more Ambitious Partnership could use the Enhanced Partnership provisions that would allow requirements as to the price of multi operator tickets to be set. The actual setting of prices would need to be done through a similar mechanism to that which currently exists to determine prices of multi-operator tickets to ensure continued buy-in to the partnership itself.

9.3.5 **The Franchising Scheme**: under the franchising option, the GMCA would take full and sole responsibility for setting and delivering policy on fares and ticketing. The GMCA would simplify the offer: period products (such as day and weekly tickets) would be valid throughout the whole of the scheme (Greater Manchester). The only exceptions would be the current discount tickets that would remain in place, though these may change over time as the GMCA would look to gain the best return in terms of patronage and social value. Period tickets would be valid on any bus in Greater Manchester once franchising has been introduced across the conurbation.

9.3.6 Single fares would be simplified and there would be a reduced and simplified number of fare bands. This would happen within one year of the Franchising Scheme being introduced. Franchising is the only option where single–operator tickets would not exist, apart from permitted cross-boundary services offering their own tickets. The GMCA would also be able to determine the scope and pricing of multi-modal tickets covering bus and Metrolink. The GMCA would also have the ability to ensure that discounts and concessions were integrated into the overall fares offer to passengers.

9.3.7 Franchising would be the only option that would be able to achieve a real simplification of period tickets. It would also give the most scope and certainty for simplifications of non-period tickets as these would be within the control of the GMCA.

6. Fares should offer value for money
Objective
• Fares offer value for money to customers while supporting a balanced funding position for the bus market. • A framework approach is taken to consideration of any further discounted tickets within one year of intervention.

9.3.8 **Do Minimum**: The pricing of GMTL multi-operator and multi-modal tickets would continue to require the agreement of operators, as they are determined by the GMTL Board. There is no expectation of a substantive reduction in the current premium for such tickets. Incentives would remain that would continue to encourage operators to keep a differential between single and multi-operator ticket prices, particularly in terms of maintaining market position.

9.3.9 Fares would remain at their current level and would be expected to inflate to keep pace with costs to achieve a balanced funding position. The commercial pressures driving costs and the need to achieve a balanced funding position for the bus market would apply under the Do Minimum and also all of the other options.

9.3.10 **Partnership**: a feature of Operator Proposed Partnership could be a reduction in the price differential between operator-own tickets and multi-operator tickets. Operators have proposed, subject to a review, that there would be a two-year price freeze for multi-operator (‘System One’) tickets. If there were not subsequent higher rises, or a higher raise before the freeze, this would have the effect of reducing the differential between operator’s own tickets and the multi-operator ticket by about half. This would make travel across the whole network more affordable, and if implemented create a benefit of £29 million. Given this reduces the differential between the operator-own fare and the all-operator fares, it is unlikely that an Ambitious Partnership would go further in making reductions. This potential reduction could be more certain, and the level of the all operator fare could be fixed as part of an EPS, making the differential more stable.

9.3.11 In either partnership, operators would continue to have control of their fares and be subject to the commercial considerations which lead them to offer discount fares on the current pattern. This may change, but these incentives would remain in place compared with any objectives of, for instance, helping the socially disadvantaged access employment. A framework approach to discounts is therefore unlikely to be introduced within a year of a partnership being introduced.

9.3.12 **The Franchising Scheme**: pricing decisions for single fares and daily, weekly and monthly tickets would be made by the GMCA. The expectation is that network period products would initially be priced at the lowest price for an operator-own period product from a major incumbent. It is assumed that the average price of a single ticket would initially remain the same, though there would be the potential to lower fares either by capping the upper limit or through the process of the simplification of fare bands. This would produce a benefit of £56 million. These factors would mean that the Franchising Scheme would achieve this objective of value for money in fares to the greatest extent of the different options.

9.3.13 The commercial pressures driving costs and the need to achieve a balanced funding position for the bus market as a whole would apply under franchising as with the other options. This means that fares would be assumed to rise at the same rate as in the Do Minimum option, unless the GMCA were to make further funds available.

9.3.14 Under the Franchising Scheme, the GMCA would introduce a framework approach to looking at fare discounts to take account of different factor including increasing patronage overall (rather than on one operator's buses) and helping the socially disadvantaged. This would happen within a year, although changes to discounts may take longer to implement as any change from the status quo would be carefully considered.

7. Account-based smart ticketing introduced as soon as possible
Objective
Quick introduction of account-based smart ticketing, enabling a 'fair price promise' for different modes. • Whole bus network capped products for day and week tickets available as soon as possible, offering the lowest possible fare. • A multi-modal capped product introduced as soon as possible.

9.3.15 **Do Minimum**: Irrespective of any changes to the bus market structure, it is expected that the forms of electronic ticketing, allowing passengers to buy pre-paid cards, and use mobile phones, would be implemented. New technologies such a mobile ticketing, use of smartcards (ITSO) and EMCV for bank cards have been introduced, but inconsistently with operators using different technologies and having different offers.

9.3.16 TfN are working toward introducing the back-office system necessary for operators to introduce an account-based system. Operators are likely to sign up to use this system. This would not implement, but would only enable, a 'fair price promise' or capping to be introduced among the different bus operators and also Metrolink and rail. This would require a revenue sharing agreement among operators (similar to that which currently exists for System One.) It is not clear whether or to what timescale operators would introduce a Greater Manchester cap, though this would be encouraged by the GMCA, TfGM and TfN.

9.3.17 **Partnership**: The Operator Proposed Partnership includes a commitment to take advantage of the proposed TfN back office system, and this would be used to implement operator's own caps. It would be expected that this would be used to facilitate a wide range of fares to be offered, including a Greater Manchester multi-operator fare and multi-modal fares. Operators have indicated that they would work with TfN to introduce a full account -based system with all-bus and multi-modal caps although the details or how the apportionment of revenue have yet to be agreed. An Ambitious Partnership could commit to a 'fair price promise' capped fares in Greater Manchester.

9.3.18 **The Franchising Scheme**: under Franchising, a multi-operator capped product would not be necessary as all period tickets would offer validity across the whole of the bus network. The GMCA would embrace electronic means of payment (cards, mobile phones etc.) for the bus network as has been done on Metrolink. As account based smart ticketing will have been introduced on Metrolink, this could be extended to the bus service quickly as there would be no need to work with a third party back office or to agree apportionment of revenue. A capped product using the TfN back office could be used to include any cross-boundary services that also provided for journeys within Greater Manchester.

9.3.19 TfGM will soon (June 2019) introduce account-based smart ticketing on the Metrolink network. TfGM would participate in the TfN sponsored back office system to the fullest extent possible, but would be able to introduce a fair price promise on bus and tram without further infrastructure. This would offer a 'fair price promise' on the bus network, and also including the tram system run by TfGM and eventually rail. The Franchising Scheme would introduce the benefits to customers of account-based smart ticketing more quickly and more certainly than other interventions

9.3.20 Franchising would mean that the authority would control fare structures. This would better enable the implementation of a MaaS offering for Greater Manchester as the price of the bus portion of any journey could be determined as part of the overall journey. There would be as full support as possible for a MaaS ticketing offer covering different modes.

9.4 Customer

8. Ease of understanding of the bus service is improved
Objective
The ease of understanding of the bus service is improved for users and there is a high quality of information available (at stops and stations; on buses; and on the web). Branding is clear and enhances improved perception of the service. • Comprehensive information is put forward covering the whole of the public transport network, whether provided by the GMCA or third party. • Accurate information is provided - information that is up to date, consistent, correct and where relevant, in real time. • Information presented in an easy to understand way on a number of channels. • All buses fitted with audio and visual communication systems to convey information to customers during journeys about stops and routes. • Branding and marketing - a unified brand is there for the bus network to ensure that the public transport network is simple to understand and easily recognisable, giving customers confidence in using the network. • Customer contact - a single point of contact for customers to make enquires. Each of these should be achieved within one year of any intervention.

9.4.1 **Do Minimum**: under the Do Minimum option, operators would be obliged under the terms of the 2000 Act to provide information on services and timetables. This would be used by the GMCA, and potentially other providers, to enable customers to plan and customise multi-modal journeys through traditional means such as the national Traveline service, along with more innovative web-based tools and apps. The information operators are obliged to provide includes real-time information on bus services, which can be used to power real-time apps to provide information to passengers.

9.4.2 Operators would continue to offer information on their own services rather than reflecting a Greater Manchester network view that would enable passengers to plan trips across the whole network. Operators are likely to be obliged to provide real-time information (RTPI) on buses (via audio and visual communications systems) under regulations made under the 2017 Act, which would enhance the passenger experience and give passengers more confidence in using the service.

9.4.3 Branding and other aspects of the service would remain as they are currently and there would not be a unified brand for the bus network or a single point of contact for customer enquiries.

9.4.4 **Partnership**: In addition to legal obligations, the Current Proposals Partnership represents some advance in terms of the provision of information over the Do Minimum option. Under current proposals, operator apps and websites would continue to exist and provide information on services and fares provided by those operators. More emphasis is envisaged to be given to a single central source of comprehensive information on the bus network and other travel options within Greater Manchester. This would mean the creation of a portal that would be able to give comprehensive. This would go some way toward the objective of comprehensive, accurate and easy to understand information, but would still leave some partial sources of information.

9.4.5 Operators party to partnership discussions have agreed to sacrifice some of their own branding and adopt an agreed cross-Greater Manchester travel brand (perhaps with a portion of the bus branded in a particular way). This would create a unified and recognisable brand approach to cross-operator travel. However, some separate branding would need to be retained for competition reasons and as many passengers would still be using operator-own tickets.

9.4.6 Operators have indicated they would agree to a unified point of contact in terms of telephone enquiries and also through other channels, but it is not yet clear how this would be funded. The fact that there would be different points of contact on the web, and also that such a point of contact would need to refer passengers onto operators in a number of areas would reduce the impact of having a single point of contact. Crucially, there would not be one body that was accountable for the bus service in Greater Manchester, and hence the impact of having a point of contact that passengers could go to would be reduced. These factors would mean that only limited progress would be made toward this objective within the timeframe of a year under the Operator Proposed Partnership. An Ambitious Partnership could offer to go further in some areas but it is not current clear what this would entail.

9.4.7 **The Franchising Scheme**: under Franchising, the GMCA would make sure that the information provisions in the 2017 Act were taken forward in a way most useful to external providers of information, promoting the best use of this to make Greater Manchester more navigable.

9.4.8 In contrast to the status quo, individual operator websites and apps giving information relevant to the Greater Manchester network would no longer exist and would not give partial information about services. Instead, information would be comprehensive and real time and provided covering the whole of the public transport network by the GMCA. This would be easy to understand and on a number of channels (including the web and on-board buses), and every effort would be made to ensure that it is up to date, consistent, and correct. It would also be provided through open data, potentially by third party providers. Each of these things would happen within a year of franchising being fully implemented. As with a partnership, all buses would have RTPI on board in line with or ahead of statutory timescales.

9.4.9 There would be a unified brand for the Greater Manchester bus network. This brand would be a part of the overarching identity for the Greater Manchester transport system. A unified brand would allow more consistent and comprehensive marketing opportunities to be exploited. From a passenger's perspective they could be confident that they could catch any bus as branding and ticketing would match. This brand would be backed by a single point of contact. This point of contact would be more effective and have more impact with customers than under a partnership. This is because it would require less referral to other operators, and also because it would be linked directly to the body that was accountable for the bus service as a whole – the GMCA and Mayor.

9.4.10 Within a year of introduction of the Franchising Scheme, the Franchising Scheme would offer the greatest potential to achieve objectives relating to the provision of information and improving the ability of passengers to understand and use the bus network. It would be expected that this progress would continue as the GMCA would have, as a priority, making the public transport network as a whole more navigable and easy to use for passengers and potential passengers.

9. Safety of travel is improved
Objective
Safety is improved and incidents of crime or anti-social behaviour on buses are reduced. There is a perception of improved safety on the bus network, encouraging bus use within three years of intervention, and continued improvement after that. • There is active management to improve safety in partnership with the police, and to reassure passengers and potential passengers that the bus is a safe form of transport to use. • All buses installed with CCTV within one year of intervention. • Off-bus safety – there are well-lit and maintained, easily navigable interchanges with appropriate staffing.

9.4.11 **Do Minimum**: as is currently the case, operators and the GMCA would share responsibility for strategic decisions around safety and security on the bus network. Arrangements between TfGM, the operators and the Police would continue, focusing on preventative measures. All, or nearly all, buses would be anticipated to have CCTV on board. Off-bus safety would continue to be pursued by the GMCA and operators working together.

9.4.12 **Partnership**: Under the Operator Proposed Partnership, in addition to the activity undertaken under the Do Minimum option, there would potentially be a greater degree of collective responsibility for strategic decisions around safety and security on the bus network using the governance of the partnership in addition to other initiatives. It is likely that close to 100% of all buses would have CCTV within one year of intervention. Off-bus safety would continue to be pursued by the GMCA and operators working together. However, on its own the partnership is unlikely to make a material difference to the safety of passengers.

9.4.13 **The Franchising Scheme**: under the franchising option, the GMCA would be responsible for strategic decisions around safety and security on the bus network. The financial projections currently include provision for an additional 30 officers for revenue protection duties on the network initially, reducing to 13 after six years. The presence of these officers would be likely to enhance safety and, importantly, would improve the perception of the level of safety on the network. CCTV would be compulsory on all buses and therefore 100% of buses would have CCTV within one year of intervention.

9.4.14 Off-bus safety would continue to be pursued by the GMCA as under the partnership options. The arrangements between operators, Police and TfGM that would exist under the Do Minimum option would be pursued by TfGM on behalf of the GMCA working with the franchise operators to improve safety. As with the partnership options, the Franchising Scheme on its own does not contain measures that would make a material difference to off-bus safety.

10. Improvement in on-bus experience
Objective
Consistent high standards are achieved for the cleanliness of buses and for driver behaviour, and the quality of vehicles improves. • Cleanliness - commitment to a high standard of cleanliness across all services. All buses to receive external clean daily; light interior clean pre-service; interior deep clean once a month within one year of intervention. • Bus drivers - continuous improvement in driver behaviour to improve customer experience. Appropriate professional standards and training of drivers. All drivers to have undertaken appropriate customer service training within the last year within three years of intervention. All buses fitted with Eco drive systems within three years of intervention • Quality of assets - improved vehicle quality and connectivity for passengers.

9.4.15 **Do Minimum**: no universal standards would be in place for levels of cleanliness, comfort or features of vehicles (such as Wi-Fi). Operators would, retain their own standards for driver behaviour such as the Driver Certificate of Professional Competence (CPC), training drivers in customer care through company training programs. There would not be any improvement in the quality of the vehicles, other than that created by the renewal of vehicles with newer ones as they reach the end of their useful life.

9.4.16 **Partnership**: operators have indicated that they would commit to a cleaning regime for buses and standards of cleanliness as part of a partnership. This means the objective of having the cleaning regime in place within one year could well be achieved through the Operator Proposed Partnership. They would also commit to accredited driver training, though not necessarily have all drivers go through the same customer service training. The Operator Proposed Partnership is likely to be able to ensure that all drivers have had appropriate customer service training within three years. Some minimum standards for vehicle quality could be part of a partnership. Operators have indicated that they would commit to standards of technology (such as use of Wi-Fi and AVL), but have not indicated what this standard would be.

9.4.17 Partnership would go some way to achieving objectives for customer service on the bus. Potentially a more Ambitious Partnership could go further in committing to provisions with regard to driver behaviour. In terms of vehicles, some of the documents produced during discussions with operators have indications as to spend on renewing vehicles. As set out in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h), it is not clear that these indications would do more than necessary renewal of the fleet. In addition, in terms of commitments as to vehicles, operators have indicated that these would not be universal but be dictated by individual operators' changes.

9.4.18 **The Franchising Scheme**: under the franchising option, the GMCA would have the greatest ability to ensure there would be a high quality and consistent journey experience, with minimum standards in place. Cleaning regimes and the level of cleanliness would be specified in franchise contracts and compliance would be monitored and enforced, meaning the cleaning regime could definitely be introduced within a year. Driver training would be standardised across all franchise operators and the level specified in franchise contracts, and so it would be definitely be the case that all drivers would have had appropriate customer service training within 3 years. Consistent internal standards would be evident for passengers, with clean, comfortable and accessible vehicles. Franchisees would sign up to a customer charter setting out commitments to quality.

9.4.19 These specifications and standards would mean that the Franchising Scheme would help to achieve objectives on improving cleanliness and driver standards. As there would be specification of vehicles, it would be possible for the GMCA to control the quality of the buses used and ensure minimum standards were met, creating consistent standards. While no 'bespoke' Manchester bus is envisaged, it would be possible to specify higher quality vehicles if desired. The current costings do not include any increase to pay for newer or higher specification vehicles (e.g. through franchise payments).

9.5 Value for Money

11. Value for money for public investment
Objective
The best value for money for public investment into the bus market, specifically the options being considered as part of the Assessment to reform the bus market. The best value for money for any other specific intervention in the bus market. Both of these will be measured by (i) the social value of any public investment, taking into account all of the costs of the intervention, measured by a Net Present Value calculation (the benefits minus all of the costs), and (ii) the benefits of the investment with regard to the constrained budget of public sector investment (money available to the Mayor and GMCA), measured by a BCR of the benefits divided by the costs to that constrained budget.

9.5.1 **Do Minimum**: under the Do Minimum option, the structure and function of the GMCA and operator organisations would remain largely unchanged. Operators would take revenue risk on their commercially operated services, with the GMCA taking the risk on subsidised services. There would be no change in the value for money for public investment in the Greater Manchester bus network.

9.5.2 **Partnership**: under a partnership, the fundamental structure of the bus market in Greater Manchester would not change. The GMCA would spend money in supporting and monitoring the partnership. Any improvement in value for money for that investment would arrive either from the potential for improvements to the customer experience partnership could ensure were adhered to, or from potential network efficiencies made possible by partnership arrangements that in the first instance would accrue to operators.

9.5.3 Any money saved by operators could be reinvested into the Greater Manchester bus network, although they may take any savings as improvements to the margin earnt. Reinvestment would always be at operators' discretion. It may be that operators would need to earn a certain margin before they would be willing to invest further. Operators have indicated that some savings could be reinvested though an operator based fund for innovative schemes. It is not clear how the amount of savings would be ascertained and verified, so no further investment can be assumed. All operators would face pressure to improve margin earnt and for any operator currently operating at a low margin this pressure would be greater.

9.5.4 The more ambitious the partnership the greater the level of benefit for the bus network. The calculation in the Economic Case of the Net Present Value of the different interventions gives a good indication of the value for money for public investment. As set out in the Economic Case the value for money for public investment indicated by the NPV shows that the Operator Proposed Partnership as currently configured would deliver £113.3 million of benefit over the appraisal period, with a NPV of £80.6 million, rising to an NPV of £131 million of wider economic impacts are included. The modelling set out in the Economic Case shows that a an Ambitious Partnership would deliver greater benefits of £141.8 million with a net present value of £103.1 million, rising to an NPV of £181.4 million if wider economic impacts are included. The Value for money as indicated for by the BCR for the Operator Proposed Partnership is 3.46, and for the Ambitious Partnership would be 3.67. An Ambitious Partnership might include a clear mechanism for ascertaining savings and potential a common fund structure to reinvest across the network rather than through individual operators.

9.5.5 As set out in the Strategic Case at Section 8.8, under either partnership option, the value for money of specific interventions as part of 'Phase 2' is likely to be lower under a partnership. This is partly because of the fact that GMCA would not get any return for an investment if a measure were to increase revenue, as this would accrue to operators and the money potentially not reinvested into the Greater Manchester bus market. Partnership also facilitates fewer of the potential measures and therefore they would potentially be subject to diminishing returns and have a less efficient overall distribution of funds.

9.5.6 **The Franchising Scheme**: beyond the margin that operators would take for operating the service and taking the operation and cost risk that this implies, any surplus generated by fares or other revenues would be able to be reinvested in the bus network. This reinvestment would be aimed at improving the bus service within Greater Manchester, whether through reductions in fares, improvements to the network or other changes. . The modelling set out in the Economic Case at Section 15.3 shows that the Franchising Scheme it would deliver benefits of £344.7 million, with the measure of value for money for public investment of the NPV being £234 million, rising to an NPV of £441.9 million if wider economic impacts are included. The value for money for public investment measured by the BCR is estimated to be 3.11.

9.5.7 As set out in Section 8.6, of the Strategic Case, there are differences in terms of value for money of any further 'Phase 2' spending and supply side measures to improve the market. More interventions would be feasible and they would provide greater value under the Franchising Scheme. As well as being able to undertake some of these interventions without the risk of competition or state aid issues, there are some areas of activity such as extra evening or weekend services that make a daytime service more viable; new services to establish demand (where successful); and infrastructure measures such as bus priority, where the expenditure creates a financial return. Under the Franchising Scheme this financial return would return to the Combined Authority and could be used in support of the network. It would therefore be better value for money in terms of the public expenditure.

12. Any market intervention is sustainable in the long-term
Objective
Any intervention in the market should be feasible in its commercial and management arrangements. Any intervention in the market is long lasting, given the need to create a sustainable improvement in the Greater Manchester Bus market. It should be still in place in 2040 at the least.

9.5.8 **Do Minimum**: a Do Minimum would not represent a significant intervention in the market, and as such its sustainability as an option does not arise.

9.5.9 **Partnership**: There is no formal limit to the period of time for which different forms of statutory partnership can be entered into. For the Operator Proposed Partnership, operators have proposed a mixed governance model, and it would be expected that time limits and review periods would be agreed as part of any of the different partnership types that were used. It would be expected that any partnership would be agreed for around five years before needing to be changed. At this stage it could be re-negotiated, a new partnership agreed, or operators could choose to return to the previous, wholly unregulated market. There would be no assurance that the benefits would continue over the long-term.

9.5.10 The longevity of the intervention would be partly dependent on the type of governance for the partnership. The potential options for partnership are set out in the Commercial Case at Section 35.3. As set out in the Commercial Case at Section **Error! Reference source not found.**, the operators have indicated that they would like to govern any potential partnership through a VPA which has been available since the passing of the Transport Act 2000, rather than the newer forms of partnership introduced by the Bus Services Act 2017. This offers less potential to ensure all operators abide by provisions and a more limited scope of potential measures – excluding for instance commitments on routes and frequencies or the price of multi-operator fares. While operators have indicated that there could be a remedial plan process if any targets are not met, there is ultimately no sanction if operators were to leave the partnership.

9.5.11 If this were done under an EPS for an Ambitious Partnership, operators would be more strongly bound into the provisions and the provisions would affect all operators in the area covered, but this would only be for the period of the partnership itself. There is a risk that an EPS would persist, but that operators would withdraw from the market as they could not comply with the standards. At this point the partnership would need to be renewed and any measures agreed again.

9.5.12 Whatever the governance arrangements that might be assumed, any partnership that could be agreed therefore carries the risk that improvement would not be sustained over the long-term. Operators in a deregulated market will have divergent objectives and the potential to sustain a partnership over the very long-term in this environment is low. It is therefore unlikely to still be in place in 2040 without significant change. While it may be the case that successive partnerships would continue to deliver benefits to passengers, partnership arrangements can break down and the experience of some other partnerships is that initial commitments are not always sustained.

9.5.13 The Management Case at Section 53 shows how a partnership could be implemented and the associated risk managed. It would be relatively straightforward to implement, though TfGM would need to recruit staff and put in place systems in order to manage and monitor the partnership on behalf of the GMCA. The extent to which such expenditure would be justified would depend on the level of ambition in the partnership and potential benefit to passengers. A partnership would be feasible in its commercial and management arrangements, but would not necessarily be a long-lasting intervention in the market.

9.5.14 **The Franchising Scheme**: franchising would represent a long-term intervention in the market. Given that it would change the structure of the market and the flow of revenues, GMCA and TfGM would have assurance that the intervention would be long lasting as they would control how it evolved and how franchises were let in the long-term. Franchising offers the best chance of achieving a sustained improvement in the Greater Manchester bus market, as it permanently changes the market and provides the basis for further interventions across a range of measures.

9.5.15 The ability of the Franchising Scheme to deliver sustained benefit over the longer-term would in part depend on the success of the scheme in improving passenger numbers. This revenue could fund further improvements to the bus network. While the improvements set out and modelled in the Economic Case could be assumed, further investment in areas such as clean air, alternative fuel technology or expansions of the network would be reliant on either further external investment, or revenues from passengers. If revenues fell, the GMCA would be in a similar position to operators in the current market in needing to adapt, but could choose to support the services and maintain the level of service. Whatever choice was made, the existence of the Franchising Scheme would not be in question, but rather the level of service that Greater Manchester received.

9.5.16 The Commercial Case sets out the anticipated structure of franchises in terms of their size, length, and treatment of assets at Section 0. It details that there is a likely market for providing franchised services, including the responses to a market engagement exercise on the form of franchises to be let (Section 28.2). It also sets out how franchises would be procured at section 27. The Management Case sets out what the operating model would be for the Franchising Scheme (Section 46), how transition would work (Section 47) and how risks would be managed (Section 48). This shows that the Franchising Scheme is feasible in its commercial and management arrangements and that it would be a long-lasting intervention in the market. If implemented, it is therefore likely to still be in place in 2040 and continue to deliver benefit into the future.

13. Any market intervention is affordable
Objective
Any intervention in the bus market is affordable for GMCA over the long-term. Affordability in each year following intervention.

9.5.17 **Do Minimum**: there would be no further cost to the GMCA other than that envisaged in current spending plans. If the current deterioration of the market continued, and further services lost and frequencies reduced, this may have financial consequences. The GMCA as the transport authority would be left in the position of having to fund any replacement or alternative services. This could create a funding pressure if there was increased pressure to support bus services that fulfilled an important social need or supported the growth of Greater Manchester.

9.5.18 **Partnership**: The costs to the GMCA of administering a partnership are reported in the Management Case at Section 52. The GMCA would not receive any revenue to offset such costs, therefore the GMCA would need to source funding or reprioritise existing funds. While the costs are not high, this would need to be considered against the benefits that such a partnership would bring, and investment into administering a partnership would need to be proportionate to its ambition. The funding requirement over the appraisal period for the Operator Proposed Partnership would be approx. £97 million. This can be assumed to be affordable on an annual basis.

9.5.19 If a more Ambitious Partnership were to deliver greater benefit, it would be appropriate to spend more on administering it, notwithstanding that such funds would need to be reprioritised from elsewhere. Assumed costs are higher for the Ambitious Partnership modelled in the Economic Case, but would remain affordable in the context of overall the GMCA funding. The funding requirement would be approx. £112 million over the appraisal period. This can be assumed to be affordable on an annual basis.

9.5.20 **The Franchising Scheme**: The Financial Case sets out the long-term affordability of the Franchising Scheme, including upfront costs and investment required. Under franchising, the GMCA would be taking revenue risk on a significant market. Franchising, unlike the partnership options, involves initial outlay in order to support the intervention. The bus market would need to support the repayment of any debt incurred. Over the appraisal period the total net deficit, including capital financing and risk allowance, is forecast to be £27.6 million. This is less than either partnership option, and represents a small proportion of the total financial flows as the

GMCA would be taking revenue risk through the life of the Franchising Scheme.

9.5.21 The Franchising Scheme would require transition costs that would lead to a transitional funding requirement of approximately £122 million for the GMCA to implement franchising up to 2024/5. This includes approximately £36 million risk allowance). This constitutes the principal affordability challenge for the Franchising Scheme.

9.5.22 As the Financial Case sets out at Section 40.7, there are funding sources identified that are adequate to cover the transitional funding requirement up to 2024/5, and these would be available to GMCA if it wished to introduce the Franchising Scheme. In years following 2024/5, there is forecast to be a net cumulative surplus with a mix of surpluses or deficits modelled for particular years (deficits being partly driven by ongoing risk provision and the timing of renewal costs). Any deficits arising in particular years could be funded either from accumulated surpluses or a number of the revenue funding sources identified for the transition period could be available on a recurring long-term basis, such as the existing Mayoral precept and Mayoral 'earn back'. Therefore overall the Franchising Scheme is affordable over the long-term for GMCA.

9.5.23 The inclusion of a contingency for Franchising Scheme risks means that if some of the risks identified were to materialise, then the Franchise Scheme would remain affordable despite increased costs of mitigation. The contingency is set at a level that would be adequate in 80% of circumstances that are possible to envisage. While the future evolution of the bus market is to some extent uncertain, the introduction of franchising would lead to an overall improvement in patronage relative to the reference case, and the modelling reflects the underlying trend in the reference case of a decline in patronage as well as some uplift from different interventions. The sensitivities set out in the Financial Case at Section 40.6 show that the affordability of franchising is sensitive to exogenous changes such as higher than expected increases in costs, particularly wages, and also reductions in patronage coming from the expansion of other modes – including Metrolink but also walking and cycling.

9.5.24 If these external factors affected the bus market, the GMCA would retain the ability to alter the service between franchises, and through contract variation, during franchise contracts, adapting the cost of the network. Thus, while it would be undesirable under franchising (or any market condition) to make cuts, as set out in the Financial Case at Section 40.7, the GMCA would retain the ability to make sure that the service provided was affordable.

The Policies and objectives of neighbouring authorities

9.5.25 As set out in Section 7.6 of the Strategic Case, the main impact of the proposed options on the policies and objectives of neighbouring authorities would be the effects of the different options on cross-boundary services.

9.5.26 **Do Minimum**: the Do Minimum option is not anticipated to have any effect on cross-boundary services.

9.5.27 **Partnership**: the existence of a partnership in Greater Manchester is not anticipated to have any major effects on the services that cross the boundary. The exception to this would be if an EPS were used to support an Ambitious Partnership, as this could impose conditions on the vehicles used within the area covered by the scheme. However operators have indicated they would not want to use and EPS and would not want universal standards for vehicles.

9.5.28 **The Franchising Scheme**: Those services that were not part of the Franchising Scheme and would cross the boundary of Greater Manchester would require a permit to operate within Greater Manchester. The details of the permit regime are set out in the Commercial Case at Section 33. It is estimated that of the 116 services that cross the boundary of Greater Manchester, 24 might be adversely affected by the permit regime, in that their route or boarding or alighting points might need to change in order to satisfy the relevant legal tests for the grant of a permit. While GMCA would seek to operate the permit regime to facilitate cross-boundary travel, the financial effects of these changes is unknown and may make some of the 24 services less viable (i.e. if they are reliant on income from travel wholly within Greater Manchester).

9.5.29 This would negatively affect the achievement of the neighbouring authorities' policies and objectives. However, if a commercial service was withdrawn, GMCA would seek to work with neighbouring authorities to replace this with a supported service (43 services are currently subsidised in this way). Passengers may still face some disruption to services. GMCA would work with operators and neighbouring authorities on a number of ticketing options that would facilitate travel across the boundary (and also potential increase patronage on those services.

9.5.30 As well as setting out overall economic results for the different options, the Economic Case at Sections 11 to 21 sets out the likely impacts of the different options on different groups in society.

10 Overall Conclusion of Strategic Case

10.1.1 This Strategic Case has shown:

i. that bus travel is vital to Greater Manchester achieving its economic, social and environmental objectives. The *Transport Strategy 2040* shows that bus needs to work as part of an integrated transport system. This is particularly important in responding to the rapid economic growth Greater Manchester has experienced and the associated growth in Regional Centre employment and urban densification, and avoiding curtailing this growth through increased congestion;

ii. that to implement the *Transport Strategy 2040* bus needs to continue to play an important role in transport system: supporting access to essential services particularly for the socially disadvantaged, supporting access to the Regional Centre, supporting non-car dependent lifestyles, supporting integrated public transport journeys, and as a responsive and flexible form of transport. However the long-term trend in bus patronage has been one of decline, putting the achievement of the *Transport Strategy 2040* at risk, and specifically the Right Mix pathway to achieving the target of 50% sustainable travel in the *Draft Delivery Plan* to accommodate projected growth;

iii. that the bus market faces a set of challenges from existing social trends (such as increasing car ownership) and from the functioning of the bus market itself characterised by limited competition, as a lack of co-ordination in network, fares and information creates problems for passengers. This also makes it harder to realise the positive potential of technology through MaaS and exacerbates the threat of DRT therefore eroding, not supporting, public transport;

iv. the GMCA has derived a set of objectives to improve the bus network and developed two options in addition to a Do Minimum – a Franchising Scheme and a partnership. Despite extensive engagement with operators, the level of ambition from operators for a partnership is low and there is no certainty that the partnership would last for a long period of time. The Economic Case will test an option that reflects the partnership that operators have proposed and also a more Ambitious Partnership to explore what a more ambitious version could achieve;

v. that the GMCA has developed options including the Franchising Scheme, a partnership and a Do Minimum option. These have the potential to help improve the network, simplify fares and improve customer service, and extensively engaged with operators to understand a partnership. There are also a set of 'Phase 2' measures that can improve the bus network;

vi. this shows that the Franchising Scheme will have a greater impact in terms of achieving the objectives for the bus network, and also of facilitating the 'Phase 2' measures that could come with further funding. Franchising facilitates more of these measures, particularly in terms of resources and fares, than a partnership and would also mean that they would be better value for money.

10.1.2 The foregoing analysis shows that the option which will have the most significant effect on the bus market in Greater Manchester is the Franchising Scheme, and it offers greater scope to take action to achieve the GMCA's objectives for the bus service and implement its policies. In order to see if it should be the preferred option, further analysis is present in the remainder of this assessment. The Review and Conclusion sets out the fuller comparison of the options. The main differentiators between the options for reform are:

i. the ability under the Franchising Scheme to progressively improve integration of the bus network and between bus and other modes, and be assured that the network is as efficient as possible, not competing with other parts of the bus network or other modes;

ii. the introduction under the Franchising Scheme of integrated ticketing, facilitating travel across the full range of public transport options and reducing the cost of journeys that cross current operator boundaries;

iii. the introduction under the Franchising Scheme of a unified brand of the bus service and a single, clear point of contact with comprehensive information provided through a number of channels, overcoming the barriers of unfamiliarity to using the bus service.

iv. the potential under the Franchising Scheme for a more integrated bus service to better facilitate the introduction of MaaS and leverage technology to the benefit of the public transport system;

v. the fact that under franchising there would be clear accountability for the bus service and the funding it receives from passengers and from taxpayers; and,

vi. in terms of 'Phase 2' measures, the Franchising Scheme gives the full range of tools and levers to enable the Combined Authority to improve the functioning of the bus service and achieve its objectives of the bus network more fully.

10.1.3 The Economic Case will consider the benefits and costs of the different options, and sets out the effects of the different reform options on passengers, wider society, operators and also the GMCA. The Financial Case will set out the affordability of the different options, and the Commercial Case will set out commercial arrangements for the options, including risk apportionment, contract management and procurement. Finally, the Management Case will set out how the different options will be operated and managed, and the change management and transition arrangement for them.

10.1.4 This will enable a conclusion to be drawn on the best option for reform of the Greater Manchester bus network and the option which best meets the objectives of the authority.

The Economic Case

11 Economic Case Summary

11.1.1 The Economic Case answers the question; "What is the value of intervening in the bus market?". This section summarises the Economic Case, with more detail given in Sections 11-20.

11.2 Overview of the Options Tested

11.2.1 As set out in the Strategic Case at Section 8, three packages of measures have been appraised against a 'Do-Minimum' case referred to as the reference case:

i. the Franchising Scheme;

ii. an Operator Proposed Partnership reflecting the 'Consolidated Proposal' put forward by operators under the remit of the 'OneBus' organisation, and further detail from OneBus arising from negotiations between TfGM and the operators in the period autumn 2017 to spring 2019, as well as public documents; and

iii. a more Ambitious Partnership that reflects what might be achieved if proposals for a partnership were more ambitious.

11.2.2 The measures in each packages are summarised in Table 4, and further details are presented in Chapter 13.

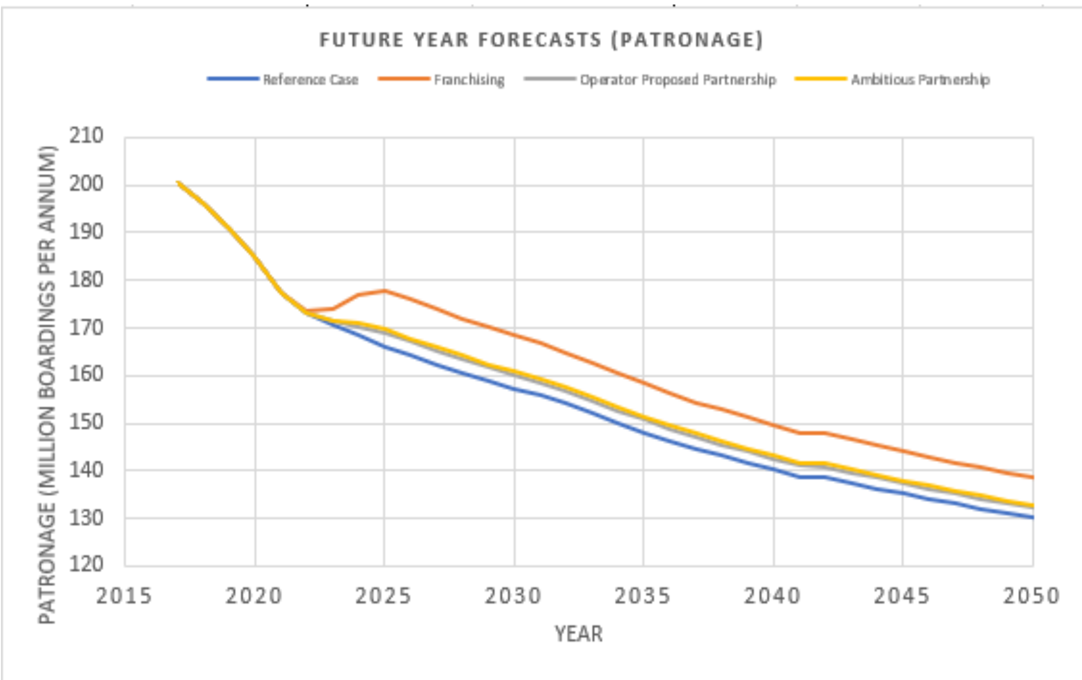
Table 4: Option Specification Summary

	Franchising	Operator Defined	Ambitious	Implementation Timescales
Fares and ticketing	Operator own tickets abolished. Standard period tickets set to be the same price as the lower of First and Stagecoach Standard fares. No change to fares on discount corridors.	No changes to fares, except the System One Two-year fare freeze	Same as operator defined	Franchising fare changes introduced over three years for period tickets (in line with the tranche timings). Partnership options fare freeze introduced from day one (though as this is 'following a review,' it is unlikely to be implemented then).
Interoperability	Benefits of interoperability across GM, but not applied to trips using discount tickets that restrict passengers to a subset of services.	No interoperability	Limited interoperability on a small number of corridors with sufficient competition for within corridor interoperable ticketing	Interoperability improvements introduced from day one of each franchising tranche and from day one for Ambitious Partnership.
Network	More efficient resource allocation to optimise passenger benefits.	No network changes	Intermediate level of resource reallocation to reflect constraints of market structure.	For franchising: Changes for each tranche introduced over a five year period from the start year specified by the tranche. Changes lagged over three years for Ambitious Partnership.
Customer experience	Benefits from improvements to driver training regime, accelerated roll out of Wi-Fi, more ticket inspectors, unification of operation and branding, additional customer service staff, and performance improvements associated with additional resources to operationalise the contract management regime.	Benefits from improvements to driver training regime and accelerated roll out of Wi-Fi.	Same as operator defined	Most interventions are introduced in a single year according to tranches for franchising, or year 1 for partnership options (though operators have indicated longer timeframes for these to be completed). Free Wi-Fi on all buses – is assumed to benefit 20% of passengers in year one, tapering to 0% in year 10 for all options. Ticket Inspectors benefits reflect the profile of resource spending for this intervention.

11.3 What is the Economic Value of Each Option?

11.3.1 Interventions to reform the bus market are expected to have a beneficial effect on patronage as shown in Chart 9.

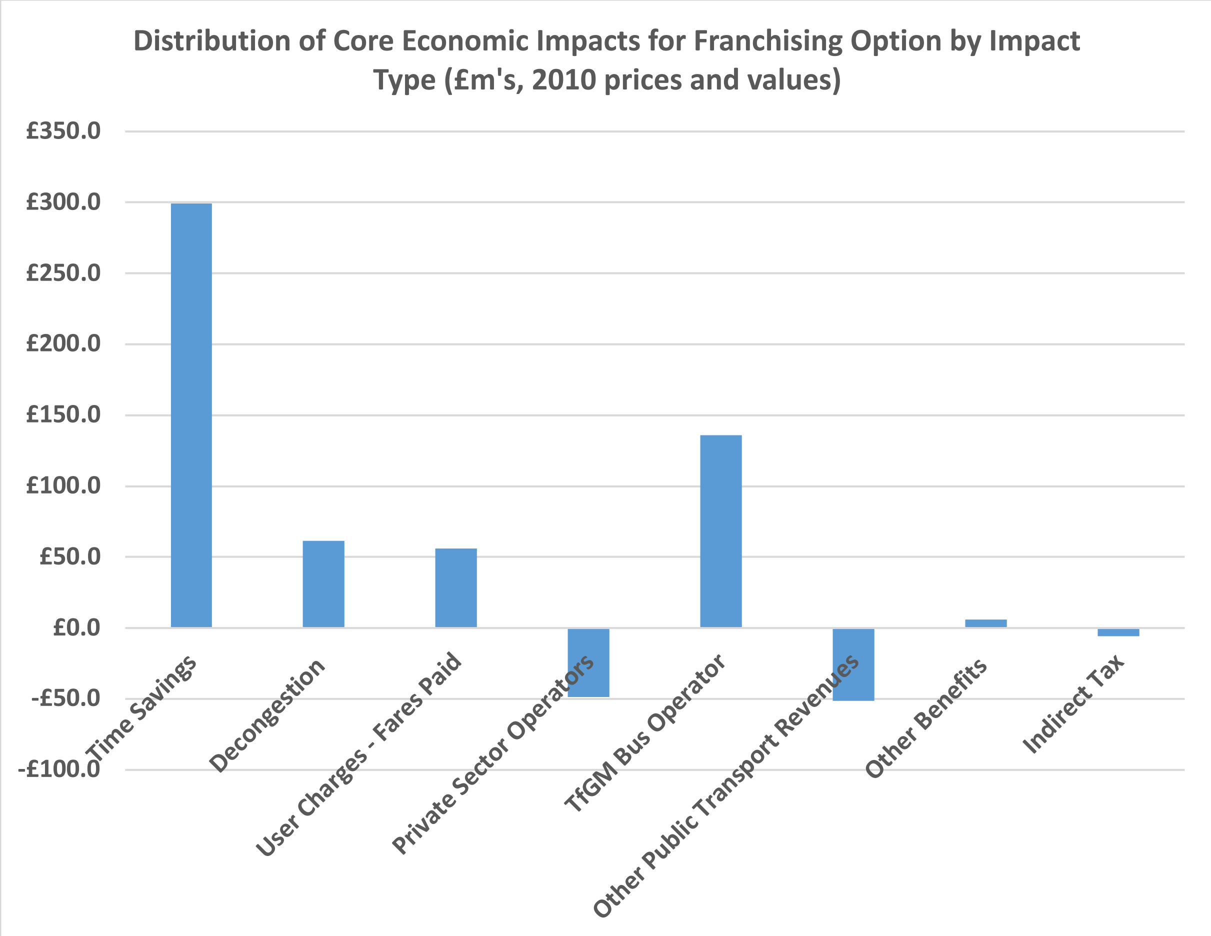
Chart 9: Market Forecasts



11.3.2 The Franchising Scheme option performs significantly better than either the Reference Case or the Partnership options in terms of boosting patronage.

11.3.3 The overall conclusions of the economic value for money assessment reflects the ability of each option to increase patronage. It shows that investing to reform the Greater Manchester bus market delivers more additional passengers than would be the case without intervention and also delivers the most value over the appraisal period. The case also concludes that the franchising option delivers the most value over the appraisal period. The economic impacts of the franchising option (excluding the set up and ongoing costs to the GMCA) are disaggregated by user groups and by impact type as shown in Chart 10.

Chart 10: Distribution of Core Economic Impacts for Franchising Option

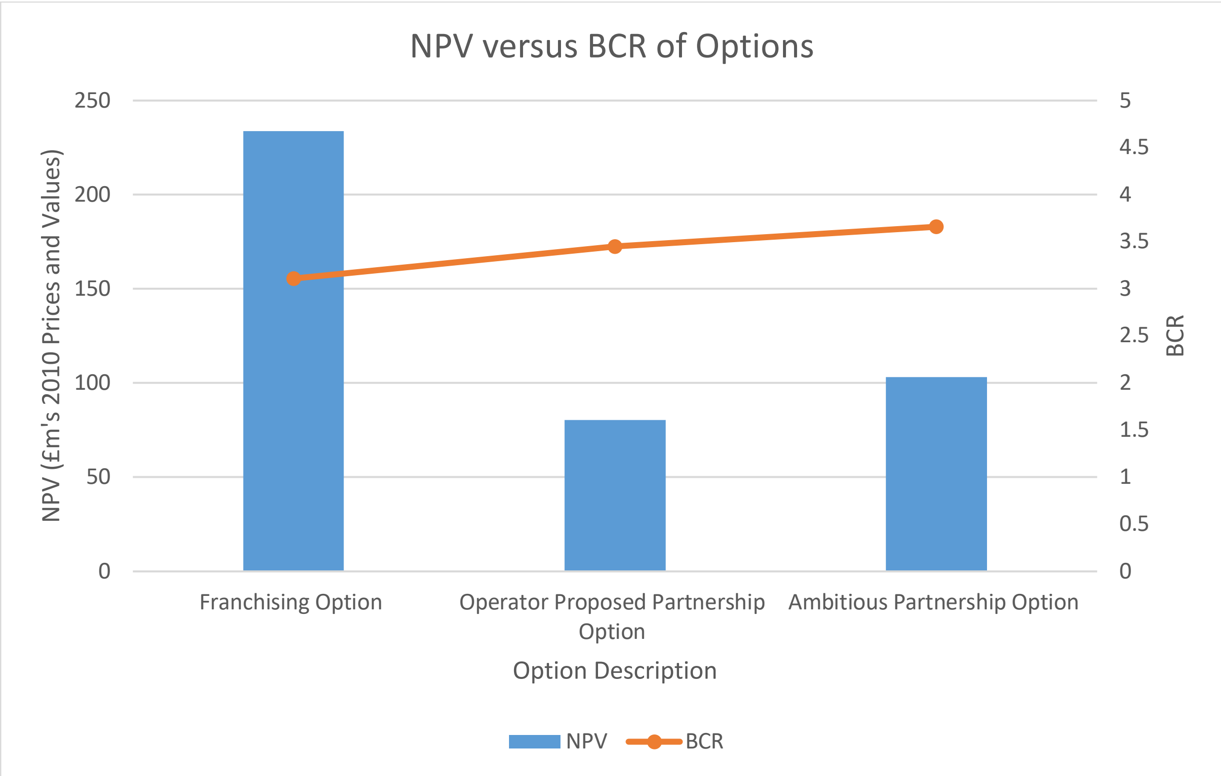


11.3.4 The analysis shows that investing in the market delivers high value for public investment. The greatest overall social value (i.e. the total value to the UK of the interventions considering the impacts on different parts of society) is created through the franchising option as measured by the Net Present Value of each option. Franchising delivers three times the Net Present Value of the Operator Proposed Partnership. The Benefit Cost Ratio (BCR) measures the benefit divided by the costs to the constrained budget of GMCA – the public money that would be spent on the options. That shows a broadly comparable BCR of between approximately 3 and 3.5.

Table 5: Economic Performance Summary

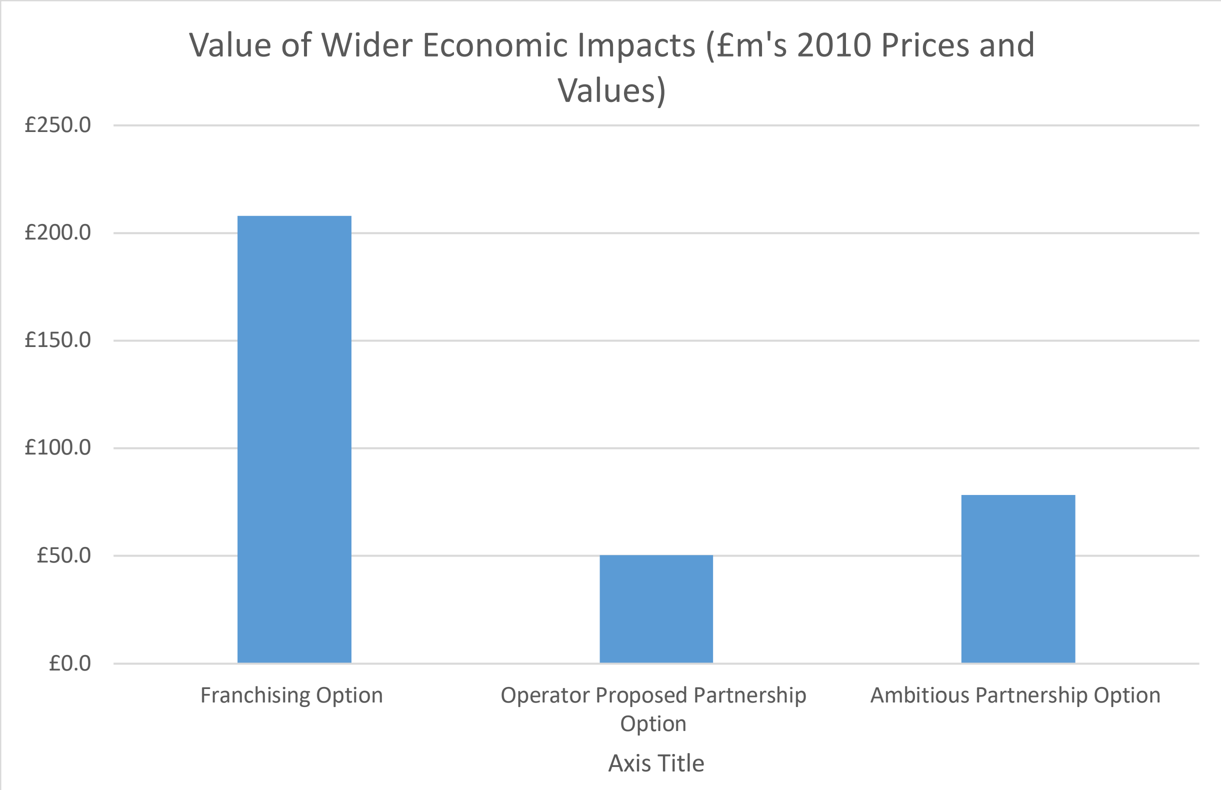
Economic Measures	Franchising	Operator Proposed Partnership	Ambitious Partnership
Present Value of Benefits (PVB £m 2010) [without Wider Benefits]	**£345**	**£113**	**£142**
Present Value of Costs (PVC £m 2010)	**£111**	**£33**	**£39**
Net Present Value (NPV £m 2010 = PVB - PVC)	**£234**	**£80**	**£103**
Ratio PVB/PVC	**3.1**	**3.5**	**3.7**

Chart 11: BCR Vs NPV of Options



11.3.5 The different extent to which each option is able to generate Wider Economic Impacts is also significant.

Chart 12: Value of Wider Economic Impacts



11.4 'Phase 2' Interventions

11.4.1 Further investment to improve the quality of the system is likely to be required to help stabilise the market. These are referred to as 'Phase 2' interventions and do not have committed funds at this time – hence they are not included in the core Economic Case for bus reform. None the less, the ability to create step change improvement in the bus system is fundamental to the case for change and is a significant differentiator between the options. The assessment of 'Phase 2' interventions suggests there is significant potential economic value associated with 'Phase 2', and that it can only be realised if the Franchising Scheme option is implemented.

11.4.2 The Economic Case therefore supports the view that the Franchising Scheme option is the preferred option because it is the option that contributes the most value and impact, and better supports the achievement of the wider policy objectives articulated in the Strategic Case.

11.5 Value for Money for Public Investment - Derivation of the Value Metrics

11.5.1 Achieving value for money (VfM) is an important objective as set out in the Strategic Case.

11.5.2 In circumstances where there is a mixture of funding sources between the fares paid by the user of the service and taxpayer funding (for concessions, subsidised services and direct subsidy), it is important that the spending of public money gains the best value for taxpayers investment.

11.5.3 The Franchising Scheme Guidance (March 2018) ["the Guidance"] invites authorities to present the Net Present Value of each option, derived from the present value of costs and benefits. There are other metrics that are useful to consider when appraising VfM. The metrics outlined in the objectives set out in the Strategic Case are as follows:

i. NPV: the social value of the investment, taking account of all of the costs. This is a relevant measure of the value for money of public investment; and

ii. BCR: this divides the benefits by the costs to the relevant constrained public budget.

11.5.4 These metrics are reported in the Economic Case.

11.5.5 Of note, the BCR is a measure of value generated (Present Value of Benefits) per pound spent (Present Value of Costs). It is therefore necessary to define the budget from which the pounds are spent, otherwise known as the "constrained resource". The appraisal set out in the Economic Case assumes the definition of the "Constrained Resource" to be the GMCA's budget, and the definition of the "Present Value of Costs" to be the whole life impact of each option to the GMCA's budget.

12 Introduction

12.1.1 The Economic Case answers the question; "What is the value of intervening in the bus market?". This question is answered using a combination of micro-economic tools and techniques to assess economic value as well as macro-economic approaches that are intended to assess impacts of bus reform on the economic efficiency of the GM city region.

12.1.2 Public investment resources are scarce and it is therefore important to understand who is impacted, when and by how much. Cost impacts and to whom they fall are explained, as are the actors in society who attract economic benefits, both positive and negative.

12.1.3 The objectives for the bus system are grouped in the following four areas:

i. Network;

ii. Simplified and integrated fares;

iii. Customer experience; and

iv. Value for money.

12.1.4 The appraisal specification matches precisely the specification of the interventions which in turn are designed to further the strategic objectives for the bus system in Greater Manchester. Quantification and monetisation during option development has helped optimise the extent to which strategic objectives are met. It is these optimised intervention options that are presented in the assessment.

12.1.5 The Economic Case is subject to uncertainty, but appropriate account has been taken of this through a programme of sensitivity tests. These tests suggest that the Economic Case presented for each option is a robust one.

12.1.6 This chapter sets out the Economic Case for Bus Reform.

i. Section 13 contains a description of the Reference Case and options. It sets out how the options are reflected in the economic appraisal. This includes the specification of changes to the network, fares, interoperability of tickets and soft factors such as customer service improvements that are anticipated to be implemented through each option;

ii. Section 14 sets out the modelling and appraisal methodology. It includes the types of benefits that are to be considered. The monetised benefits to be assessed include time savings, journey experience, user charges, decongestion and economic externalities;

iii. Section 15 presents the economic appraisal of the different options, including sensitivity tests;

iv. Section 16 analyses the impact on passengers of the different options;

v. Section 17 analyses the potential effects of the different options on operators;

vi. Section 18 analyses the potential effects of the different options on TfGM (including the GMCA);

vii. Section 19 analyses the potential effects of the different options on wider society. It sets out the “wider economic impacts” that are expected to be generated by the different options, in areas such as labour market impacts, a move to more productive jobs, and agglomeration;

viii. Section 20 sets out the risk assessment and optimism bias analysis and the process for arriving at the Quantified Risk Assessment figure for the economic analysis; and

ix. Section 21 sets out the conclusions from the Economic appraisal.

Approach

12.1.7 The Economic Case assesses the extent to which the proposed reforms of the bus market in Greater Manchester represent value for money, and how impacts affect the following specific groups; bus passengers, TfGM (including the GMCA), wider society and bus operators.

12.1.8 The economic assessment follows the approach to investment appraisal as set out in the DfT Transport Appraisal Guidance (WebTAG) and is consistent with the additional guidance on preparing a bus reform assessment contained in the Guidance. The approach taken is based upon both a quantitative and a qualitative analysis of the likely impacts of the different reform scenarios compared to a Business as Usual counterfactual scenario called the Reference Case.

12.1.9 The quantitative assessments for each scenario are generated by projecting the patronage and revenue over 30 years based upon:

- changes in bus service provision, such as changes in operated mileage and fares;
- changes in competing modes, such as road congestion; and
- changes in external demand drivers, such as population and employment.

12.1.10 These projections are developed alongside the financial model to ensure that each patronage and revenue scenario is consistent with a commercially viable outcome for both the GMCA and operators.

12.1.11 The reform options are created by modelling changes to the drivers of bus service demand in terms of factors such as service quality, fares, frequency of routes, and to changes in costs and the allocation of costs. These changes are assumed to occur within the first three years of appraisal and the impacts last for the full appraisal period of 30 years.

12.1.12 Two potential partnership options have been appraised (one reflecting current discussions with operators as set out in the Strategic Case, and one reflecting a more ambitious potential partnership). A single Franchising Scheme option has been appraised. The partnership options are comparators to the Franchising Scheme option. The range of partnership options reflects the fact that the current Operator Proposed Partnership option (based on discussions with operators) does not go as far as a potential partnership could go. A more Ambitious Partnership option is not a deliverable option based on discussion with operators to date, but has none the less been appraised to provide a more optimistic 'do something' option against which to compare the Franchising Scheme option.

12.1.13 The outcomes from the options are compared to those from the Reference Case in terms of effects such as travel times and congestion and a social-cost benefit analysis undertaken to compare the investment costs required for the do-something scenario to the respective net impacts, including the changes in revenues.

12.1.14 The above quantitative assessment is supported by a further qualitative assessment of the Wider Economic Impacts, and by a qualitative assessment of other impacts. These are reviewed in totality to derive an overall value for money assessment.

12.1.15 The robustness of the overall assessment is then explored by running sensitivity analysis on the key model parameters and input assumptions.

12.1.16 The economic assessment presented here is a welfare economics value for money assessment of the financial investment that could be made under the different bus reform options set out in the Strategic Case. As such, it is not an (economic) analysis of the extent of market failure in the bus market, although the Wider Economic Impacts component of the analysis does reflect the value of reducing the impact of market failures in GM bus system.

13 Option Descriptions

13.1 Definition of Options

13.1.1 Two partnership options and one Franchising Scheme option have been tested against the Reference Case. Contained within each option is a set of specific interventions that are intended to change and improve the bus service for passengers. The ways in which the different options (and interventions therein) would change the bus market and address the GMCA's objectives are set out in the Strategic Case at section 7. For the purposes of undertaking an economic appraisal of the different options, and deriving monetised values for potential benefits and costs, the understood and known improvements that would be made under each option have been modelled. This excludes further changes and improvements that may come (for instance from network changes) under the Franchising Scheme, either that are cost neutral or the result of spending. This also assumes that the commitments made on a partnership would be carried through. In all cases, a suitable and viable methodology has been used to determine monetised results.

13.1.2 The partnership and the Franchising Scheme options are expected to deliver varying levels of improvements for passengers as a result of four broad areas of intervention (1. network improvement, 2. fares and ticketing improvements, 3. interoperability improvements, and 4. improvements to general quality of the bus product that are referred to as "soft factor" improvements).

13.1.3 The interventions specified under each option have been appraised. The interventions are defined in detail for each option, and the appraisal specification has been crafted to reflect the intervention specification. In the event funding beyond the base case becomes available, the ability to further develop and improve the bus system under alternative market structures is a significant differentiating point between the options and these differences are explained in section 15.4.

13.1.4 The interventions deliver varying levels of progress towards the Vision for Bus as set out in the Strategic Case. The interventions have been modelled and the results of this modelling underpin the reporting of outcomes within the economic appraisal in terms of demand, revenue and benefits to bus passengers (existing and new) and non-bus users (i.e., those in society who benefit from reduced economic externalities as a result of the increased use of more sustainable transport modes).

13.1.5 For the Franchising Scheme option, the specification appraised only covers those interventions possible in 'Phase 1' of franchising and for which there are costs in the Financial Case. It does not reflect more ambitious measures that could be introduced in subsequent phases from fine tuning of the franchising regime and/or the investment of additional funding as explained in section 15.4. Whereas the Franchising Scheme option is expected to be durable and yield better performance over time, the partnership options are anticipated to be less durable, with benefits eroding over time, perhaps entirely within a ten year timeframe. None the less, the appraisal of all options has been treated in the same way, with no erosion or increase in benefit over the 30 year appraisal period. This means that the benefits set out in this Economic Case may well overstate the benefits that would come from a partnership over the full 30 year period. This appraisal assumption will put the Franchising Scheme option at a disadvantage in comparison with partnership because whereas there is no industry precedent for a durable operator partnership that has lasted more than ten years and delivered significant passenger benefits over that time, there is considerable precedent in the UK and overseas for durable franchising systems that have delivered strategic outcomes, radical and quantifiable step change improvements in service provision for passengers and good VfM over periods in excess of 30 years (for example TfL in London UK where the first franchised buses began running in the 1980's). For the various reasons mentioned above, it is considered a necessary but conservative assumption for the purpose of this economic appraisal.

13.1.6 The interventions, as detailed in section 5 of the *Economic Case Supporting Paper* (TfGM, 2019a) are:

i. *Network improvements:* cost neutral changes to the network (where cost neutral means that the net impact of changes to operating costs and revenues as a result of the network revisions is neutral) that aim to redistribute resource to improve the network for passengers and help to achieve the GMCA's objectives.

ii. *Fares and ticketing improvements:* the introduction of a revised fares and ticketing structure; and different pricing and rates of change for prices compared to the Reference Case.

iii. *Interoperability ticket improvements:* reflects the ability of passengers to use their period tickets on any bus stopping on their route and across the Greater Manchester bus network.

iv. *Soft factors improvements:* measures that centre on informing people about available public transport services and providing a more desirable travel experience. They affect the awareness, accessibility and acceptability of bus services, for example in terms of customer service, passenger information, journey quality, adherence to KPI standards where applicable and the overall journey experience, including passenger safety and security.

13.1.7 In terms of timing, for the purpose of the schemes modelling and appraisal:

i. The Franchising Scheme option is assumed to start in the 2021/22 financial year, with three tranches of procurement taking place over three calendar years. Network changes would be phased in over the first five years of each tranche.

ii. The partnership options are assumed to also start in FY 2021/22 with network changes implemented over approximately three years. This reflects the need to undertake network reviews and agree details with operators and other consultees.

13.2 The Franchising Scheme Option

13.2.1 This section describes the approach taken to the economic appraisal of the Franchising Scheme option described in Sections 8.4 and 8.6 of the Strategic Case. The demand and revenue drivers relating to exogenous and competing modes assumptions are the same as the Reference Case assumptions. The endogenous factors differ between the schemes based on the interventions detailed in Section 5 of the *Economic Case Supporting Paper* (TfGM, 2019a) and summarised in this section.

Network design

13.2.2 A detailed review of the Greater Manchester network was undertaken. The network was reviewed in the context of service planning guidelines to provide an understanding of the strengths and weaknesses of the network. Building on the analysis of the network presented in the Strategic Case at Section 6.3, the findings of the review were used to identify a potential network improvement scenario comprising multiple detailed changes to service that reallocated resource to yield greater passenger benefits. This exercise resulted in a set of changes that were forecast to be net cost neutral and which were assessed for impacts on passenger benefits using the GM Public Transport Model (GMPTM). The areas for improvement included:

i. strengthening daytime frequencies, particularly on key radial and inter-urban services;

ii. improving the coordination of services on shared corridors, including the removal of service variants;

iii. enhanced evening and Sunday frequencies on core route types, including the removal of variants; and

iv. re-routeing services within corridors to redistribute resources to improve efficiency.

13.2.3 More recently during the autumn of 2018, a further detailed review of the potential to reshape the network has been undertaken. The conclusion of that review is that the scope for recasting the network is now less than previously expected due to cuts made by operators, and there is potential for this to be further reduced by the time the Franchising Scheme would be introduced. There will however always be potential improvement in moving from a set of networks planned by individual operators to a comprehensively planned network. The scaling represents a very conservative view of the available improvement over the appraisal period.

Fares, ticketing and interoperability

13.2.4 The Franchising Scheme option would mean that with the exception of discount tickets, all tickets sold could be used on all services, dramatically reducing the number of products on the market and making them easier to understand, promote and use. These changes would allow more passengers to use their ticket on any bus, creating interoperability benefits. For example, where more than one company currently serves the same road, passengers may currently be tied to the use of buses from either company A or company B. In future, the tickets sold and the service operated will allow the passenger to always get the first bus that comes, reducing wait time at bus stops. Such interoperability benefits will also be apparent for passengers whose journey requires an interchange, and for whom the existing services that they need to use are operated by different bus companies.

13.2.5 For the purposes of appraisal, the fare levels of the whole network tickets for the Franchising Scheme option have been designed to simplify period fares whilst ensuring that the majority of passengers do not experience an increase in fare, relative to the Reference Case, and ensuring that the scheme is financially sustainable. Fares have been set equivalent to the lowest of either the Stagecoach or First own ticket prices at the time of modelling to maintain fares equivalence with those operators that provide a significant GM network of services. The rate of increase in the fares is assumed to be the same as in the Reference Case as the underlying factors behind such changes would not be different.

13.2.6 For the Franchising Scheme option and for the purpose of appraisal of the scheme, it is assumed that operator-own discount products (for example, Magic Bus products) are retained. Over time, it is expected that the discount schemes would be refined to increase passenger benefits and therefore this appraisal assumption is considered appropriate and conservative.

13.2.7 In relation to single fares, it is assumed for the purpose of appraisal that average fares do not change under the Franchising Scheme option.

13.2.8 This package of fares ensures that under the Franchising Scheme option almost all passengers experience either a reduction in fare or no change in fare compared with the reference case. The wider restructuring of public transport fares and ticketing within Greater Manchester, with possible flat, zonal or distance-based charging, is not part of the proposed options specification in this Assessment. However, it could add additional economic value if revised fares structures could be introduced at a later date, subject to public consultation, policy decisions, availability of additional data and insight to enable effective decision-making, and funding availability if required.

‘Soft’ factors

13.2.9 The “soft” factors terminology is used to describe those general attributes of quality not specifically related to the speed, network, fares or reliability of the bus service. Soft factors are those general quality attributes such as clear identity, information, journey experience, customer service experienced on the journey, and safety and security. In addition to industry standard valuations published by the DfT in September 2009 (“The Role of Soft Measures in Influencing Patronage Growth and Modal Split in the Bus Market in England”) new research was carried out in 2017 with existing bus passengers in Greater Manchester to understand how they value improvements in these measures. Research from this 2017 GM study on the value of proposed attributes has been combined with insights from the earlier DfT report to help appraise a small subset of quality improvements that are a component of the option specification. Improvements in the following areas have been appraised;

i. drivers’ training;

ii. free Wi-Fi;

iii. more ticket inspectors on buses;

iv. more customer service staff;

v. additional resources to monitor and manage bus network performance

vi. branding (reflecting the value of a unified single “bus” product and associated “brand” for GM)

13.2.10 All the above features are specified and therefore appraised for the Franchising Scheme option. Driver training and the accelerated roll out of Wi-Fi are specified and therefore appraised for both the partnership options.

13.3 The Partnership Options

13.3.1 This section describes how the two partnership options have been appraised. The first option reflects the outcome of operator negotiations over the period autumn 2017 to spring 2019. This resulted in a ‘Consolidated Proposal’ being put forward by operators under the remit of the ‘OneBus’ organisation that represents various participating bus operators in Greater Manchester , and also further documents and brochures resulting. Discussions with operators also included drafting a draft Voluntary Partnership Agreement. This option is named the 'Operator Proposed' Partnership option. The second option is named the 'Ambitious' Partnership option and reflects a more extensive specification for the partnership option. The nature of the discussions between TfGM and operators highlights a number of issues around the setting of service levels that mean it is unlikely that operators would ever be able to agree to deliver the full set of changes proposed in the Franchising Scheme option. In part, this is because they may not be legally able to do so and because they said they will not go down the more ambitious EP route. In summary, there is a range of possible partnership outcomes that could be reached depending upon operators' appetite to partner and the legal framework operators would like to work with, and the ability to do so within the constraints of, in particular, competition law, but in all circumstances, the range of action and intervention is less than is the case under a franchise option. How the discussions and documentation have been used to define the option that is tested here is set out in detail in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h).

13.3.2 The following sections summarise the specification of each partnership option.

Network design

13.3.3 For the Operator Proposed Partnership option, there are significant obstacles to delivering the type of changes that would create passenger benefit. As such, no network changes have been appraised within the Operator Proposed Partnership option. For the Ambitious Partnership option, a set of changes has been assumed that is reflective of the subset of franchise changes that are legally deliverable under a partnership arrangement. As with the franchise option, a detailed service specification of the possible changes was defined in 2015/16 and was modelled using the same tools as the Franchising Scheme option network changes. More recently, a further detailed review of the potential to reshape the network has been undertaken and the conclusion of that review is that the scope for recasting the network as envisaged in 2015/16 is now less than previously expected. The results of this review have been used to scale the results of the 2015/16 analysis.

Fares and ticketing

13.3.4 Under both partnership options, the same fares interventions are specified. There are no changes to operator own fares but System One fares are assumed frozen for two years. Of note, operators have indicated that this could happen but that it is subject to the outcomes of a 'review' and future confirmation by operators. Unlike the Franchising Scheme option, there is no change in the validity of any of the tickets – operator-own tickets continue to be valid only on buses run by the right operator, and System One tickets continue to be valid on all buses. All other fares assumptions remain as specified within the Reference Case.

Interoperability

13.3.5 As set out in the Strategic Case, operators retain the farebox revenue (and risk/reward associated with that farebox) and therefore there remains a general incentive under partnership to differentiate operator-own fares from an interoperable fare (for example, a System One product). Each operator has an incentive to maximise their own farebox, and therefore act to retain passengers and reduce the potential for incursion by competing operators. However, evidence from bus partnerships elsewhere in the UK has shown that it is possible to a limited extent to create shared ticketing between a number of operators under Qualifying Agreements. While this does not give passengers with operator-own tickets the benefit of access to the whole network of competitor services, it would allow passengers to take any bus on a defined number of shared corridors where all operators were subject to a Qualifying Agreement and therefore gain interoperability benefit.

13.3.6 For the Ambitious Partnership option, two corridors (Manchester to Middleton on the Rochdale Road corridor and Manchester to Little Hulton/Logistics North on the A6 Salford Crescent corridor) meet the following criteria and are therefore deemed suitable candidates for the introduction of Qualifying Agreements that would deliver "within corridor" interoperability benefits for passengers:

i. corridors with services being provided by more than one operator on a commercial basis;

ii. the services concerned operating along a lengthy common section (defined as in excess of 4km); and

iii. a combined high frequency service – i.e., minimum six buses per hour, daytime service.

13.3.7 In the Operator Proposed Partnership option, operators do not set out any plans for interoperable tickets on shared corridors. They have indicated verbally that while interoperability could be undertaken in principle, none of the corridors in Greater Manchester satisfies the conditions they would seek, which includes a stipulation that market share should be approximately equal between operators that run competing services.

Soft factors

13.3.8 Both partnership options are specified to include the costs and benefits of better driver training and of free on-bus Wi-Fi becoming more extensive as set out in the *Economic Case Supporting Paper* (TfGM, 2019a).

13.3.9 The benefit from more 'on-bus' inspectors, branding, customer service improvements or quality improvements associated with an enhanced Contract Management regime assumed in the Franchising Scheme option are not included for the partnership options. This is because no substantive or costed proposals have emerged from the operator negotiations and no other realistic pathway to benefits realisation in these areas has been identified.

Partnership governance and sustainability

13.3.10 Operators have indicted a number of different timescales to implement changes under a partnership, between 18 months and three years. Some of these (e.g. on-bus technology changes) are indicative timescales and would be dependent on individual operators' plans. The benefits of the partnership options have been appraised over the same 30 year appraisal period as has been used for the franchise option. However, whereas the appraisal period for the franchise option is a reasonable estimate based on the longevity of similar market structures (for example, TfL), and while it is reasonable and normal to use the same appraisal period for alternative options in the context of economic appraisal, it is none the less also true that partnership options are far less likely to be sustained over 30 years. The use of the same appraisal period for the Franchising Scheme option is therefore considered a conservative appraisal assumption and is likely to show the partnership option to perform more strongly than would actually be the case. The nature of governance arrangements will affect how long lasting the partnership and its benefits will be, but as an arrangement between operators in a private market with different and competing objectives there will always be tensions that will mean arrangements are unlikely to last in the long-term. Following the passing of the 2017 Act (and therefore the amendment of the 2000 Act), an EPS would offer the strongest potential governance arrangements for a partnership. However, operators have indicated that they do not wish to use an EPS. The appraisal may well therefore overstate the benefits of a partnership by continuing the benefits for the 30 year period.

13.3.11 The actions taken by operators where partnership arrangements have been put in place, support the view that sustainability of a partnership over 30 years is very optimistic and there is no precedent for any UK Bus Industry partnership lasting that long. A decline in benefit is therefore a likely outcome following the initial years of the partnership. Provisions of the Greater Manchester VPA from 2008 have lapsed – for instance commitments on the simplification of tickets. The more ambitious the arrangements that are put in place, the higher the likelihood that some sort of decay would in fact occur, as operators are unable or do not wish to continue some of those arrangements.

13.3.12 The operators' proposed on governance are not currently fully developed, but they have indicated that they see a partnership as potentially governed through a governance board similar to GMTL, where operators, TfGM, GMCA and the Mayor's office are party to a VPA and represented on a Strategic Board and Delivery Board. The operator group have expressed a strong preference not to enter into an Enhanced Partnership Scheme. The VPA would have the effect of weaker governance and less certainty than could be possible under a more robust and complete Enhanced Partnership Scheme, further calling into question the validity of a 30 year appraisal period. The risk of the benefits of partnership decaying over time as the partnership agreements lapse is a material consideration when reviewing and interpreting the results of this appraisal and should be borne in mind during decision-making.

14 Appraisal Methodology

14.1 Introduction

14.1.1 The appraisal framework (as detailed in the *Economic Case Supporting Paper* (TfGM, 2019a)) is focused on modelling behavioural change associated with the proposed interventions to produce demand and revenue forecasts and then appraising the socio-economic benefits of the behavioural change to understand economic value. The forecasts are also used to inform the farebox revenue forecasts in the Financial Case of the Assessment. The forecasting work has five stages:

i. *Stage 1 – Establish a base year model:* the process of building a base year position that can be used as a starting point to make forecasts;

ii. *Stage 2 – Establish a reference Case forecast of bus demand and revenue:* determining a Reference Case for what would happen to demand over time if no 'do something' options were to be taken forward;

iii. *Stage 3 – Establish the impacts of the 'do something' options to create forecasts of bus demand and revenue:* determining how demand and revenue would vary from the Reference Case under alternate 'do something' options, and the appraisal of those forecast behavioural changes into economic impacts; and

iv. Stage 4 – Appraise the Wider Economic Impacts.

14.1.2 The appraisal identifies the impacts to key groups; namely, passengers, TfGM (including the GMCA), wider society and bus operators.

14.2 Modelling Methodology

14.2.1 The objective of the methodology is to allow the effects of the different specified scheme interventions to be forecast in terms of bus demand and revenue. The framework, as detailed in Section 2 of the *Economic Case Supporting Paper* (TfGM, 2019a) and summarised in Figure 3, consists of the following models:

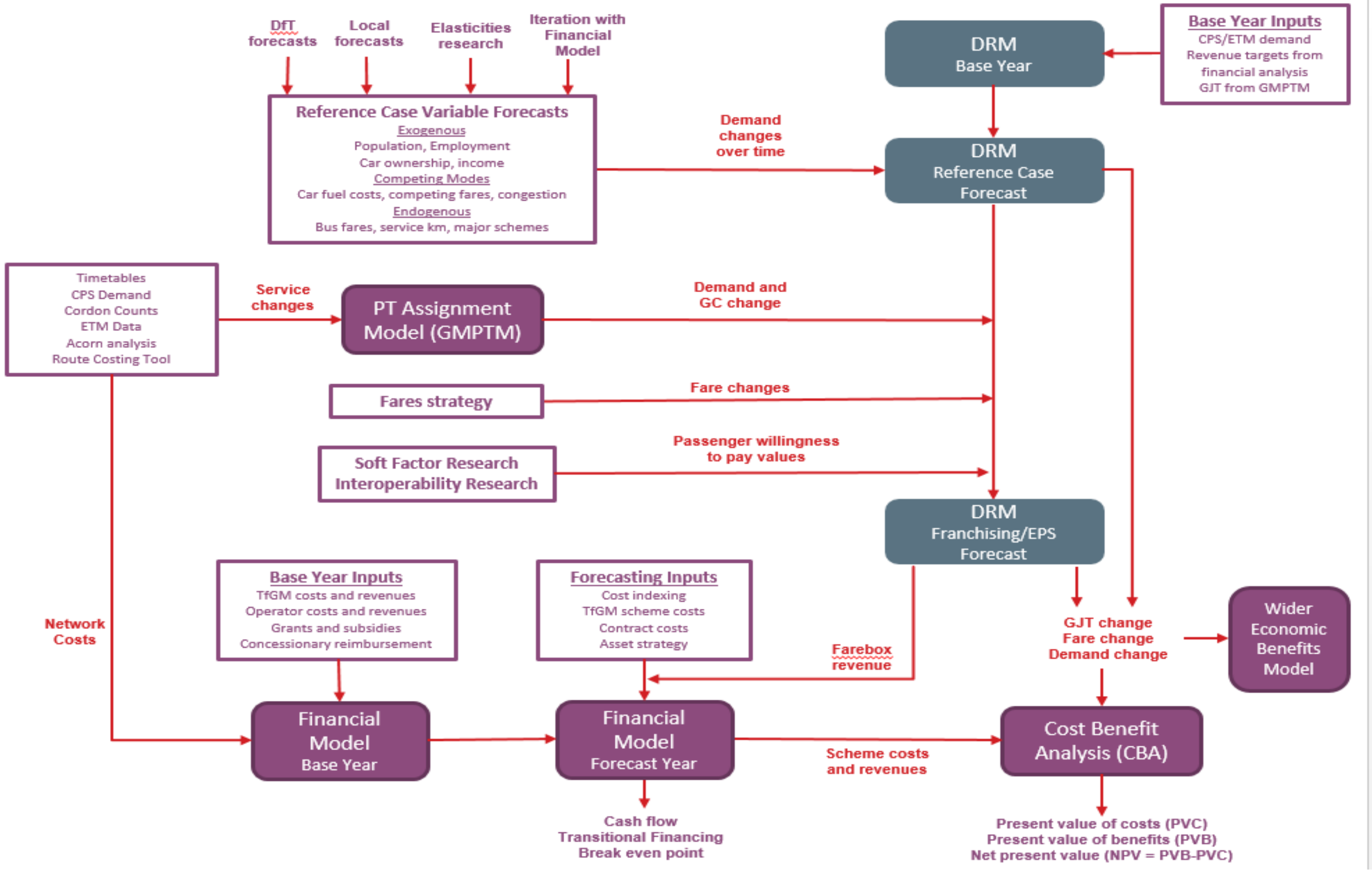
i. The Greater Manchester Public Transport Model (GMPTM): This is a network model that has been used to assess proposed changes to the network design under the different options and the effects of interoperable tickets. The work is based on ten areas covering the whole of Greater Manchester, looking at small scale improvements to the network in terms of coverage and service (routeing, frequency, and operating hours).

ii. Fares and ticketing elasticity model: This model functionality is embedded within the Demand and Revenue Model (DRM) and assesses changes in both fare levels and structures.

iii. Soft factors impacts model: This model is also embedded within the DRM and is based on willingness to pay research that establishes a relationship between improving soft factors and forecasts of demand impact, revenue impact and economic value.

14.2.2 Output from the network model feeds into the demand and revenue model (DRM). The DRM integrates this information to generate forecasts of bus demand and revenue, and to appraise changes to Generalised Journey Cost (GJC) over a 30-year forecasting horizon for each option. The DRM then provides inputs to the Cost Benefit Analysis Model (CBA) and the Financial Model (described in the Financial Case).

Figure 3: Modelling and Appraisal Framework



Source: Economic Case Supporting Paper (TfGM, 2019a).

14.3 Benefits Analysis

14.3.1 As outlined in the *Economic Case Supporting Paper* (TfGM, 2019a), a range of benefits have been appraised to determine the overall value for money of each option

14.3.2 The monetised benefits expected to accrue from the scheme interventions are categorised below. These benefits have been assessed using the modelling framework, with final aggregated impacts feeding into the economic and financial models:

i. *time savings:* Generalised Journey Times (GJT) change for a trip – covering wait time and on-bus time from changes to network coverage and frequency, changes from wider choice of service though simpler ticketing covering all operators, and a more efficient network providing better use of fleet with more services provided;

ii. *journey experience:* monetised values from the value customers place upon factors including the availability of Wi-Fi, the customer care received from the driver and the security benefit of higher ticket inspector staff presence on the system. In addition, it is expected that the resources deployed to manage a performance regime that is focussed on quality, and that is simpler to use would generate benefit, as would clearer unified branding of services;

iii. *user charges:* covering the impact of changes to fares paid by users, and reflecting the ticket choices and fares paid under different options;

iv. *decongestion:* from mode shift from car to bus resulting in reduced flow on the highway and lower levels of congestion and delay; and

v. *externalities:* other effects of mode shift from car to bus resulting in reduced traffic flow on the highway, and improved level of air quality, noise and fewer highway accidents.

14.3.3 Additional, wider benefits of the schemes include the following, providing a range of monetised, quantified and qualified outcomes:

i. *Wider economic impacts (WEIs):* the impacts to the economy not captured through monetised benefits described above. These impacts reflect the impact on the economic productivity of Greater Manchester and the impact that the bus network could have under alternative market reform options. Further details are described in Section 19.2.

ii. *Social distributional impacts:* social impacts as a result of improved connectivity to key services including jobs, health, education and leisure, plus affordability of service and safety of travel, described in Section 18.

iii. *Environmental impacts:* emissions, noise and other impacts due to transport infrastructure and fleet changes, described in Section 19.4.

14.3.4 Those benefits that can be monetised are assessed in the CBA. This is done by assessing the benefits (including any dis-benefit) and costs of each and taking the net difference as the key monetised measure, reported as the NPV of an option. This appraisal is presented in Section 15.

14.3.5 The benefits and dis-benefits considered in the modelling and appraisal of the scheme applicable to different parts of society are summarised below:

i. *Passengers:* travel time savings, fare changes, journey experience improvements, service accessibility and integration benefits, access to key services including jobs, health and education. These factors all provide social benefits to existing and new users, covering market segments of adults, children, concessionary travel, and commuting, business and leisure travel.

ii. *The GMCA and TfGM:* planning and providing a public transport network to address the policy aspirations of the *Transport Strategy 2040*, including enhanced access to jobs, more equitable fares and air quality improvements; and the mode targets for bus (and public transport) to achieve the desired levels of economic growth for Greater Manchester, improving productivity and encouraging investment in key centres.

iii. *Operators:* changes in costs and revenues from moving from a deregulated market to a franchised market and the changes that the different partnership options would put in place.

iv. *Wider society:* decongestion and externality benefits (for example, improved air quality or reduction in accidents) to residents (and commuters) and business across Greater Manchester; and a transport network that will attract investment, so enabling the economic growth to support additional higher quality jobs.

14.3.6 While a 60-year appraisal timeframe is common when developing the business case for major transport interventions that can be expected to be durable over time such as Bus Franchising, it would not be normal practice to apply such a long appraisal period for a bus industry Partnership scheme, where there is no evidence or precedent of schemes lasting over 10 years. To ensure fair appraisal treatment of all options, a 30-year appraisal period has been selected, but a sensitivity test has been undertaken to assess the impact of moving to a 60 year appraisal period. This appraisal assumption will disadvantage the Franchising Scheme option when comparing economic performance between the franchising option and the partnership options, because it does not show in monetised terms the difference in the likely duration of the interventions.

14.4 Demand and Revenue Forecasting

14.4.1 As noted in Section 14.1, there are four broad stages of work involved in modelling the demand for bus. The first stage of the modelling framework, the 'backcasting analysis', has enabled identification, definition and calibration of the factors that influence demand for bus. These factors are not dependent on any particular 'do something' option. The second stage of the modelling framework is to create a base year, which includes a set of inputs that will be used to create a baseline from which future year forecasts will be generated. Creation of the baseline position enables the 'Reference Case' to be determined which is the third stage of modelling. The Reference Case is a forecast of future year Do Minimum demand. The fourth stage of the modelling framework includes the modelling of 'do something' options. When compared to the Reference Case forecasts, the impacts of the 'do something' options can be identified.

14.4.2 The factors (or explanatory variables) that influence future year "Reference Case" demand for travel and revenue (the dependent variables) are grouped as follows;

i. Variables that explain how demand for bus is influenced by the macro-economic considerations; forecast changes in population, employment, incomes and car ownership are used to explain how the macro-economic context in future years will affect the demand for travel by bus in Greater Manchester;

ii. Variables that explain how the demand for bus is influenced by its ability to compete with alternative modes of travel. This includes the expected changes to Metrolink fares, car operating costs and car journey times/congestion which are all used to explain how the performance of competing modes will affect the demand for bus in the future.

iii. Variables that explain how expected actions taken by the bus industry will impact demand, expected changes to bus fares and to operated km are used to assess industry actions on bus demand. For the purpose of forecasting the Reference Case, the bus industry is considered as a homogenous entity that will act over the long-term in a rationale way to simultaneously balance and optimise financial returns and consumer surplus. Assumptions about entry into (or exit from) the market by individual operators is therefore not required to establish the Reference Case forecast.

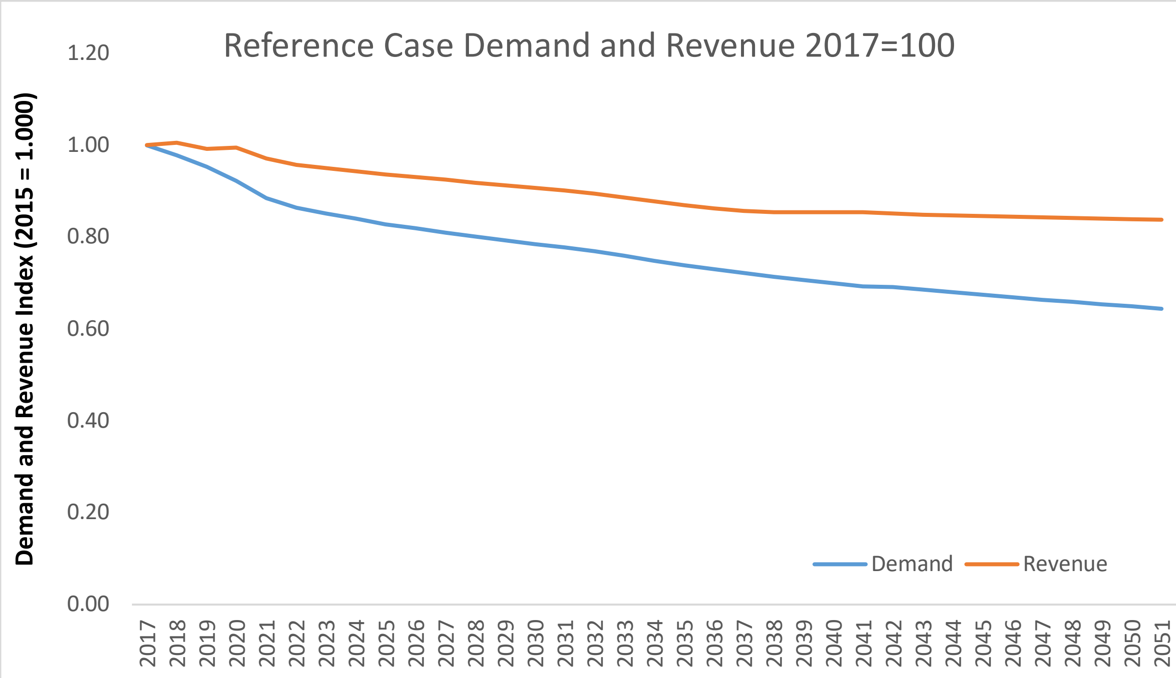
iv. Variables that reflect "one-off' major schemes and the forecast impact of these schemes on the demand for bus, the opening of the Trafford Park Line Metrolink extension and the purchase of additional Metrolink vehicles are the only two such major schemes that have committed funding and which are therefore considered.

14.4.3 A full description of the elasticities that have been used to describe the relationship between the explanatory and dependent variables, and the process by which the Reference Case has been modelled can be found in the *Economic Case Supporting Paper* (TfGM, 2019a).

14.4.4 Chart 13 shows that by 2040, demand reduces to 140 million from 200 million in 2017, a net decrease of 60 million boarding's or 30% (an average decline of 1.5% p.a.). There will be an accompanying real farebox revenue decrease from £175 million to £150 million over the same period, a decrease of £25 million or 14.6%.

14.4.5 An above average fall in demand in 2021 reflects the expected opening of the Trafford Park Metrolink line in 2020.

Chart 13: Reference Case – Annual Demand and Revenue Forecasts



14.4.6 The forecast impact of each of the explanatory variables on the annual bus industry demand and revenue from 2017 to 2040 are shown in Chart 14 and Chart 15. For the demand forecasts, population and employment growth account for a significant amount of growth in demand (+12.1% and +1.8% respectively), which is largely offset by the effects of increased affluence in terms of increased income and car ownership (-4.7% and -10.9% respectively). The majority of the demand and revenue loss is caused by the effects of service cuts and above RPI fares increases that the operators can be expected to make in response to diminishing demand (-11.1% and -16.1% respectively) while the remaining impacts are caused by changes in the relative competitiveness of bus. Unlike Chart 13, which shows the gradual change over time for the full appraisal period, these charts show the cumulative impact of each individual demand driver between the model base year (2016/17) to a future year of 2039/40.

Chart 14: Reference Case – Relative Impact of Demand Drivers on Demand Forecasts

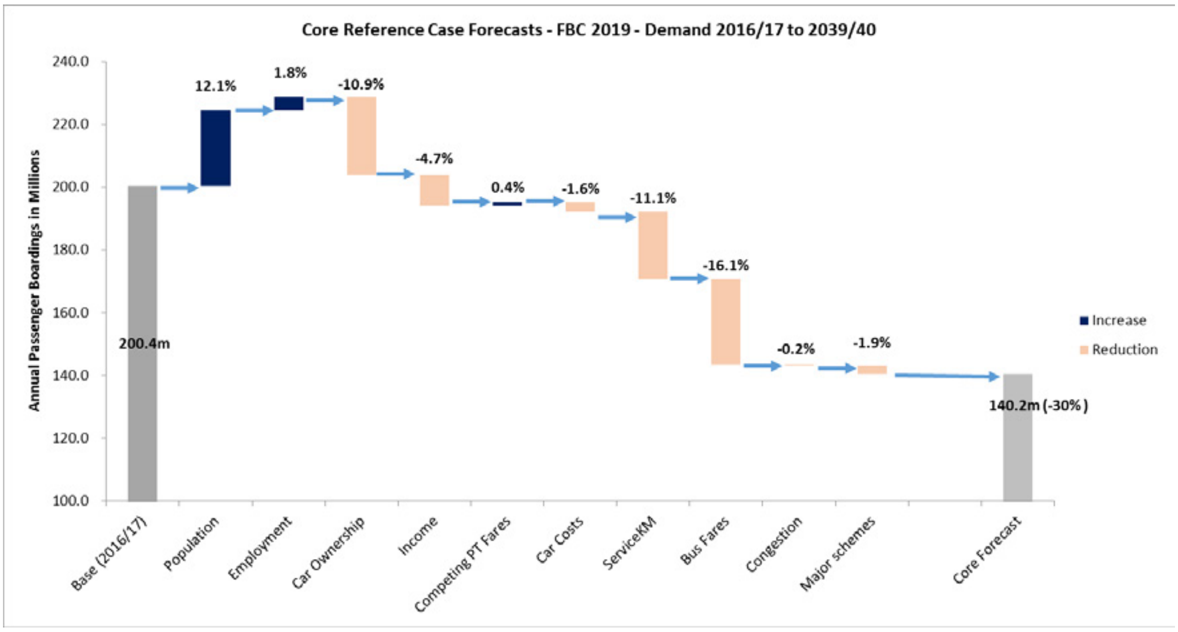
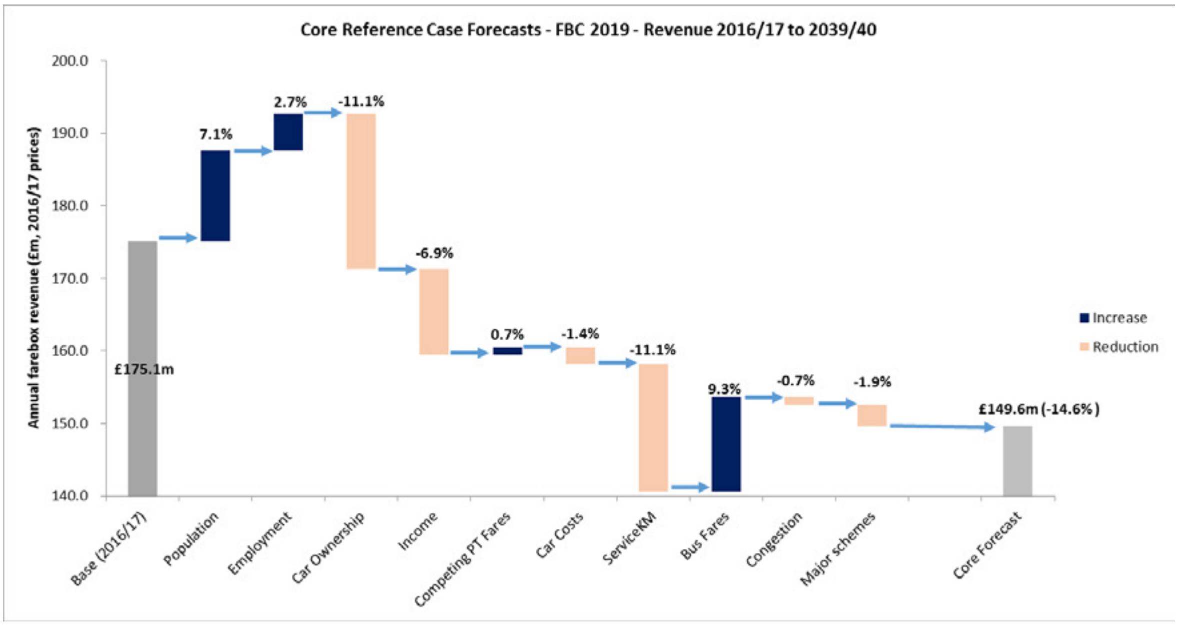


Chart 15: Reference Case – Relative Impact of Demand Drivers on Revenue Forecasts



14.5 Annual Demand Forecasts for Franchising Scheme and Partnership Options

14.5.1 Analysis of future year demand forecasts against the Reference Case in 2016/17 has been undertaken. This analysis reviews changes in demand over time for the Reference Case and for each of the market reform options tested.

14.5.2 In summary, the size of the bus market is expected to contract significantly. The rate of contraction is slightly less under the partnership options, when compared with the Reference Case, and less under the Franchising Scheme option when compared with the partnership options. The speed at which the market contracts under different options is quantified in Table 6 which shows how the average annual demand for travel (millions of trips per annum) changes over time and by option.

Table 6: Demand Forecasts for Schemes – Franchising Scheme and Partnership Options

	REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP	FRANCHISING SCHEME
Base year 2016/17	200.4	200.4	200.4	200.4
Forecast years 1-10 average	163.7	166.0	166.6	173.0
Change in demand	-36.7	-34.4	-33.8	-27.4
Percentage change	-18.3%	-17.1%	-16.9%	-13.7%
Forecast years 11-20 average	145.9	148.4	149.1	155.9
Change in demand	-54.5	-52.0	-51.3	-44.5
Percentage change	-27.2%	-25.9%	-25.6%	-22.2%
Forecast years 21-30 average	133.7	135.9	136.5	142.4
Change in demand	-66.7	-64.5	-63.9	-58.02
Percentage change	-33.3%	-32.2%	-31.9%	-28.9%

14.5.3 Under the Franchising Scheme option, the benefits of interoperability and the unification/reduction of fares both have significant impacts, accounting for 71% of the incremental change.

14.5.4 For the partnership options, the two year fares freeze for multi-operator products represents the most significant component of the package, with 50% or more of the impacts attributable to this intervention. The specification of this intervention also assumes that fares for these products will not be increased by more than the relevant underlying annual rates in advance of the fares freeze.

Table 7: Impact of Option Interventions by Intervention Area

	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP	FRANCHISING SCHEME
Reference Case Demand – Millions of Boarding (30 Year Appraisal Period)	**4,433**	**4,433**	**4,433**
DEMAND – MILLIONS OF BOARDINGS Change due to scheme	**71**	**89**	**280**
	% OF DEMAND INCREASE	**% OF DEMAND INCREASE**	**% OF DEMAND INCREASE**
Network design	0%	11%	12%
Fare levels	63%	50%	33%
Interoperability	0%	9%	29%
Soft factors	37%	30%	26%
Total	100%	100%	100%

14.6 Option Outcomes

14.6.1 The measured outcomes for the Franchising Scheme option and partnership options against the Reference Case are reported in Table 8. The outcomes support the achievement of the strategic objectives and desired outcomes discussed in Section 7 of the Strategic Case.

14.6.2 This analysis shows that the Franchising Scheme option delivers more beneficial impacts than either partnership option, with greater increases to public transport demand and therefore more modal shift which in turn will lead to reduced congestion.

Table 8: Outcomes for the Franchising Scheme and Partnership Options

OUTCOME	OUTCOME MEASURE	FRANCHISING SCHEME	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Total Bus Patronage	Million trips p.a. (30 Year Average)	157.1	150.1	150.7
New Bus Patronage	Million trips p.a. (30 Year Average)	9.3	2.4	3.0
Change in Mode Share for Bus	Total travel mode shift (30 Year Average)	2.0%	0.5%	0.60%
Decongestion – Car km Loss on Network	Car km (million p.a.) (30 Year Average)	13.4	3.2	4.1
Journey Time Saving by Bus (£2010)	Average GJT minutes per trip (2040 Value)	-1.30	-0.37	-0.45
Benefits – Travel Time	Percentage of Passengers with a GJT reduction of more than 1 minute	67%	0%	6%
Ticket Sales Increase in Bus	2016/17 prices (£ million) (30 Year Average)	£4.4	-£0.1	£0.5

15 Economic Appraisal

15.1 Approach

15.1.1 The economic appraisal is the monetising of interventions as specified in the Strategic Case for each option. Assumptions regarding the costs and the phasing of delivery are all consistent with the detailed assessment contained in the Commercial, Management and Financial Cases. Benefits in the areas of time savings, journey quality, user charges, private sector operator impacts, decongestion and other externality impacts to society have been appraised. Costs include the incremental start-up and ongoing costs of each option to the GMCA's budget. Bus operating costs, franchise payments and farebox revenues are reflected in the economic appraisal. All costs in the economic appraisal are discounted, are quoted in 2010 prices and values and include P(mean) risk and optimism bias. As a result, these numbers will appear different to those that may be presented within the Financial Case but their source is none the less consistent.

15.1.2 The CBA framework covers the elements that are standard in the DfT's WebTAG approach:

- *Present Value of Costs (PVC):* covering incremental set-up and on-going costs to the GMCA.
- *Present Value of Benefits (PVB):* covering GJT saving, highway decongestion (from mode shift from car), user charges from fares paid by passengers, private sector provider impacts (net cost to operator of revenues accrued against contract costs) and other benefits. WEIs (net UK) are not included in the core economic appraisal.
- *Net Present Value (NPV)* for the scheme is reported. The NPV is the absolute difference of the PVB and the PVC.
- *Benefit Cost Ratio (BCR)* for the scheme is reported. The BCR is the present value of benefits (PVB) divided by the present value of costs (PVC).

15.1.3 Scheme affordability is presented in the Financial Case. The social welfare approach to appraising economic benefits that is based on a micro-economic appraisal of user benefit assumes that the improvements to the transport system as measured to the users will in many cases flow through the economy in a number of different and indirect ways; for instance to the firm whose employee is more productive as a result of the transport system improvement, to the commuter who has more free time to spend with their family, or to the landlord whose rental income is increased as a result of improved transport connections. The monetary values presented here as the balance of costs and benefits can therefore be thought of as the overall economic benefit of the proposed schemes.

15.1.4 In a perfectly competitive economy, the social welfare economic impacts based on micro-economic approaches to appraisal (those that focus on transport user impacts) would cover the totality of economic impact. It would therefore not be appropriate to include additional economic impacts based on macro-economic approaches to appraisal as such additions would be considered to be a "double count" of economic impact. However, the assumption that perfect competition exists is rarely if ever true in any market. As such, it is now common practice as described in recent updates to DfT WebTAG guidance to include some types of WEIs within the core economic appraisal. Further details of the WEI analysis undertaken for bus reform is included in subsequent sections of the Economic Case.

15.1.5 The reporting of economic impact follows the most recent national guidance as contained within the DfT WebTAG suite.

15.2 Treatment of Costs

15.2.1 The costs used in the monetised appraisal are taken from the financial model and so are consistent with other aspects of the Assessment. The list of costs considered is comprehensive and includes; land, design of facilities, preparation, management in transition, tender and concession costs, franchise payments, operating (staff, fuel, non-fuel, BSOG), grants, levies, ticket sales and other revenues. Economic valuation of all costs includes allowance for QRA and optimism bias where appropriate, and cover a 30-year lifetime of the scheme. The costs assume the purchase by the GMCA of some existing bus depots as identified by TfGM as being suitable to operate large franchises which for the purposes of the economic assessment is accounted as a transfer and therefore matched by a benefit to the operators, although in the financial modelling it is a cost for the GMCA. Interest payments are not included in the economic appraisal as set out in HM Treasury's *Green Book*.

15.2.2 The PVC includes costs to the GMCA's budget associated with scheme start-up, risk and whole life operating costs. All other economic impacts are included in the PVB. This includes private sector revenues and operating costs (including franchise package payments).

15.2.3 All cost impacts in the economic appraisal are reported in 2010 prices and values (standard appraisal requirement), so at a consistent base as the monetised scheme benefits. They are applied in the Financial Case in real terms.

15.3 Option Results

15.3.1 Table 9 sets out the monetised impacts of each option. The Franchising Scheme option and partnership options are shown against the Reference Case.

Table 9: Bus Reform Scheme Economic Results – Franchising Scheme and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME OPTION	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Time Savings	£299.1	£68.2	£85.3
Decongestion	£61.4	£14.9	£19.1
User Charges – Fares Paid	£56.0	£28.6	£28.6
Private Sector Operators	-£48.6	£5.1	£14.2
Rail Operators	-£23.5	-£6.0	-£7.3
Other Benefits	£5.9	£1.4	£1.8
Indirect Tax	-£5.7	£1.0	£0.0
Present Value of Benefits (PVB)	£344.6	£113.2	£141.7
Investment Costs	£95.4	£4.1	£4.6
TfGM Bus Operator	-£136.0	£6.7	£8.2
Metrolink Revenue Change	£27.7	£6.1	£8.1
Ongoing Costs	£123.7	£15.8	£17.8
Present Value of Costs (PVC)	£110.8	£32.7	£38.7
BCR	3.11	3.46	3.66
Net Present Value (NPV)	£233.8	£80.5	£103.0
Wider Economic Impacts	£207.9	£50.5	£78.3
Adjusted BCR	4.99	5.01	5.68
Adjusted Net Present Value	£441.7	£131.0	£181.3

15.3.2 A number of points should be noted in this table:

- Benefits to passengers are represented as either time savings or fare savings. Interoperability, network improvements and soft factors are all represented by user time savings, whilst fare changes are represented as fare savings.
- The majority of passengers experience a fare reduction under the Franchising Scheme option.
- Decongestion benefits are the benefits to highway users associated with the reduced road mileage as some new bus trips are abstracted from car to bus as a result of the Franchising Scheme option or partnership options improvements.
- The revenue changes to both the GMCA and private operators are due to changes in operating costs (under both partnership and Franchising Scheme options, the network interventions are assumed to be operating cost neutral), increases in revenue due to additional patronage, and, for the Franchising Scheme option only, the potential sale of some of the depots from operators to the GMCA which is consistent with TfGM's preferred approach

to depots and would result in a revenue benefit to operators. This is also represented as a cost to the GMCA in the scheme costs (part of the "Present Value of Costs").

- There are other public transport revenue impacts to rail and Metrolink, and these represent the reduction in revenues due to abstraction to bus.
- The "other" benefits category represents additional benefits to non-users including accident reduction due to the reduction in vehicle kilometres travelled (vkt), and also emissions, pollution and noise reductions associated with reduced highway kilometres (vkt).
- The "Indirect Tax" impacts represent the reduction in tax revenue due to the increase in bus trips, some of which were formerly made by car and taxi. This reduction in car mileage, and hence fuel tax paid, is captured in this impact as per standard WebTAG guidance.
- All of the categories of benefits and method of calculation are standard in transport appraisal and are taken from the DfT's Transport Analysis Guidance (TAG).

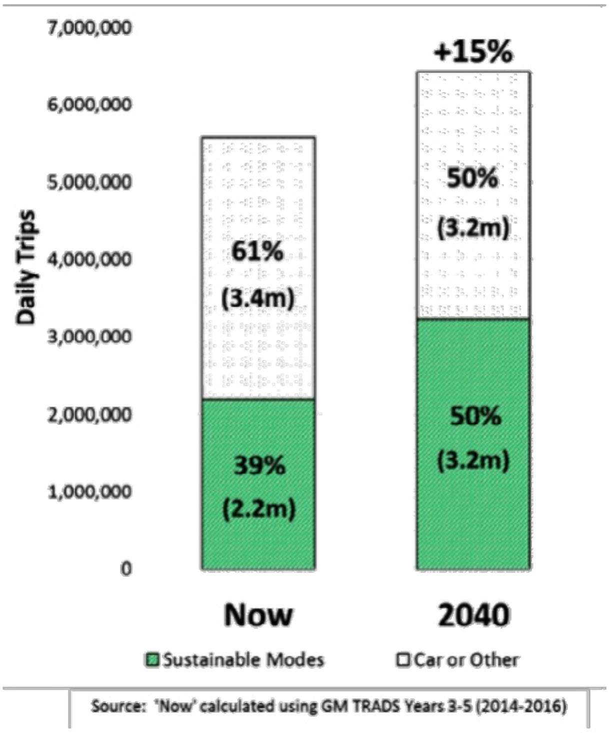
15.3.3 The total benefits and the Net Present Value of the Franchising Scheme option are significantly higher than those of the partnership options, with total economic benefit (a value metric that excludes costs to the GMCA – the PVB) approximately three times greater for the franchising option and total economic impact (a value metric including costs – the NPV) also approximately three times greater for the franchising option. The BCRs suggests high value per pound spent for all options.

15.3.4 The economic appraisal shows that the Franchising Scheme option delivers more beneficial impacts than either partnership option, with greater increases to public transport demand and a greater contribution towards GM strategic objectives and vision.

15.4 Economic Value of Further Investment in the Bus System

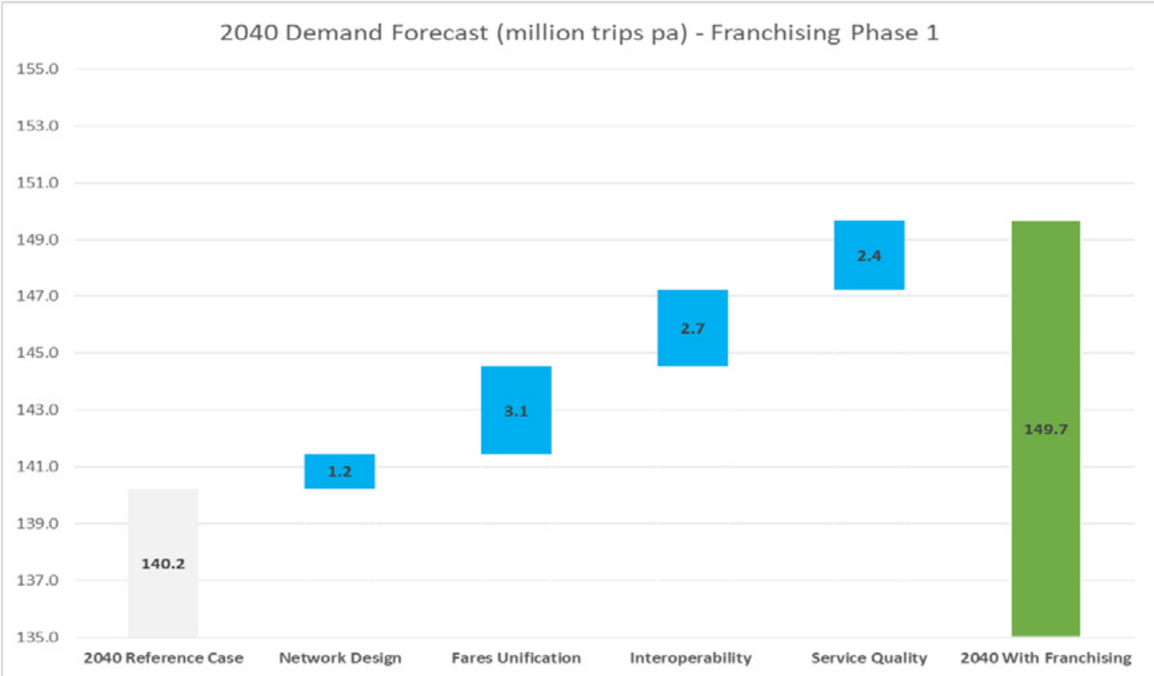
15.4.1 The *Transport Strategy 2040* envisages a move towards the use of more sustainable modes of travel and the Right Mix (referred to in the Strategic Case) has set modal targets for the year 2040. These have been published in the *Draft Delivery Plan* dated 4 January 2019 (reissue 1) (TfGM, 2019o). The following chart is reproduced from this draft policy document and summarises the switch from the existing public transport, walk and cycle mode split of 39% today to 50% by 2040.

Chart 16: GM Transport Strategy Right Mix Targets



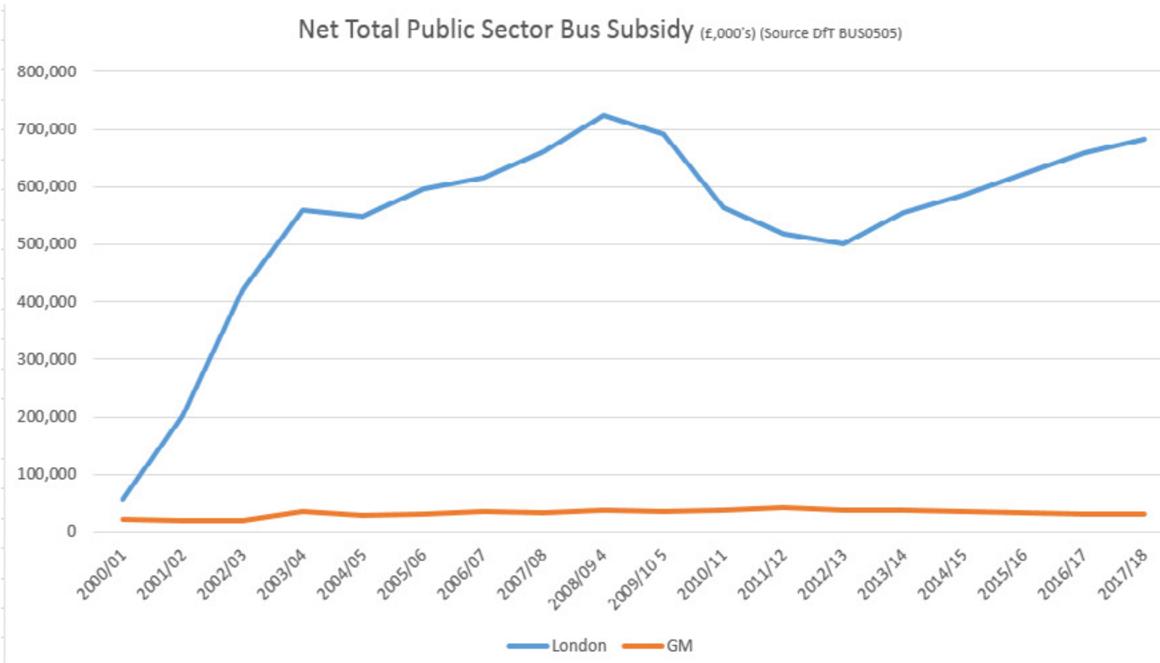
15.4.2 The Franchising Scheme option creates a substantial increase in bus patronage and is very supportive of achieving the Right Mix vision. The forecast impacts in year 2040 are described in Chart 17.

Chart 17: Forecast Increase Demand in 2040 Due to the Franchising Option



15.4.3 However, further patronage increases will be necessary to fully achieve the Right Mix modal split. For all of the options, further improvement would be sought without the investment of further funds. There is more scope to do this with franchising as there would be more potential to develop in areas such as the integrated network and integrated fares propositions and these could be better achieved if additional funding were to be made available. Chart 18 describes the level of bus industry subsidy in GM compared with London since the year 2000 as set out in the DfT bus industry data series "BUS0505" (this excludes concessionary reimbursement).

Chart 18: Bus Industry Subsidy since 2000 in GM and London



Source: *BUS0505: Estimated net support paid by central and local government (at current prices) for local bus services: England by local authority.* (DfT, 2019)

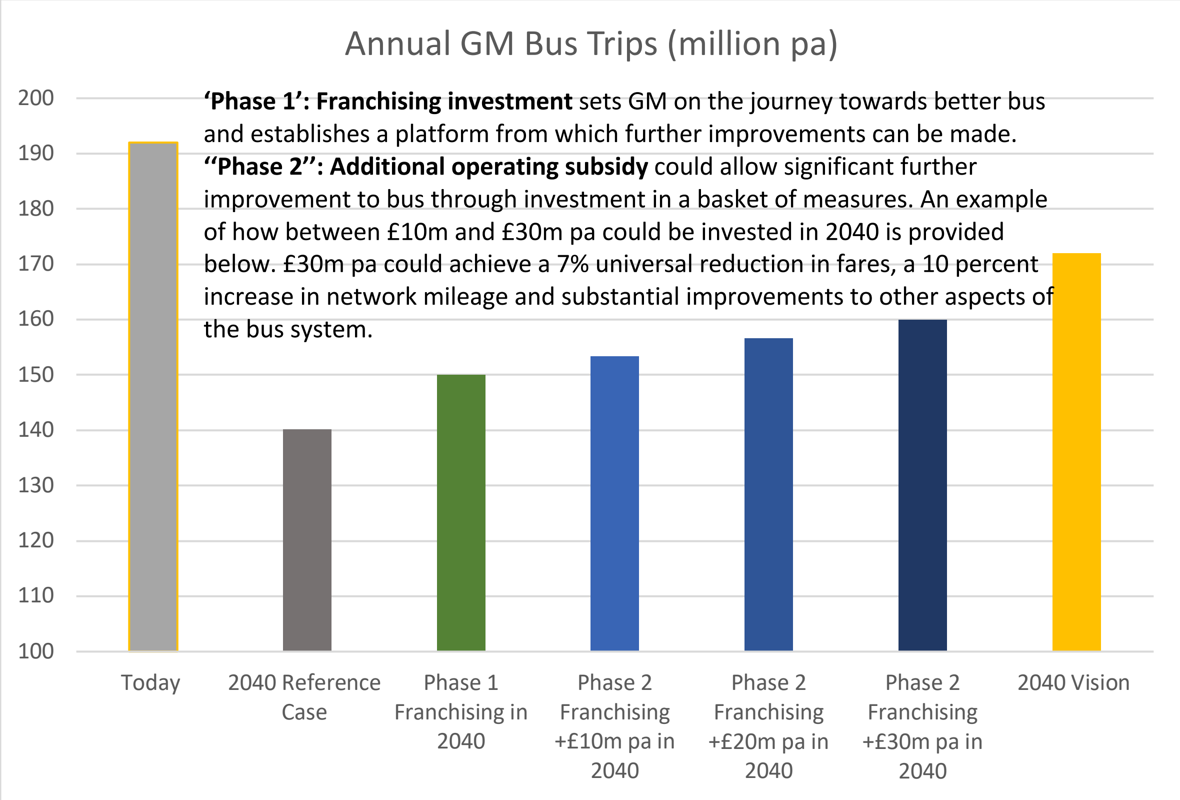
15.4.4 The *Transport Strategy 2040* and subsequent further detail published in the *Draft Delivery Plan* envisages significant improvements to bus service across GM. It is expected that a step change in quality will require a step change in operating funding (subsidy) to create the type of better quality bus system GM requires to achieve its strategic objectives.

15.4.5 For the purpose of simplicity of terminology, the interventions envisaged in the three bus reform options within this assessment are collectively referred to as 'Phase 1' interventions. As set out in the Strategic Case, the additional interventions that might be pursued using additional funding to further improve the bus system after 'Phase 1' are collectively referred to as 'Phase 2' interventions.

15.4.6 'Phase 2' interventions are similar to those in 'Phase 1' and would support the achievement of the same strategic objectives. They will help to make the system more affordable to use, easier to use and of a generally of better quality.

15.4.7 Chart 19 describes how additional investment in bus might generate additional patronage and contrasts those forecasts with the Right Mix *Transport Strategy 2040* target.

Chart 19: Patronage in 2040 under Alternative Funding Scenarios



15.4.8 While additional funding could be channelled into the bus system under any market structure, the franchising option represents the most credible platform upon which to increase funding levels. The table below reflects the analysis set out in the Strategic Case at Section 8.7 and 8.8.

Chart 20: Investment in Bus under Alternative Market Structures

Intervention Group	Intervention Details	Deliverability		
		Deregulation	EP/VP	Franchise
Network expansion	Additional links; routes or frequencies: currently limited under 1968 Act to where the commercial service doesn't run.	Mostly not possible	Mostly not possible	Deliverable
Fares	Phase 2 could include fare reductions across the board or freezes and greater integration across modes.	Mostly not possible	Mostly not possible	Deliverable
Quality of Service Provision	Operating resource to improve reliability (scheduled, standby, engineering).	Mostly not possible	Mostly not possible	Deliverable
	Investment in bus priority and wider infrastructure.	Possible but poorer vfm	Possible but poorer vfm	Deliverable
	Enforcement and monitoring measures: parking and bus lanes, roadworks.	Deliverable	Deliverable	Deliverable
	Fleet measures: for passengers or for environmental e.g. Euro VI or Electric.	Possible but poorer vfm	Possible but poorer vfm	Deliverable
	Information, customer service and marketing.	Possible but poorer vfm	Possible but poorer vfm	Deliverable
	Use of technology: e.g. 'mobility as a service' partnerships.	Possible but poorer vfm	Possible but poorer vfm	Deliverable
	Waiting environment: especially perception of safety.	Deliverable	Deliverable	Deliverable

15.4.9 Only TfL Buses have achieved a major step change improvement in the provision of local bus services in recent history across a large city region in England. This could not have been achieved as effectively, and possibly not at all, without the TfL approach (or similar) to investment allocation.

15.4.10 The TfL approach to investment allocation requires the following components;

i. In depth market understanding through data. Much of this data is commercially confidential and owned by the operator in a deregulated and partnership market structure.

ii. Appropriate contractual mechanism – A credible delivery mechanism for the full range of system improvements is needed. The deregulated and partnership market structures prevent some intervention types, and make others very difficult (for example due to legitimate commercial or legal considerations).

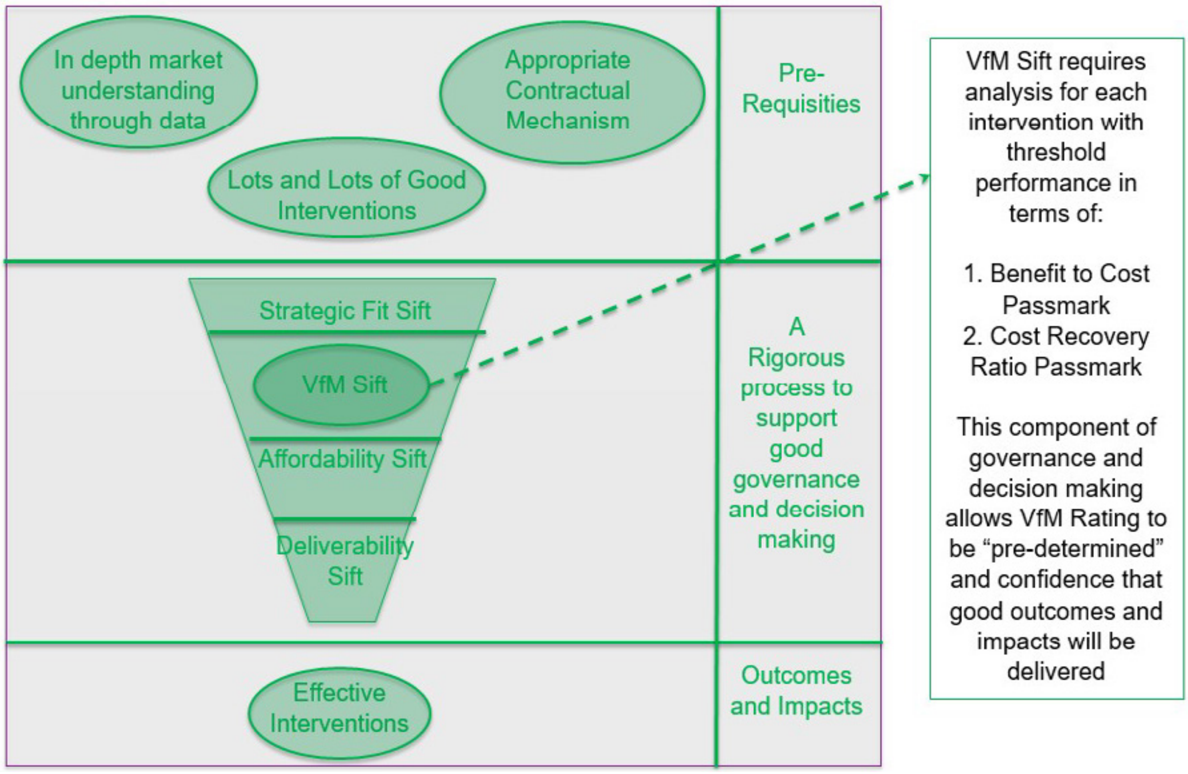
iii. Lots and lots of good interventions – In the event that the transport system operated perfectly, there would be little need to intervene. However, that is generally not considered to be the case across GM and it is expected that additional funding could be put to good use to improve the operation of the system and reduce market failures.

iv. A rigorous process to support good governance and investment decision-making - TfL have created a mature "marketplace" for good ideas and innovation through their business planning and investment allocation process. They have shown themselves to be capable of withstanding local interest and instead retain a rigid and objective focus on delivering for the greater societal good. They achieve this by applying the same rulebook to all investment decisions, and by ensuring that there is fierce internal competition for funding. Only the best investment programmes and projects can expect to be funded. Those that perform less well can expect to be culled or undergo significant revision/optimisation. The standard "5 Cases" business case lies at the heart of this framework and is essential to making the "marketplace" function effectively.

v. Effective interventions – The framework assures investment optimisation. Delivery of effective interventions (outputs) creates strategic outcomes and impacts. Delivery against strategic outcomes and impacts helps to strengthen corporate credibility and supports future efforts to draw in further investment to the industry.

15.4.11 These components are summarised in Chart 21.

Chart 21: A Summary of the TfL Approach to Investment Allocation in the London Bus Market



15.4.12 As has been the case in London, it is assumed that a similar framework can be created and that additional 'Phase 2' interventions are scalable to the amount of funding available. They can be delivered over an extended time period, and would rely on adaptive planning techniques whereby a continuous and iterative process of planning to optimise benefits is undertaken. This type of process has been successfully used by TfL to allocate substantial additional investment to transform the London bus network since 2000. It places strategic objectives at the apex of the investment decision-making framework, supported by a comprehensive and rigorous analytical framework that requires technocratic excellence and facilitates evidence based investment allocation through use of cost benefit and business case analysis. This approach ensures that political objectives are fully met while overall passenger benefit is optimised.

15.4.13 The Economic Case for further investment is founded on the notion that there is room for improvement of the bus system in GM; that those improvements can be delivered through additional investments; and that a micro-scopic focus on the economic and strategic performance of each component part of the investment package which weighs each component cost against forecast benefit and which sets a Value for Money threshold (for example, as set out in the TfL Business Case Development Manual and applied by TfL Buses) that can be used to ensure that only those investments that are economically worthwhile are progressed. In practice, that requires the setting of an economic cost to benefit ratio threshold that is enshrined within investment allocation governance – specifically, no scheme that is unable to show economic value above the threshold VfM metric can proceed. The normally used VfM metric is the cost benefit ratio and the threshold is typically set at between 1.5 and two, where user benefits should be at least 1.5 to two times the net cost.

15.5 Sensitivity Tests

15.5.1 Key sensitivity tests reported within the Financial Case have been carried through to the Economic Case. Two additional tests (ST23 and 24) that test the impact of different levels of optimism bias have also been included. These 'what-if' tests consider the impact of general uncertainties surrounding modelling forecasts and parameters. As required by the Green Book, specific uncertainties that relate to the interventions that can be quantified and managed are considered in the QRA – refer to Section 20. A qualitative explanation in relation to the rationale for the sensitivity tests is provided below:

i. Exogenous economic factors represent inherent uncertainty and are outside the control of TfGM or GMCA; in particular, sensitivities are presented on population growth, car fuel costs (ST1 – ST4). Demand projections and appraisal results are sensitive to these parameters.

ii. The Reference Case forecasts a change in demand for bus as a result of major scheme impacts from the opening of the Trafford Park Metrolink extension. Further major scheme interventions could further impact the market for bus. Sensitivity test ST5 assesses the potential abstraction impact (from bus to walk and cycle) of the uncommitted £1.5Bn Made to Move strategy.

iii. Demand and revenue forecasts are sensitive to how responsive users are to changes in fares and journey times, reflected as elasticity values – there are a range of elasticity values in existing literature, sensitivities are presented (ST6-ST9) where these parameters are varied from the central case values by ten percent.

iv. Generalised cost elasticities inform passenger responses across modes to bus network changes modelled under the three options. Sensitivities (ST10-ST11) are presented where the central case elasticity value is varied by ten percent.

v. Future fares strategy may evolve – sensitivities are presented (ST12 – ST13) where fares growth is reduced from RPI+1.4% (as modelled in the central case) to RPI+0.5% (approximately equivalent to forecast underlying operating cost growth) and RPI+1.0% to align with forecast long-term Metrolink fares growth.

vi. Research into the relationships between bus patronage and car ownership and household incomes are material factors in projecting future bus demand; the research generates a range of values and associated confidence intervals – a sensitivity (ST14) with car ownership and household income parameter values at the 95% confidence interval is presented.

vii. Cost assumptions may change. ST15 to ST19 test the extent to which changes in assumptions relating to wage rates, BSOG settlement and sustainable EBIT margin affect the Economic Case.

viii. Appraisal of scheme impacts is based on the value passengers are understood to place on aspects of the bus service that are to be improved. ST19 to ST21 have been undertaken to test the impact of alternative valuations for "soft factors" and "interoperability" benefits.

ix. The extent to which the choice of appraisal parameters influences the economic performance is tested in ST22 to ST24. Optimism Bias and Appraisal period assumptions are tested.

15.5.2 The results are shown in Table 10. They show the economic analysis to be relatively insensitive to exogenous factors (ST1 to ST4), as these factors equally affect the Reference Case. Estimates of growth in population may be incorrect and actual growth may turn out to be higher or lower, hence this will impact on bus patronage. Future patronage will also depend on the pattern of growth within the city region, with a greater concentration of growth in the Regional Centre generating more bus trips, given the higher propensity to use bus for travel to and from the centre. The impact of each of these tests is to alter NPV by 10% or less in all cases, although the higher growth sensitivity test increases the VfM rating to "very high", denoting a BCR of above 4.0 to 1. Of note and as discussed in Section 4.2 of the Strategic Case, growth in population and employment across GM has been much higher in recent years than forecast, and the outcome of this sensitivity test suggests that if this trend continues, the economic performance set out in this assessment for market reform can be considered conservative. Tests ST3 and ST4 show that the conclusions of the Economic Case are not sensitive to the level of change to fuel cost input assumptions as tested. However, the results of ST5 indicate that the economic VfM performance of the franchising option could drop to "medium" if policies to encourage walking and cycling are not implemented in a way that complements bus reform. Encouraging more walking and cycling should be mutually supportive of public transport use as envisaged in the 2040 Right Mix vision, and work is underway to operationalise "Made to Move" interventions in a public transport supportive way, in part through the development of the TfGM "Multi-Modal Streets for All" concept.

15.5.3 The estimation of elasticities is not an exact science, and the real values of elasticities may vary within ticket type, reflecting different social groups and incomes. Values used in the model are average values across a range of passengers. Changing the fares elasticity, the GJT elasticity and the *Greater Manchester Public Transport Model (GMPTM)* demand response elasticity (ST6 to ST11) indicates changes to the economic NPV of less than +/- ten percent.

15.5.4 The sensitivity tests that alter assumptions for future fares growth on the Franchising Scheme option (ST12 and ST13), and lower car ownership (ST14) all return impacts on the NPV of less than 10%.

15.5.5 Changes to cost assumptions have minimal impact on NPV or the BCR rating with the exception of assuming a higher rate of wage growth (ST15) which has the impact of reducing the VfM rating to "medium".

15.5.6 The sensitivity tests that alter the assumptions regarding the valuation of soft factor and interoperability benefits (ST19 to 21) impact the NPV by +/- 15% but do not affect the VfM rating.

15.5.7 Appraisal inputs regarding optimism bias rates can be seen to have minimal impacts on the economic performance of the Franchising Scheme option, whereas the selection of appraisal period does have a significant impact. The appraisal period sensitivity test demonstrates that the "sunk" costs of implementation become less significant over the years, and the final 30 years of the 60 year appraisal test indicate a much higher benefit to cost ratio (7.5 to 1) than is the case for the first 30 years (2.1 to 1).

Table 10: Economic Sensitivities – Franchising Scheme Option (£ Million in 2010 Prices and Values)

REF	TEST DESCRIPTION	ECONOMIC INDICATOR			CHANGE FROM THE CENTRAL CASE		
		PVB	PVC	NPV	PVB	PVC	NPV
Franchising Central Case		£345	£111	£234			
Exogenous Assumptions							
ST1	Lower Population and Employment Growth	£371	£143	£229	£26.5	£32	-£5
ST2	Higher Population and Employement Growth	£293	£47	£246	-£52.2	-£64	£12
ST3	Lower Fuel Cost Increases	£376	£154	£223	£31.7	£43	-£11
ST4	Higher Fuel Cost Increases	£327	£78	£249	-£17.5	-£33	£15
ST5	Active Travel Investment	£497	£283	£214	£152.3	£172	-£20
Passenger Response Assumptions							
ST6	Lower Fare Elasticity	£310	£80	£231	-£34.3	-£31	-£3
ST7	Higher Fare Elasticity	£378	£141	£237	£33.2	£30	£3
ST8	Lower GJT Elasticity	£339	£107	£232	-£5.4	-£4	-£2
ST9	Higher GJT Elasticity	£350	£115	£236	£5.4	£4	£2
ST10	Weaker GMPTM Demand Response	£330	£114	£217	-£14.4	£3	-£17
ST11	Stronger GMPTM Demand Response	£359	£108	£251	£14.4	-£3	£17
ST12	Lower Real Annum Fare Increases +0.5% p.a	£429	£177	£252	£84.4	£66	£18
ST13	Lower Real Annum Fare Increases +1.0% p.a	£382	£140	£242	£37.2	£30	£8
ST14	Lower car ownership and income elasticities	£271	£23	£248	-£73.3	-£88	£14
Cost assumptions							
ST15	Wage increases + OBR real growth forecast	£499	£266	£233	£154.5	£155	-£1
ST16	BSOG settlement indexes with RPI	£267	£33	£234	-£78.1	-£78	£0
ST17	Franchise EBIT margin - 9.0%	£390	£156	£234	£45.3	£45	£0
ST18	Franchise EBIT margin - 6.0%	£301	£67	£234	-£43.8	-£44	£0
Scheme Impacts							
ST19	Interoperability - low	£324	£122	£202	-£20.8	£11	-£32
ST20	Interoperability - high	£366	£99	£267	£21.6	-£11	£33
ST21	Soft Factors	£325	£125	£200	-£19.9	£14	-£34
ST22	Optimism Bias low	£345	£108	£236	£0.0	-£2	£2
ST23	Optimism Bias high	£345	£112	£233	£0.0	£1	-£1
ST24	60 year appraisal period	£503	£67	£436	£158.6	-£44	£202

NOTE: THE CHANGES FROM THE CENTRAL CASE ARE COLOURED AS FOLLOWS:

The changes from the central case are coloured green when benefits or NPV increases, or costs decrease, so strengthening the case for the scheme	Strengthens the case
No change	
Reduced impact to the case	**Weakens the case in bold**

15.5.8 The partnership option sensitivity tests have been performed on the Operator Proposed Partnership option because this is the most likely of the two Partnership options to be delivered based on the result of operator negotiations to date. The results show that the economic performance of this option is not sensitive to the tests undertaken with the exception of tests ST21 and ST24. As with the Franchising Scheme option, the benefits that accrue within the partnership option attributable to the soft factors interventions are sensitive to the estimated value that passengers place on these interventions. ST24 demonstrates that partnership options, as with the Franchising Scheme option is sensitive to the appraisal length selected with more value accruing in the event that the interventions last beyond 30 years. However, unlike the Franchising Scheme option, the costs increase at a similar rate to the benefits. Further, it is considered extremely unlikely that benefits of partnership could be realised over a 60 year period for the reasons set out elsewhere in this assessment regarding the likely durability of the partnership options. The test results are shown in Table 11.

15.5.9 The tests for the Franchising Scheme option and the partnership options demonstrate that the Franchising Scheme option is sensitive to the various uncertainties that have been tested, but not to the extent that the relative value (NPV) of the Franchising Scheme option ever becomes less than the value (NPV) of the partnership option. Further, the 60 Year appraisal test suggests that the relative performance of the options is dependent on longevity, with the franchising option offering relatively better VfM the longer the intervention is assumed to endure. This is of particular relevance to decision makers in the context of the durability of precedents for the two interventions, where the evidence suggests that the Franchising Scheme is likely to be a far more durable intervention than partnership (as set out above at 13.3.10 onwards).

Table 11: The Partnership Scheme Option – Economic Sensitivities – Partnership Option 1 (£ Million in 2010 Prices and Values)

REF	TEST DESCRIPTION	ECONOMIC INDICATOR			CHANGE FROM THE CENTRAL CASE		
		PVB	PVC	NPV	PVB	PVC	NPV
Partnership Central Case		£113	£32.7	£81			
Exogenous Assumptions							
ST1	Lower Population and Employment Growth	£112	£32.7	£79	-£1	£0	-£1
ST2	Higher Population and Employment Growth	£115	£32.7	£82	£1	£0	£1
ST3	Lower Fuel Cost Increases	£110	£32.3	£78	-£3	£0	-£3
ST4	Higher Fuel Cost Increases	£117	£33.2	£84	£4	£1	£4
ST5	Active Travel Investment	£108	£32.9	£75	-£5	£0	-£5
Passenger Response Assumptions							
ST6	Lower Fare Elasticity	£112	£32.3	£79	-£2	£0	-£1
ST7	Higher Fare Elasticity	£115	£33.1	£82	£1	£0	£1
ST8	Lower GJT Elasticity	£112	£31.8	£80	-£1	-£1	-£1
ST9	Higher GJT Elasticity	£115	£33.6	£81	£1	£1	£1
ST10	Weaker GMPTM Demand Response						
ST11	Stronger GMPTM Demand Response						
ST12	Lower Real Annum Fare Increases +0.5% p.a	£110	£32.3	£78	-£3	£0	-£3
ST13	Lower Real Annum Fare Increases +1.0% p.a	£112	£32.5	£79	-£1	£0	-£1
ST14	Lower car ownership and income elasticities	£117	£33.0	£84	£4	£0	£3
Cost assumptions							
ST15	Wage increases + OBR real growth forecast	£113	£32.7	£81	£0	£0	£0
ST16	BSOG settlement indexes with RPI	£113	£32.7	£81	£0	£0	£0
ST17	Franchise EBIT margin - 9.0%	£113	£32.7	£81	£0	£0	£0
ST18	Franchise EBIT margin - 6.0%	£113	£32.7	£81	£0	£0	£0
Scheme Impacts							
ST19	Interoperability - low						
ST20	Interoperability - high						
ST21	Soft Factors	£92.0	£30.4	£62	-£21	-£2	-£19
ST22	Optimism Bias low	£113.3	£32.6	£81	£0	£0	£0
ST23	Optimism Bias high	£113.3	£32.8	£80	£0	£0	£0
ST24	60 year appraisal period	£170.8	£45	£126	£58	£12	£45

NOTE: THE CHANGES FROM THE CENTRAL CASE ARE COLOURED AS FOLLOWS:

The changes from the central case are coloured green when benefits or NPV increases, or costs decrease, so strengthening the case for the scheme	Strengthens the case
No change	
Reduced impact to the case	**Weakens the case in bold**

16 Impact on Passengers

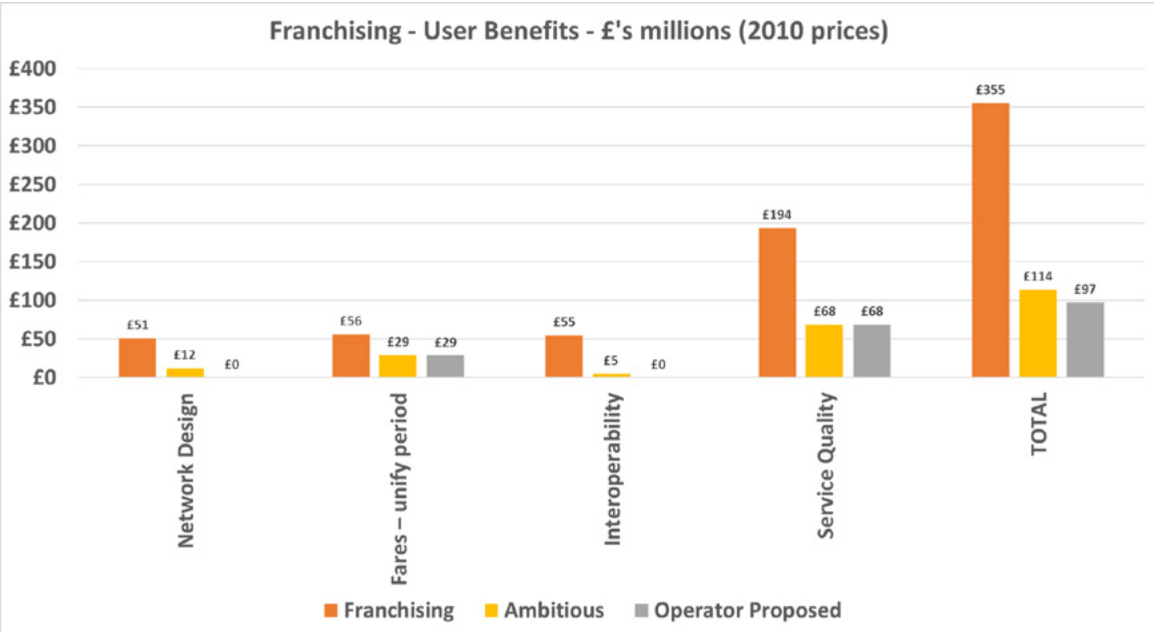
16.1.1 The main impacts of the schemes are on passengers. Bus Reform will deliver a better service for bus users in the form of more affordable fares, a network that uses available resource more efficiently and therefore improves the service offer to passengers, and a network that is more unified and of better overall quality. Table 12 shows the monetised benefits to passengers impacted by the schemes.

Table 12: Impacts to Passengers – The Franchising Scheme and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Passengers (Time Savings + User Charges)	£355.2	£96.8	£113.9

16.1.2 These benefits are distributed by impact types as shown in Chart 22.

Chart 22: User Benefits - £'s Millions (2010 prices)



Do Minimum

16.1.3 The Do Minimum reflects a status quo situation in which:

i. the challenges that affect the bus market would continue without being addressed in any way;

ii. further decline in patronage is forecast;

iii. the ability for the GMCA to intervene to improve service for passengers and help achieve the *Transport Strategy 2040* is limited.

The Franchising Scheme

16.1.4 The key impacts of the Franchising Scheme reflect the benefits of the scheme set out in the Strategic Case at Section 8.4. The modelling assesses benefits to passengers in terms of impacts on journey time, impacts on quality of service and impacts on fares.

16.1.5 Most of these benefits accrue to existing passengers, but there are also new passengers generated because of the interventions.

16.1.6 These improvements to the bus system help passengers by giving them improved access to key services, including health, education and employment. These impacts are of particular value to those in society who are more vulnerable. The benefits help to reduce barriers to travel and associated social exclusion while improving the quality of life for all existing and new bus users. Network improvements would improve evening and weekend travel to better fit with the needs of passengers and changing lifestyles.

16.1.7 **New passengers**: The benefits of the Franchising Scheme option will generate in excess of a 5.6% uplift in demand over the Reference Case, at 9.3 million passenger trips per annum on average over the first ten years of the Franchising Scheme option. By the end of the appraisal period, the additional new passengers will be 8.4m per annum above the Reference Case. These passengers will use bus services because of the service improvements made.

16.1.8 **'Phase 2' measures**: as set out in the Strategic Case, the Franchising Scheme shows greater potential than either the current deregulated market or a partnership to take advantage of any additional investment in the bus network, and for this investment to be greater value for money. This means that passengers can benefit from a wider range of measures that therefore have a greater chance of making improvements to the service. Passengers can also expect to benefit more from a similar level of investment if that investment is better value for money. This means that there would be greater benefit to any 'Phase 2' measures under the Franchising Scheme than the other options, which do not make such fundamental changes to the market.

16.1.9 **Fares**: Nearly six times as many passengers will experience fares reductions as will experience fares increases. The fares increases are modest and do not exceed ten pence per trip for any passengers. Most passengers (approx.73%) will not experience any change in their fare.

Table 13: Fares Impacts by Scale of Impact

	FRANCHISING	
FARE CHANGE DESCRIPTION	% DEMAND IN BAND	% FARE BENEFITS IN BAND
>20p dis-benefit	0%	0%
10p to 20p dis-benefit	0%	0%
0p to 10p dis-benefit	4%	-2%
Less than 1p change	73%	3%
0p to 10p benefit	0%	0%
10p to 20p benefit	3%	9%
> 20p benefit	20%	90%
Total	**100%**	**100%**
Losers	**4%**	**2%**
Same	**73%**	**3%**
Gainers	**23%**	**95%**

16.1.10 **Distributional Effects for Franchising**: The following table shows the extent to which the benefits are distributed by geography within GM (the row headings) and by benefit type (fares versus quality improvements – the quality improvements have been converted into "fare equivalent" or "GJT" £values).

16.1.11 Amongst those who receive the benefit, the proportion of passengers who are considered to be economically disadvantaged or "struggling" is also quantified.

Table 14: The Value of the Intervention to Passengers

	Average Fare Reduction	%Economically Disadvantaged excl OAP	Average Improvement in Quality (WTP)	%Economically Disadvantaged excl OAP	Total Average Value of Intervention
City Centre	£0.06	3%	£0.05	4%	£0.10
NE Inside M60	£0.05	57%	£0.06	53%	£0.11
South Inside M60	£0.03	41%	£0.09	37%	£0.11
West Inside M60	£0.05	50%	£0.09	45%	£0.14
NE Outside M60	£0.03	43%	£0.09	37%	£0.12
South Outside M60	£0.03	34%	£0.07	29%	£0.10
West Outside M60	£0.03	42%	£0.09	37%	£0.13
Airport & Wythenshawe	£0.06	5%	£0.00	0%	£0.06
TOTAL	**£0.04**	**43%**	**£0.08**	**38%**	**£0.11**
Inside M60	**£0.04**	**48%**	**£0.07**	**44%**	**£0.11**
Outside M60	**£0.03**	**41%**	**£0.08**	**35%**	**£0.11**

16.1.12 **Risks to passengers**: there are some risks associated with the transition to the Franchising Scheme from the current deregulated market. These risks have been analysed as part of the risk assessment and these are set out below in this section.

16.1.13 It should be noted that there is an expectation that passengers will experience reduced services and higher fares without intervention to reform the market, and therefore, any potential risk to passengers must be considered in this context. Under Reference Case conditions, it would not be possible for the GMCA to intervene directly or as effectively as under the Franchising Scheme, where the authority would be in control of all aspects of the service.

16.1.14 This decline may also lead to further market disruption, beyond that seen with the partial withdrawal for First Group from Greater Manchester, and this disruption has the potential to would adversely affect passengers.

Transition to the Franchising Scheme

16.1.15 As set out in the Management Case at Section 48, there are risks to the level of service passengers receive posed by transition to the Franchising Scheme option that would not exist in a transition to a partnership option. It is possible that an incumbent operator might withdraw services at a heightened rate following any mayoral decision on bus reform. Moving to a new operator could also mean the process of transition itself could lead to some disruption for passengers. Additionally, while ultimately in a Franchised market, ticketing would be simpler for passengers, the current assumptions about transitions anticipate that there would be different stages of transition and letting of franchises, meaning ticketing could become complex and there could be dis-benefit to some passengers.

16.1.16 As set out in Section 48 of the Management Case, there are a number of measures that would be in place in order to mitigate any potential adverse effects on passengers from the transition to the Franchising Scheme option. The key measures in place would be:

i. phased roll-out of the Franchising Scheme option to reduce level of change on day one;

ii. detailed mobilisation plans agreed with franchisees;

iii. proactive communication with passengers and other stakeholders during and in advance of mobilisation;

iv. a dedicated TfGM team with the required skills to manage the implementation on behalf of the GMCA;

v. implement suitable ticketing arrangements on transition; and

vi. monitoring of network performance.

16.1.17 In addition, the QRA accounts for the following key risks:

i. potential costs associated with delays to implementation (e.g. additional implementation team costs);

ii. costs associated with a decision by the GMCA to let some contracts on an emergency basis if operators withdraw services at a heightened rate to try to influence any mayoral decision on bus reform; and

iii. potential ticket revenue lost as a result of the incremental risks associated with the implementation of the Franchising Scheme option.

Partnership options

16.1.18 The Operator Proposed Partnership generates £96.8million of passenger benefits which compares to £355.2million for the Franchising Scheme. These benefits are less than a third of the total benefits of the Franchising Scheme option.

16.1.19 **New Passengers**: the Operator Proposed Partnership option will uplift demand by approximately 1.4% with +2.3 million trips per annum on average in the first ten years of the partnership. By the last ten years of the appraisal period, there will be an extra 2.2 million trips per annum.

16.1.20 **'Phase 2' benefits**: As set out in the Strategic Case, the partnership options would not facilitate 'Phase 2' measures to the same extent as franchising. It would be very difficult to implement measures on fares or the frequency of services, and other potential interventions may be poorer value for money under a partnership than under franchising.

16.1.21 **Costs**: there are assumed to be no costs to passengers from either partnership option. Any additional costs for operators (for instance freezes in specific fares) are assumed to be absorbed by operators as a whole and not passed on to passengers in the form of other fare rises or reductions in the service they receive.

16.1.22 The distributional effects of the Operator Proposed Partnership option are as follows:

Table 15: Distributional Effects of the Operator Proposed Partnership Option

	Average Fare Reduction	%Economically Disadvantaged excl OAP	Average Improvement in Quality (WTP)	%Economically Disadvantaged excl OAP	Total Average Value of Intervention
City Centre	£0.03	3%	£0.02	4%	£0.05
NE Inside M60	£0.03	57%	£0.02	53%	£0.05
South Inside M60	£0.01	41%	£0.02	37%	£0.04
West Inside M60	£0.03	50%	£0.03	45%	£0.05
NE Outside M60	£0.02	43%	£0.03	37%	£0.05
South Outside M60	£0.01	34%	£0.02	29%	£0.03
West Outside M60	£0.02	42%	£0.04	37%	£0.06
Airport & Wythenshawe	£0.03	5%	£0.00	0%	£0.03
TOTAL	**£0.02**	**43%**	**£0.03**	**38%**	**£0.05**
Inside M60	**£0.02**	**48%**	**£0.02**	**44%**	**£0.05**
Outside M60	**£0.02**	**41%**	**£0.03**	**35%**	**£0.05**

16.1.23 **Risks**: the risks of the partnership options are set out in a separate risk register. Passengers do not bear risk under the partnership options. The partnership measures are anticipated to be brought in over a period of time by existing operators so there would be little likelihood of disruption that would dis-benefit passengers.

16.1.24 If the partnership were to fade or fail after a period of time, passengers would lose out as the benefits that accrue to them would be lost. The barriers to leaving a partnership for either party are not significant. As a result, there is a likelihood that a partnership would not be long lasting, as it does not represent a permanent change in the market and the proposed governance does not bind operators to its measures any further than is currently the case. Both individually and collectively therefore, operators may not continue the provisions of a partnership and benefits may not be durable.

16.1.25 The partnership options also share some of the risks of the Do Minimum option of the effects of continued market decline – further reductions in services or market disruption. While the benefits of partnership would be beneficial, they would not contribute much to facilitating additional spending on the bus network nor any measures to mitigate dis-benefits to passengers should these effects occur.

Passengers in neighbouring authorities

16.1.26 The impacts on passengers in neighbouring authorities are largely expected to come from any changes to cross-boundary services and changes to fares arrangements that may result from the introduction of the Franchising Scheme. The details of the permit regime for cross-boundary services are set out in the Commercial Case at Section 33. As set out above, it is estimated that of the 116 services that cross the boundary of Greater Manchester, 24 might be adversely affected by the permit regime, in that their route or boarding or alighting points might need to change in order to satisfy the relevant legal tests for the grant of a permit. While GMCA would seek to operate the permit regime to facilitate cross-boundary travel, the financial effects of these changes is unknown and may make some of the 24 services less viable (i.e. if they are reliant on income from travel wholly within Greater Manchester). If a commercial service was withdrawn, GMCA would seek to work with neighbouring authorities to replace this with a supported service (43 services are currently subsidised in this way). However, passengers may still face some disruption to services.

16.1.27 GMCA would work with operators and neighbouring authorities on a number of ticketing options that would facilitate travel across the boundary (and also potential increase patronage on those services. Firstly, an 'add-on' ticket would be offered that would allow travel on franchised services. This would be priced below the standard period tickets and be available to passengers who had purchased a cross-boundary period ticket. Secondly, GMCA would look to explore with neighbouring authorities multi-operator ticketing schemes that covered an area beyond Greater Manchester. This would enable travel in a wider area including Greater Manchester services but also in a defined neighbouring area.

17 Impact on Operators

17.1 Introduction

17.1.1 The specific impacts on individual operators will depend to a great extent on their current market situation, and, in the case of the Franchising Scheme option, the outcomes from the tendering process for services.

17.1.2 For the purposes of this assessment, information available to TfGM from a range of sources have been used to help create assumptions on what some of the potential impacts on operators could be. The requisite information is available for TfGM to understand the impact on operators. However, further information may become available during any statutory consultation on this assessment (if the GMCA decides that it wishes to proceed with the scheme). Any such information would be considered and could help to inform any final decision on whether to make the Franchising Scheme.

17.1.3 This section will describe some of the potential impacts that TfGM envisage may apply under the Franchising Scheme option (as well as other options). The following chart sets out how the current market is shared between operators.

The market shares in Greater Manchester for all bus operators in Greater Manchester based on mileage are set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b).

Table 16: Commercial and Supported Mileage Market Share – March 2019

Category	Group	Operator	Commercial miles 2018/19	Commercial market share 2018/19	Supported miles 2018/19	Supported market share 2018/19	Combined miles 2018/19	Combined market share 2018/19
Large GM	Stagecoach	Stagecoach Manchester	21,122,491	38.3%	2,062,234	21.9%	23,184,725	35.9%
Large GM	First	First Manchester	19,673,631	35.7%	896,241	9.5%	20,569,872	31.9%
Large GM	Arriva	Arriva	4,683,266	8.5%	261,034	2.8%	4,944,300	7.7%
Large GM Total			**45,479,388**	**82.6%**	**3,219,510**	**34.1%**	**48,698,898**	**75.5%**
Other large	Transdev	Rosso	2,606,493	4.7%	535,757	5.7%	3,142,250	4.9%
Other large	Rotala	Diamond Bus	1,307,702	2.4%	1,633,997	17.3%	2,941,699	4.6%
Other large	Transdev	Transdev	1,915,642	3.5%	0	0.0%	1,915,642	3.0%
Other large	HCT	Manchester Community Transport	0	0.0%	1,605,781	17.0%	1,605,781	2.5%
Other large	Stagecoach	Stagecoach in Lancashire	962,386	1.7%	0	0.0%	962,386	1.5%
Other large	First	First Yorkshire West	287,663	0.5%	0	0.0%	287,663	0.4%
Other large	RATP	Selwyn's Travel	131,082	0.2%	110,148	1.2%	241,230	0.4%
Other large	Arriva	Yorkshire Tiger	114,797	0.2%	0	0.0%	114,797	0.1%
Other large	Rotala	Preston Bus	58,029	0.1%	0	0.0%	58,029	0.0%
Other large Total			**7,383,794**	**13.4%**	**3,885,684**	**41.2%**	**11,269,478**	**17.3%**
SME Total			**2,217,106**	**4.0%**	**2,324,691**	**24.7%**	**4,541,797**	**7.2%**
Grand Total			**55,080,288**	**100.0%**	**9,429,884**	**100.0%**	**64,510,172**	**100.0%**

Source: *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)

17.1.4 As set out in the Strategic Case, the sale of some of FirstGroup Manchester's assets and operations will alter this picture in the near future, but the scale of that change is as yet unknown. This is because it is not clear what the scale of divestment will be. Aside from this, small operators account for 1.8% of commercial mileage and 23.4% of subsidised mileage, giving them 6% of the overall market in Greater Manchester. A full list of smaller operators in Greater Manchester and their market shares is in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). The proposed successor entity, to FirstGroup at Queens Road, Go Ahead, is a large operator. If there are further sales, the scale of the required transactions means that new entrants to the market are also likely to be larger operators.

17.1.5 Overall, the outputs of the modelling show the following changes for bus operators in aggregate under the different 'do something' options.

Table 17: Economic Impact on Operators

ECONOMIC IMPACT £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	AMBITIOUS PARTNERHSIP	CURRENT PROPOSAL PARTNERSHIP
Operators (Private Bus Operators + Rail part of "Other Operators Revenue")	-£72.1	£7.0	-£0.9

17.1.6 The dis-benefit to operators under the Franchising Scheme option derives from the fact that over the 30 year appraisal period there is a change in the margin earnt from the current market average to that which is assumed would be the case under the Franchising Scheme option. The reasoning behind the assumed margin in the Franchising Scheme option is set out in the Financial Case at Section 42.2. This dis-benefit covers the market as a whole. It does not apply to individual operators as it contrasts the position with a set of operators who would be running franchises over the appraisal period.

17.1.7 Some of the benefits of partnership options come from the uplift in patronage that flows from the measures that have been modelled. Much of the benefit is attributable to savings coming from the ability under a partnership to rationalise the networks as operators would be able to reduce some of the effects of competition. Operators are unlikely to be able to agree to redeploy the resources fully within a partnership (as would happen under the Franchising Scheme option) so this leaves a degree of benefit to operators. How this is anticipated to work is set out above in the Economic Case at Section 14.3. The modelling shows the benefits to a partnership would be modest. For an Ambitious Partnership where greater alteration of the network was possible, the savings would be greater. Though it is difficult to determine, it may be that the governance of an Ambitious Partnership would see a proportion of this benefit re-invested into the network or other areas to the benefit of customers.

17.2 Do Minimum

17.2.1 Should the Do Minimum option be undertaken, there would be little change to the bus market in Greater Manchester. This means that there would be little impact on operators, regardless of whether they are a small or large operator running services in Greater Manchester, or one running cross border services. As such, the current rate of decline in patronage (see Chart 9) is be expected to continue. While incumbent operators might take steps to try to grow the market and innovate, further reductions to commercially operated bus mileage are likely as operators adapt to changing circumstances. There may also be further changes to the market following the announcement of the sale of FirstGroup's Queen's Road depot. Other interventions such as a the proposed CAZ would impact all operators due to the need to make any required changes to their fleet or pay a charge, although central government funding has been requested as part of the Clean Air Plan OBC. . Without such funding operators would have to take a commercial decision over whether to invest in upgrading or accelerating fleet replacement; paying any charge or withdrawing services.

17.2.2 The GMCA could pursue incremental improvement through the means available to it, but in the absence of a Franchising Scheme or a new partnership the improvements are likely to be limited. Given resources available, the GMCA would be unlikely to be able to replace any deregistered services due to funding restrictions in the amount of public subsidy available. While further investment and interventions could be made if funding were to become available, this is not accounted for in the economic modelling given that the decision over future investment in these areas is: (1) uncertain and (2) would not materially affect the comparative performance between the Do Minimum and either of the partnership options or the Franchising Scheme option.

17.3 Partnership Options

17.3.1 The impacts on operators of a partnership would depend in large part on the level of ambition of the partnership and the governance arrangements used. Currently, in the Operator Proposed Partnership, operators have agreed to use a Voluntary Partnership Agreement ("VPA"). Some aspects of the partnership (such as new cleaner vehicles) would still be up to individual operators. An EPS, which could accompany an Ambitious Partnership, could include greater targets and would apply to all operators in the specified area equally, including smaller operators, regardless of whether the operator was involved in negotiating any such targets. Operators running cross-boundary services and new entrants to the market could also be bound by the provisions of an EPS without having the opportunity to shape those provisions.

17.3.2 As demonstrated in other markets, partnership agreements between operators in a private market do not last without alteration, and both the benefits and the impact on operators may reduce over time. This means that the scale and pace of any such change is difficult to predict. If operators found the requirements of partnership too onerous, it is likely that under any model they would be able to change to exit them, reducing any potential exposure that they might have.

17.3.3 The Operator Proposed Partnership network changes would be agreed during a review process that would be undertaken subsequent to the signing VPA. It is unclear what the outcomes of that review could be, but the changes are unlikely to be substantive given the constraints that operators have put onto the process and the scale of outcome from the pilot. In contrast to this, under an Ambitious Partnership, an EPS could define changes to the network or services that an operator would then need to comply with. If an operator was unable to maintain the services to those requirements they would have to withdraw from operating them or they may have the registration of their service cancelled. While there is a process set out in the 2000 Act for making changes to services defined in an EPS, this is time consuming and would entail a measure of collaboration from other participants as well as a process of consultation. Operators would in effect be less free than in the Do Minimum option to make changes to their services in response to changes in demand or other imperatives such as changes to costs.

17.3.4 The types of route changes that could potentially be agreed to under a partnership are likely to lead to cost savings for operators. The money could be retained by operators or invested in other aspects of the bus service (such as further routes or other issues). Under the Operator Proposed Partnership, no benefit has been assumed as there would not be significant network change. Under the Ambitious Partnership there could be more change and therefore some benefit. Given the uncertainty concerning how this money has been used and the constraints on any reinvestment that operators have indicated would be in place, it has been attributed as a benefit to operators in the economic results.

17.3.5 Any partnership that contained specific provisions as to the network or services to be complied with would potentially reduce the scope for competition between operators currently in the market, as they would agree which services they would run through the scheme. The 2000 Act includes provision for the CMA to be a statutory consultee to any Enhanced Partnership scheme. An EPS that contained provisions concerning the network (routes and frequencies) could make it more difficult for new operators to enter the Greater Manchester market and reduce the ability of new and existing operators to compete.

17.3.6 There are also concerns as to how effective any frequency or route requirements under an EPS could be, as such restrictions could potentially prevent an operator from registering a new service if the proposed service breached any of those requirements. This could apply to new entrants or incumbent operators equally. If this was the case, the proposed service could not simply be rejected as under EU Regulation No. 1370/2007 that rejection would effectively grant the existing operator (or operators) 'exclusive rights' to run their services in compliance with the terms of that scheme, as the scheme would be restricting other operators from competing with them. Instead, the authority would have to comply with the process set out in appropriate regulations. This could include the operators being required to agree a qualifying agreement under which they were all able to operate services in accordance with the requirements of the scheme with them submitting amended registrations so that their services together complied with the requirement or if this was not possible, cancelling the existing registrations and issuing an invitation for tenders for the award of a slot allocation contract. This is seen to potentially impact new entrants more than incumbent operators because it could act as a barrier to market entry for them. By contrast to issues raised by an EPS through network definition, the Operator Proposed Partnership is unlikely to impact competition in Greater Manchester or affect new entrants to the markets.

17.3.7 It is assumed that under a partnership there could be increased marketing of multi-operator and multi-modal tickets, and hence increased take-up. This effect would be increased if the current proposals to freeze multi-modal fares for two years (currently mooted following a review) were to be carried through. In either case, there is likely to be some changes in revenue (and therefore profitability) through ticketing mix changes. This may mean more ticket revenue overall for the bus network, and potentially more competition as passengers would be more likely to take different buses using a multi-operator ticket to do so. The scale of such effects would be determined by the extent of the price differential, associated reimbursement methodologies, and also any effects on demand that any reductions could have.

17.3.8 Other provisions of the current proposed partnership are not likely to make a great impact on operators – regardless of whether large, small or those operating cross-boundary services. There have been some statements as to the level of investment in new fleet. But the partnership provisions as to fleet envisage a 'variable geometry' whereby each operator defines the time within which they achieve any standards set out. This may support in delivery of upgraded fleet to improve Euro standards including meeting standards required if a CAZ is implemented. Although, as with the Do-minimum, without some or all of the funding requested in the Clean Air Plan OBC operators would have to take a commercial decision over whether to invest in upgrading or accelerating fleet replacement; paying any charge or withdrawing services. Also, the proposal for there to be a single point of contact for customers will require operators to think about what their processes are but could also bring some benefit in terms of increased patronage.

17.3.9 Under a partnership, operators of cross-boundary services would not see any change from the status quo in terms of their ability to run cross-boundary services. This is likely to apply also if an EPS was introduced because though their buses would need to be compliant with any relevant provisions, such requirements are not likely to change significantly from the current fleet.

17.3.10 The transition to a partnership is not assumed to present difficulties to operators. This is because under the current proposed VPA, they have indicated that the provisions of the partnership would be introduced over a period of up to two years, so that there would not be any immediate implications. Any changes could therefore be planned in advance and due to the limited changes under a partnership, this will likely not result in a significant impact.

17.3.11 Finally, the introduction of a partnership could have differing impacts on all incumbent operators' pension schemes. Under a partnership which included a VPA, there would be no requirements for participating operators to offer employees greater employment and/or pension rights. This means that in the absence of voluntarily agreeing any improvements, which is unlikely to be possible due to the fact that all operators run their own schemes, operators' existing pensions schemes are unlikely to be impacted. In contrast to this and if an Ambitious Partnership included an EPS, then *The Franchising Schemes and Enhanced Partnership Schemes (Pension Protection) (England) Regulations 2017* ("Pension Regulations") may apply. This is because staff may transfer between operators where a contract is allocated to an operator in an EPS, meaning those transferring employees shall be entitled to the same level of pension protection as available to employees transferring under the

Franchising Scheme option. Whilst this may create some adverse impacts on operators, mainly in terms of what pension schemes they have and whether those schemes are sufficient to give the required pension protection, the likelihood of any such impact materialising is seen as low.

Conclusion

17.3.12 The impact on operators from a partnership is likely to be positive but this will depend on what could be delivered. In terms of the network, making changes could lead to reduction in costs without a reduction in the revenue they receive. If the reduction in the price of System One tickets were to take place, this would reduce the revenue received. There remains considerable uncertainty about what would be delivered as part of a partnership, and the VPA contains a number of 'agreements to agree' where impact is unknown. Ultimately, the impact of the partnership would depend on what would be agreed and then implemented: with the Operator Proposed Partnership the impact is likely to be limited to the effects of any fares changes agreed following the review. As it is a VPA, it may be difficult to get complete consensus amongst all operators and some may choose not to participate.

17.3.13 If an EPS were used to govern an Ambitious Partnership then this would have a more significant impact than the current plan for a VPA. That is because the scheme would apply to all operators in the chosen areas and there is some (albeit remote) risk of losing registrations if the EPS included improvements on individual services or the wider network which were not complied with.

17.4 The Franchising Scheme Option

Impacts on all operators

17.4.1 The introduction of the Franchising Scheme option would change the bus market in Greater Manchester more radically than a partnership. It would also be a significant change to the Do Minimum option, which assumes little change in the current market. This is because local services could only be provided if provided under a local service contract with the GMCA, if the service was deemed an interim service, if operating under a service permit or if it is otherwise excluded from the scheme. Further information on this is set out in Section 1.5. The balance of risk and reward would shift, as the GMCA would take revenue risk and, as a consequence, would determine the nature of the network, fares, and service quality. Tenders for local bus services would be let by the GMCA, attracting bids from all types of operators competing to offer the service to the specification set.

17.4.2 The initial impact of the Franchising Scheme option is that incumbent operators would not be able to continue to operate their existing services, as those services would either be included or replaced with other services making up each franchise which would instead be open to competition. This would mean that current operators (regardless of their size) would potentially need to compete with each other, and also potentially with new entrants to the market, to deliver bus services through the local service contracts let by the GMCA. Once a franchise was won, for the period of that franchise, competing services could not be run. If current incumbents were not to compete to win franchises, they would have lost the right to deliver services within the franchised area, while others would gain the opportunity to do so.

17.4.3 Whilst this is the critical impact of the Franchising Scheme option, particularly on incumbent operators, on the other hand it could be the case that new entrants to the market would gain greater opportunity to deliver bus services on behalf of the authority. This would mean that the market would be open to further competition because there would be no guarantee that incumbent operators would win contracts equivalent to their previous operations.

17.4.4 The main change that all operators would be impacted by is a change in the risk profile of the business that they would be running in Greater Manchester. In the event that current operators retained all or part of their existing services, or were successful in bidding for other services not previously operated by them, the differences in terms of the risks that operators would take on in a franchised environment would be as follows:

i. Operators would be in a different environment as they would not take revenue risk, which would be transferred to the GMCA. Operators would receive a set service fee in return for them running the service. This means that they would lose the downside risk of falling revenues and also any upside were revenues to exceed expectations. They would look to control costs while providing a sustainable service in order to competitively bid for further franchises.

ii. Operators would retain any cost risk with limited flexibility to vary cost base given the operator would now be providing a prescribed set of outputs for the GMCA in return for a set service fee.

iii. Performance risk – operators would need to attain the levels of performance set out in the franchise contract and would be risk of financial penalties or contract termination if they failed.

iv. Risk of contractual breach or default and consequent early termination – if the operator was unable to fulfil the contract. This would be an extreme situation where any performance measures had been taken and issues had not improved.

v. Risks around transition and mobilisation of franchises – operators would be responsible for mobilisation and would need to be able to prepare to operate services on a specific date. The effects of transition are set out below.

17.4.5 All of these risks set out above are likely to apply to all operators regardless of their size. These risks are similar to those that many incumbent operators currently face and have experience dealing with. For example all operators actively manage cost risk, and this would be no different in a franchised market. In terms of performance risk, all operators running commercial services will be managing this to some extent as they would need to maintain a level of service to receive revenue in a deregulated market. Some operators also operate in a franchised environment already – for larger operators in London and outside the UK (as well as several operators in other parts of the world), and for smaller operators as operators of tendered services – and will be familiar with managing performance risk in the context of a performance regime and risk of eventual contract breach. Such operators will also be experienced at managing risks associated with franchise mobilisation. As such, they will have experience of bidding into such contracts in a compliant and constructive manner which will mitigate some impacts of the Franchising Scheme option.

17.4.6 The margin that operators would earn on delivering these services could be expected to be more constant than it is currently – given that a large, variable revenue, would not be a factor. Currently, the picture in Greater Manchester is a mixed one, with a wide range of margins being earned and seasonal variability. Given the Franchising Scheme option arrangements and the replacement of on-road with off-road competition, competitive pressure is likely, over time, to result in a more even picture with similar margins being earnt on different franchises. Different potential operators may, however, have different levels of margin that they would view as being acceptable.

17.4.7 A potential impact that may apply to all operators is the cost of having to bid for franchised contracts. The GMCA would carry out a formal procurement exercise to invite and thereafter evaluate bids for franchised contracts, before awarding each franchise contract to the successful operators. An allowance for bid costs is made in the financial modelling.

17.4.8 Assuming more than one operator bids for a franchised contract, there will always be at least one operator who is not successful in each tender. This operator would have incurred costs, mainly in the time spent on preparing their bid and answering any potential clarification questions, which would have been lost.

17.4.9 For operators who bid into franchised contracts, the impact of the above is not seen to be significant as it is assumed that they would factor in the costs of their bid into their pricing structure. In mature franchised markets, firms factor the cost of bidding into their pricing as a whole, and it is expected that the same would happen in Greater Manchester. If the Franchising Scheme option was introduced, this would represent an expansion of the market for franchised bus services in the UK and reduce the overall risk for the set of operators that bid for such contracts, in that they would be more likely to win part of the market and make a return on effort made.

17.4.10 Having now considered some of the potential impacts that may apply to all operators under the Franchising Scheme option, there are some potential impacts set out below that may apply on groups of operators differently.

Current large incumbent operators

17.4.11 In this section we consider the effects on the larger incumbent operators. For these purposes this is taken to include Stagecoach Manchester, FirstGroup Manchester and Arriva. Together they represent over 90% of the commercial mileage operated in Greater Manchester. There are other, smaller operators which are part of larger group companies, such as Rosso which is now part of Transdev, who operate small amounts of commercial mileage in Greater Manchester. They are considered as part of the group of smaller operators (although they do not form part of the group of operators that GMCA consider to be ‘smaller operators’).

17.4.12 As set out in the Strategic Case at Section 5.5.6, these shares of the commercial mileage are very likely to change following the announcement of the proposed sale of some of FirstGroup’s assets and operations to Go Ahead. FirstGroup would remain a larger-scale operator in Greater Manchester but would be joined by Go Ahead.

17.4.13 The effects of the Franchising Scheme option on current large incumbent operators will vary according to their current market position, their profitability, their appetite and approach to bidding for franchised services and their ability to win franchises in a competitive situation. It is inherently difficult to predict how likely a firm is to win franchises and the outcome of any procurement exercise should not be pre-judged in any way. As well as the various factors that might influence how competitive a bid might be, firms might have different approaches in terms of whether, and how, to bid for these contracts. Some of this decision-making will relate to group level priorities and may not be directly connected to the Greater Manchester bus market.

17.4.14 In general, given the potential for competition for franchises, current large incumbent operators might lose or gain market share. It might also be expected that the margin that operators would earn on operations would normalise – as set out in the Financial Case at Section 42.2, the expected margin for a franchised service would be between 6 and 8%, with 7.5%:

i. Stagecoach Manchester currently run 27% of the subsidised mileage (won on a tender basis) and 43% of the commercial mileage in Greater Manchester. Their most recent margin available from published accounts was 13.6% from 2016; the five year average was higher at 17.6%. Their total reported revenue was £116.5m (this now includes Stagecoach Wigan, previously separate). Stagecoach are active in the London franchising market so it might be expected that they would also compete in a franchised market within Greater Manchester. They would therefore have some incumbent advantage in bidding for franchises as they have greater knowledge of the Greater Manchester market, particularly the influences on cost, as well as experience in the franchise market. However, they could potentially lose market share if they were not successful in bidding for or did not bid for all of the services they currently run. In addition, any services they would retain would result in an expected franchised margin of 7.5%, representing a drop from their current margin set out above, so it is likely that less profit would be made by Stagecoach in Greater Manchester.

ii. FirstGroup currently run 15% of subsidised mileage and 41% of commercial mileage in Greater Manchester. Their most recent margin available from public accounts was -6% on revenues of £85.6m, significantly lower than the five year average of -0.2%. While this recent figure was attributed in part in the accounts to one-off factors, the longer run average would still not be a desirable position for a commercial bus operator. FirstGroup are not currently active in the London market, though they have been in the past and are active in franchised bus markets in Canada and elsewhere, so it is difficult to predict whether they would wish to be active in a Greater Manchester franchised market. As noted above FirstGroup have announced the sale of the Queen's Road depot and associated assets, and this may be part of a strategy to exit the Manchester market entirely. This does not, of course, mean they would not be active in bidding for franchise contracts if the Franchising Scheme option were to be introduced. It would not necessarily need to be the same entity and instead could include another operator within the group company.

iii. FirstGroup would, as with Stagecoach, have any incumbent advantage in bidding for franchises and expect to have granular cost information. If FirstGroup won franchises, it is likely that the margin they would earn would increase given its current low level.

iv. Arriva are the smallest of the large operators in Greater Manchester, with 4% of the subsidised market and 7% of the commercial market. They made a margin of 0.8% in 2016, with a five year average of 2.4% on revenues of £41.9m (these figures refer to their operations on the North West as a whole, most of which are outside Greater Manchester). Arriva are active in the London franchise market and might be expected to bid for franchise contracts. As with Stagecoach, they would have some advantage being an incumbent operator, though this would be reduced because of their smaller market share, and have experience of operating in another franchised market. If they were to win franchises, they would be likely to significantly improve their margin from its current level.

v. Go Ahead are likely to join the Greater Manchester market with their acquisition of FirstGroup operations. They would have a foothold in the Greater Manchester market and some knowledge of part of the market. They care currently active in the London franchise market.

17.4.15 Another issue for large incumbent operators would be the state and value of their assets if they were to lose market share. If they did so, there would be potential for them to have having stranded assets (such as vehicles and depots, but this would differ between operators) that they could not sell, lease or redeploy elsewhere in their businesses.

17.4.16 As set out in Section 26 of the Commercial Case, the GMCA would seek to stimulate competition by removing some potential barriers to entry, which would serve to mitigate the risk of stranded assets, by introducing an RV mechanism for the bus fleet. This would enable those running franchised services to put their fleet into the mechanism at the beginning of the franchise, so that it would be available to the operator who next won the franchise. This will allow bidders to bid for franchises on a level playing field.

17.4.17 This RV mechanism would reduce the barrier to entry for new operators, while protecting incumbent operators against losses if they were unable to redeploy their fleet. Any risk associated with not entering into the RV mechanism would be the decision of the operator. The current incumbent operators would be offered the RV mechanism prior to any tender process commencing. If they chose to do this, the mechanism would reduce the impact on incumbent operators who failed to win franchises, by enabling them to dispose of their fleet (provided that the fleet was of a standard acceptable to operate such franchised services) for an agreed value, thus reducing the impact of the scheme by removing the risk of them having to redeploy their fleet if they were not awarded a franchise.

17.4.18 The impact of any potential barriers to entry would also be mitigated by the fact that the specification for the bus fleet under the Franchising Scheme option would, to a large degree, be consistent with the current bus fleet operating throughout Greater Manchester. There are no plans for a specific 'Manchester' bus to be specified, so practically speaking the only potential change in specification that may be required for the majority of the fleet would be roll-out of some technology (such as ETM and AVL systems, which the GMCA would specify the required manufacturers of) and the branding and/or colour of the fleet.

17.4.19 Similarly, the GMCA would seek to increase the strength of competition by gaining control of sufficient depot capacity to run bus services (either through negotiated purchase, compulsory purchase, leasing of or construction of new depots) that would make up the large franchise packages. Successful bidders for the large franchises would be obliged to use this depot capacity as the operating base for those services, thus removing a barrier to entry to the market and therefore reduce any potential impacts of the Franchising Scheme option.

17.4.20 As part of this, offers would be made to purchase active large depots in Greater Manchester. This would mitigate any potential impacts on current large operators that have depots that they could no longer use if they either did not bid or where unsuccessful in bidding for any local service contracts. The mechanism would reduce the impact on operators who failed to win franchises by enabling them to dispose of their depot for an agreed value, thus reducing the impact of the scheme by removing the risk of them having a stranded asset. In the event that operators who failed to win franchises had not been willing to voluntarily dispose of their assets in this way, it is envisaged that the Franchising Scheme option would have an impact on those operators as they would not be able to run local bus services in Greater Manchester from those depots. This would mean that they would need to apply for a service permit in respect of any local service that operated in Greater Manchester and was not being provided under a local service contract with the GMCA. As set out in the Commercial Case at Section 33, a service that competed with a franchised service would not be able to be granted a permit.

17.4.21 Another potential impact on incumbent operators might be on their pension liabilities given that their current business would no longer exist, and they may not win any franchise contracts. There would be limited effect on 'Defined Contribution' (DC) schemes. Bus franchising could have an effect on any 'defined benefit' (DB) schemes, including participation in the Local Government Pension Scheme (LGPS), crystallising a debt through a 'Section 75 debt', or causing a more conservative valuation of assets against liabilities, meaning potentially greater contributions from the employer. Potential pension impacts is set out in detail in the *Pension Impacts Supporting Paper* (TfGM, 2019i).

17.4.22 TfGM is not aware of any smaller operators having defined benefit schemes. The schemes of FirstGroup and Stagecoach are now closed to new members and new accrual, which means that the process of crystallising any further necessary contributions should have taken place. They both still have some liabilities through the LGPS, but from published information, it appears that the fund has taken a conservative valuation because of the profile of the employees and the likelihood that these schemes might close in the near future.

17.4.23 Arriva still runs a DB scheme. However, the majority of its services in Greater Manchester are run as part of a broader Arriva North West network and it is not anticipated that the Franchising Scheme option in Greater Manchester would cause the end of that business. Therefore, it is not currently believed that the Franchising Scheme option would have a significant negative effect on operators' pension's schemes.

17.4.24 In conclusion, the most obvious effect of the Franchising Scheme option on larger incumbents would be that their current business model would cease. They would be protected from having stranded assets such as depots or fleet, but the operators would have to decide whether or not to use these options in an attempt to dispose of any potentially stranded assets. They would be able to compete in the new franchised market and may have some incumbent advantage in doing so. Implications for transition for larger incumbents are considered separately below.

Operators with cross-boundary services

17.4.25 As set out in Section 33 of the Commercial Case, cross-boundary services are an important part of any bus network and would continue to play a key part in the Franchising Scheme option. Cross-boundary services would still be able to operate in Greater Manchester provided they have a service permit. Sections 123P and 123Q of the 2000 Act set out further detail on service permits and in particular, section 123Q(5) sets out how the GMCA must grant a service permit if the appropriate two-part test is satisfied. This includes consideration of whether the service will have an 'adverse effect' on a franchised service. The way this process is expected to work is set out in the Commercial Case at Section 33.

17.4.26 The intention is that cross-boundary services that are beneficial to passengers inside and outside of Greater Manchester should be able to continue. TfGM believes that the GMCA having to apply this two-part test may have an impact on some operators. For example, it may mean that the service that can be granted a permit may look different to a franchised service in terms of stopping points or points where passengers can be picked up or dropped off to avoid the abstraction of too much revenue from the franchised services. This could have an effect on services if they depend for a large part of their revenue on journeys wholly within Greater Manchester, as these revenues might reduce (though this might increase the service's attractiveness for those coming from outside Greater Manchester). The impact of the same is currently unknown and will depend on the financial impact of the services, and the proportion of an operator's services that are cross-boundary. It is this rather than the size of the operator that would determine the impact. An analysis of the number of services likely to be affected is set out in the Commercial Case at Section 33.

17.4.27 Despite this, the impact of a service permit scheme will be mitigated by accounting for such services when planning and undertaking the network design of the franchised area. Impacts could also be mitigated by engaging with operators so that they are aware of the requirement for a service permit and in particular, what information they should disclose when applying for a service permit to increase the likelihood of their application being successful. In addition to this, a pre-application engagement stage is envisaged to take place which would enable a discussion over the detail of an application to take place, with a view to determining whether the proposed service could satisfy the required legal tests and therefore be granted a permit.

17.4.28 As well as granting service permits, the GMCA may decide to attach conditions on a service permit. However, a separate consultation would take place in the future and before the Franchising Scheme option is introduced (and in compliance with The Franchising Schemes (Service Permits) (England) Regulations 2018) to detail what conditions may be imposed in any service permit scheme. The anticipated types of conditions are set out in the Commercial Case at Section 33; they would be intended to ensure a good standard of service and vehicles within Greater Manchester. This impact is not thought to be so significant on operators to result in such cross-boundary services not being commercially viable and are instead intended to be of a benefit to passengers in Greater Manchester by promoting consistency between franchised and cross-boundary services.

17.4.29 Overall the impact on operators of cross-boundary services would depend on the extent to which their services competed with franchised services and the extent to which they provided a service for those wishing to travel in or out of the county. Where there would be a negative impact on the franchised network because of a material amount of revenue abstraction, this would mean that the process of granting a permit would be likely to lead to necessary changes to that service.

Operators not currently active in Greater Manchester

17.4.30 In considering the impacts of the Franchising Scheme option on other operators not currently active in Greater Manchester, it is appropriate to consider all those bus operators who could potentially deliver services in Greater Manchester. The critical impact of the Franchising Scheme option would be to enable them to compete in the Greater Manchester market and to deliver services and earn revenue from so doing.

17.4.31 The analysis set out in Section 0 of the Commercial Case suggests that there are a number of large operators active in the UK could potentially compete to deliver large scale franchised services. It is not anticipated that smaller operators outside of Greater Manchester would have the ability to compete for large franchise contracts, though medium sized operators with the capability to bid may see this as a means of market entry. This means the Franchising Scheme option represents an opportunity for various potential benefits to a number of operators, dependent on whether they bid for franchised services and whether any bids are successful.

17.4.32 There are some large operators currently active in Greater Manchester, albeit with currently a small market share, such as:

i. Transdev (a multinational transport firm based in France) currently have a commercial market share of 3.5% (the majority from cross-boundary routes) and have purchased Rossendale, who run a number of cross-boundary routes from Lancashire (TfGM, 2019b).

ii. Rotala now own Diamond Bus, who have a 17.3% share of subsidised services and 2.4% of the commercial market (TfGM, 2019b). Rotala are a mid-sized company that mainly operate contracted services.

17.4.33 Other operators not currently active in the Greater Manchester market would also have the opportunity, and thus might also be expected to bid. If an operator won a franchise, it would be expected to control cost and performance risk as set out above. All operators, whether in a franchised or deregulated market, are exposed to cost risk and some operators will be experienced at managing that risk in a franchised market, Those not currently active in Greater Manchester may not be aware of any local factors that influence costs, but they would have experience of operating in, and adapting to, different markets so this is not expected to represent a disproportionate impact on the Franchising Scheme option.

17.4.34 Many of these operators are already operating franchised services in London and abroad or have experience of franchised services in other sectors, such as rail. As experienced bus operators, they will have experience in the UK and abroad of bidding for franchised services. Outside the UK, in markets in Europe, North America and the Middle East, most bus services are run on a franchised basis. These companies will therefore be familiar with the bidding process and able to bid into the Greater Manchester market.

17.4.35 In terms of pensions, a new entrant (or an incumbent taking on staff from a current operator in the event they won a franchise in an area where they do not currently operate) would need to match the current pension's arrangements of any employees they took on. Detail on this issue can be found in the *Pension Impacts Supporting Paper* (TfGM, 2019i). The vast majority of employees would be on a defined contribution scheme (DC); it is expected this would be similar to funds already set up by most operators and it would be relatively straightforward to include new members or derive similar arrangements for them. A small number of employees (mostly of Arriva) may be on a DB scheme, which would require these arrangements to be broadly comparable, which may be more difficult for operators. They could potentially be admitted to the LGPS as an affiliate.

17.4.36 Overall the effects on operators currently outside the Greater Manchester market would be positive in that they could compete in a new market and exploit the opportunity to expand their businesses. We estimate that there are a number of operators who would be able to undertake this, whilst others could do so also.

Smaller operators

17.4.37 Small operators account for 1.8% of commercial mileage and 23.4% of subsidised mileage, giving them 6% of the overall market in Greater Manchester. This has reduced (partly due to further consolidation in the market following the takeover of South Lancs Travel, rebranded Diamond Bus North West, by Rotala in 2015 and the takeover of Rossendale by Transdev in 2018). These operators meet the definition of a small or medium enterprise (SME) as per EU recommendation 2003/361, which defines an SME as an entity that employs fewer than 250 people and has annual turnover of less than or equal to €50 million (c. £43 million, assuming an exchange rate of 0.85 £/€), or has a balance sheet total of less than or equal to €43 million (c. £37 million). The operators considered to be smaller operators are set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). It is difficult to assess the profitability of these firms as they do not have detailed published accounts to allow this to be done with any degree of accuracy.

17.4.38 Currently smaller operators mostly compete for tendered services rather than operating in the deregulated market, which is dominated by the larger firms. The tendered services currently form c.19% of the Greater Manchester market (based on mileage), and it would be possible to subsume these services into franchises if the Franchising Scheme option was introduced. This would mean that the current tendered service market would disappear. Whilst this may impact smaller operators greater than larger operators to the extent that they operate and at times rely on those services, any such impact is not seen to be disproportionate because it also reflects how larger operators would lose the right to run their own commercial services under the Franchising Scheme option.

17.4.39 To reduce this potential impact however, TfGM's proposal is for the GMCA to have some services tendered in smaller franchises, which will introduce the opportunity for small operators, as well as larger operators and other operators not currently operating in Greater Manchester, to bid for such services (further details are set out in the Commercial Case at Section 25.1). This set of services is not the same as the currently tendered market, especially because these services often include extensions to services such as evening and week-end services and it is more efficient to have only one operator operate a service. This would mean that smaller operators could compete to operate services of a similar scale to those that they currently operate, and would provide greater opportunity for firms to gain a foothold in the Greater Manchester market.

17.4.40 The arrangements for letting these smaller franchises are set out in the Commercial Case in Section 25.1. These are designed to be easier to access for smaller operators so that there are no great barriers to bidding. In an attempt to prevent some operators from dominating the market under the Franchising Scheme option and to therefore reduce the potential impact of this on smaller operators, it is proposed that a limit on the number of contracts that can be awarded and operated by any one operator will be set and imposed by the GMCA.

17.4.41 It should also be noted that small operators have experience of bidding into contracts for subsidised services run by the GMCA and are often successful in so doing, or at least familiar with the process. While the nature of the contracts may change (from net cost to gross cost contracts), it can be assumed that the smaller firms will be able to have a similar appetite and rate of success in bidding the smaller contracts as they do currently for tendered service contracts.

17.4.42 While the RV mechanism for buses would be available to all operators in Greater Manchester, the GMCA would not require smaller franchises to be operated from a depot provided by the GMCA. Depots currently operated by smaller operators are often on small areas of land without any large scale infrastructure or operations. Given the size of the small franchises which smaller operators are expected to bid for, it is assumed that access to a depot will not be a barrier to entry for operators intending to bid for any small franchise package. While this means that there is a risk of some stranded assets should smaller operators not win any of the smaller franchises, these depots have less infrastructure and because of their size have a greater range of possible uses and hence a more diverse and liquid market. This means that smaller operators would be expected to provide their own depots and therefore mitigate any potential impacts or losses as may be appropriate, such as by disposing of any depots (either by sale or lease) or by using them for running other cross-boundary services outside of Greater Manchester (which would require a service permit) or non-franchised services such as private coach services.

17.4.43 As set out in the *Pension Impacts Supporting Paper* (TfGM, 2019i), most smaller operators run DC schemes in Greater Manchester for their employees. The Franchising Scheme option would not cause significant negative effects for these schemes. Two operators (Warrington's own buses and Rossendale

Transport) have some liabilities in the LGPS. The stated contributions for these firms indicate that there is currently a conservative valuation on these liabilities and that the Franchising Scheme option is unlikely to have an adverse impact.

17.4.44 Overall, the effects of the Franchising Scheme option on smaller operators is likely to be a more predictable situation in terms of margin. TfGM is not aware of any smaller operators with DB pension schemes. As with larger operators, they face the risk of not winning any of the franchises and not being able to participate in the market. On the other hand, the arrangements for the Franchising Scheme option provide an opportunity to smaller operators by including smaller franchise packages for operators to bid for. As with larger operators, there is some protection in terms of smaller operators in that they would be also able to put their fleet into the RV mechanism if they did not feel it could be easily re-deployed or sold.

Transition issues

17.4.45 During transition there may be some impacts on operators due to the change in the market and the proposal that the Franchising Scheme option could be introduced over a period of time (as set out in the Commercial Case at Section 27.3). This is because for a period of time operators may be running commercial services alongside any portion of the network that has been franchised and is being run by an operator under contract to the GMCA.

17.4.46 As it has been assumed that the tranches would be based upon services running from different depots, it is unlikely that there would be any operational impacts on any services that have not yet been franchised during any transition period as they would be run from different depots. FirstGroup could potentially have services from different depots being moved to franchised services in different tranches. It is not clear whether this would be the case were the Franchising Scheme option to be introduced, given the sale of FirstGroup's Queens Road depot and the potential for further sales.

17.4.47 The arrangements as to fares charged could present problems to operators, as the period tickets they sold would only cover a smaller area and not any franchised area. The arrangements to avoid disadvantage to passengers from ticketing arrangements are described in the Management Case at Section 48.3. As described these arrangements are also configured so as to avoid disadvantage to operators during transition, for instance due to loss of revenue from ticket sales.

17.4.48 Any operator of franchised services would need to start operating services on a particular day and run a mobilisation exercise to enable them to offer the full service specified in the franchise contract at that time. It is anticipated that there would be a nine-month mobilisation period, but the ease of any transition would be dependent on the relationships between incumbent and incoming operators. The full arrangements for managing this transition are set out in the Management Case in Section 48. Larger operators with experience of operating franchised services are used to mobilising new services and the GMCA would also seek to facilitate the mobilisation process as described in the Management Case. This would continue to be an impact when franchises changed hands but any impact is seen to be low and likely to decrease overtime because changeovers are managed without impacts on passengers in franchised markets in London and elsewhere.

17.4.49 While larger bus operators have experience of developing and mobilising bus services, the transition from a deregulated service to a franchised one does not often occur, and so there would be some new issues for operators to grapple with. Small and medium sized operators would also be impacted by these issues, perhaps with less experience in being able to prepare for mobilisation. Were current incumbent operators not to win franchises, incumbent operators would need to take part in a process for staff to transfer to the new operation. As staff would not *have to* transfer, the incoming operator would need to deal with some uncertainty about the recruitment needs for any new staff. Incumbents may also experience some uncertainty over whether staff are eligible to transfer, particularly if their roles concern cross-boundary services, and the cost consequences of any staff transferring or not.

17.4.50 The handling of these and other mobilisation issues is set out in the Management Case at Section 48. These issues can also be mitigated by complying with the process set out in *The Franchising Schemes and Enhanced Partnership Schemes (Application of TUPE) (England) Regulations 2017* ("TUPE Regulations") which sets out the process of how the GMCA would need to consult operators to determine which of their staff would transfer and which services they would transfer too. Once those issues are determined, any impacts should be reduced as operators will have a better understanding of which of their staff could transfer out of their operation or whether they would be taking on new staff upon the successful award of a franchised contract.

17.4.51 The GMCA would endeavour to ensure a smooth transition, including taking account of issues such as the transfer of staff that may require negotiation between two operators. As such it is expected that the transition effects on operators would be manageable.

18 Impacts on the GMCA and TfGM

18.1.1 The economic impacts to the GMCA and TfGM reflect changes to Metrolink and "TfGM Bus Operator" revenues as well as set up costs and ongoing costs for each option.

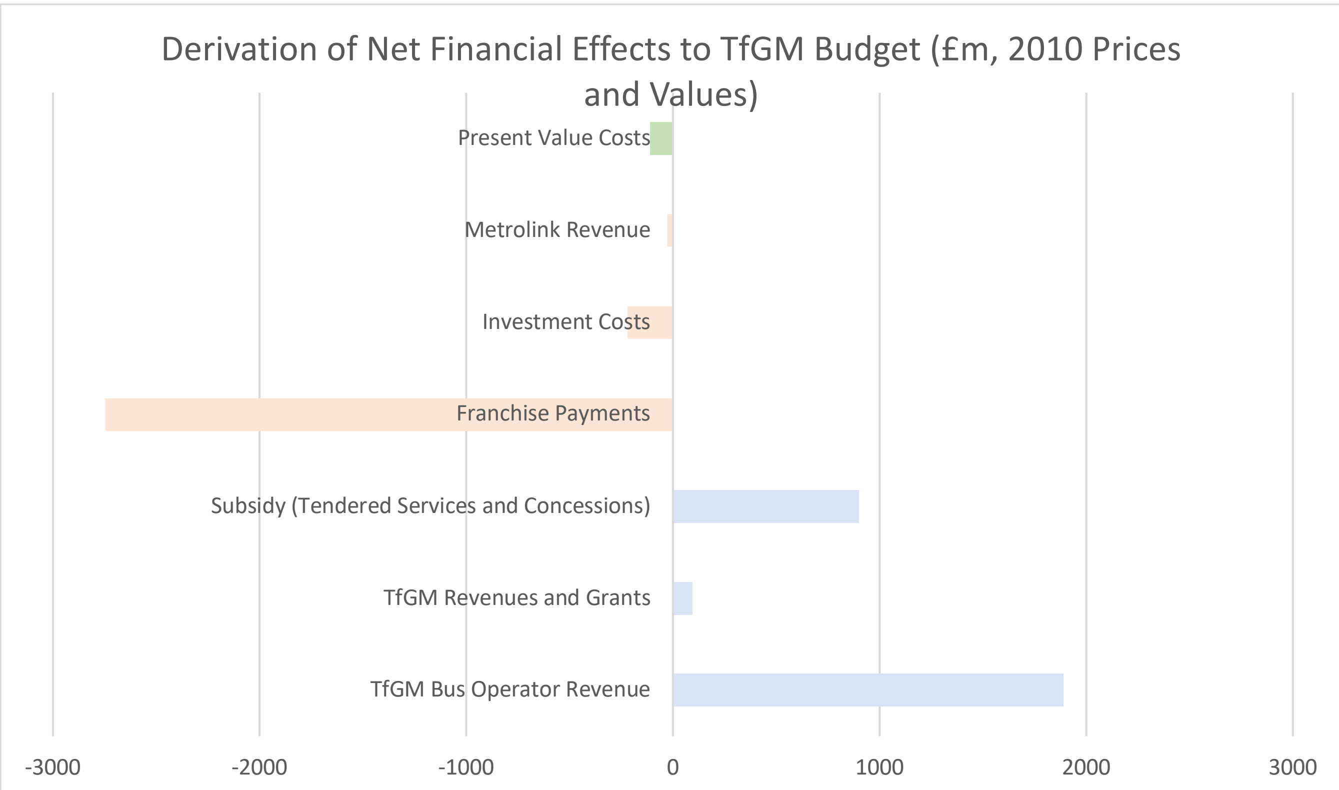
18.1.2 In the Franchising Scheme option, the GMCA would take responsibility for revenue in the bus market. In addition, there are set up and ongoing costs for the GMCA and TfGM. Table 18 sets out these costs.

Table 18: Impacts to the GMCA and TfGM – Franchising Scheme Option and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
TfGM (including GMCA) (TfGM as Bus Operator + Metrolink part of "Other Operator Revenues"+ Set Up and Ongoing TfGM Costs)	-£110.8	-£32.7	-£38.7

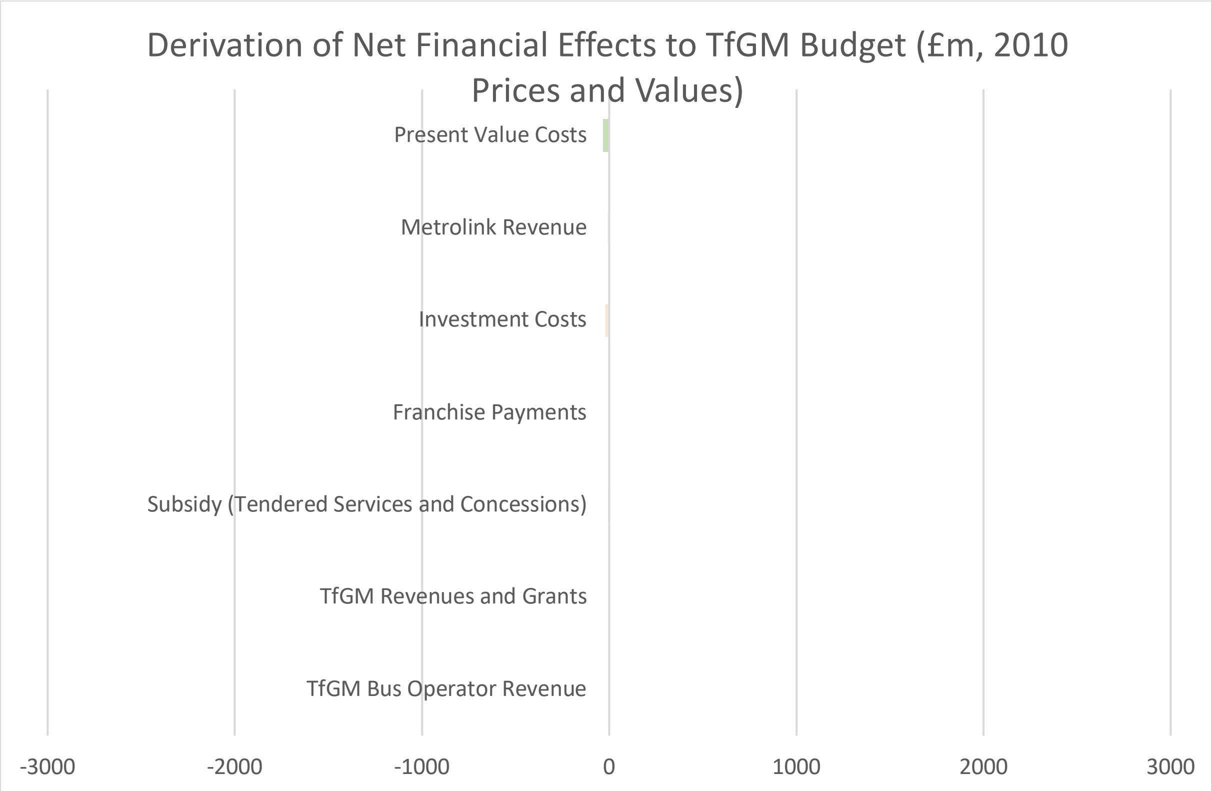
18.1.3 Chart 23 sets out the component costs of franchising to the GMCA. These sum to the "Present Value of Costs" which is defined as the economic impact to the GMCA's finances.

Chart 23: TfGM Whole Life Net Financial Effects–for the Franchising Option



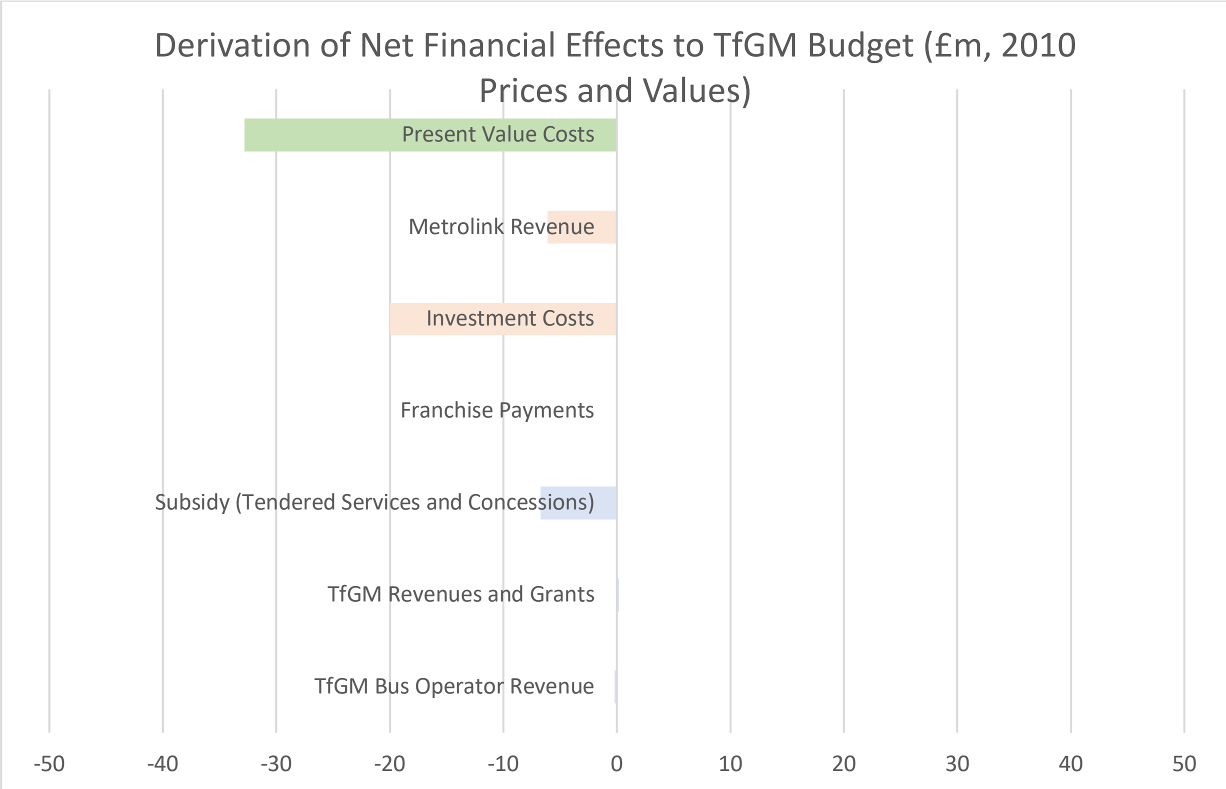
18.1.4 Chart 24 sets out the component costs of the Operator Proposed Partnership to the GMCA. These sum to the "Present Value of Costs" which is defined as the economic impact to the GMCA's finances. The same scale has been used for the purpose of comparison with the franchising option.

Chart 24: TfGM Whole Life Net Financial Effects–for the Partnership Option



18.1.5 Chart 25 presents the same information as Chart 24 but using a more legible x-axis scaling.

Chart 25: TfGM Whole Life Net Financial Effects–for the Partnership Option (x-axis rescaled)



18.1.6 Although the PVC for the options is similar in order of magnitude, the flows of money that the GMCA would assume control of are significantly higher in the franchising option.

18.1.7 Other impacts on the GMCA in terms of changes to the organisation required to run the different options, are set out in the Management Case.

19 Impacts on Wider Society

19.1 Introduction

19.1.1 A summary of the impacts of the Franchising Scheme option and the partnership options on society is given below. This includes some additional analysis coming from the modelling of the schemes as well as an assessment of non-quantified impacts. The table below sets out the benefits of the schemes to wider society and to Government. In accordance with WebTAG guidance, the effects of changes in the levels of indirect taxes is used to assess the impact on national government. These changes result from different travel behaviours that alter the fuel tax receipts of the treasury.

Table 19: Impacts to Key Groups – Franchising Scheme Option and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Wider Society (Decongestion + "Other" Benefits)	£67.3	£16.4	£20.9
Wider Economic Impacts	£207.9	£50.5	£78.3
Government (Indirect Taxes)	*-£5.73*	£1.0	£0.0
Total Benefits	**£269.47**	**£66.40**	**£97.40**

19.1.2 The bulk of the benefits in the monetised analysis come from the wider economic impacts. There is some additional benefit from decongestion due to reduction in car case that accrues as a benefit to wider society.

19.2 The Wider Economic Impacts (WEIs) of Bus Reform

19.2.1 Within welfare analysis, economic impacts are primarily captured by the estimation of user impacts. Under a well-defined set of circumstances, user benefits will capture the entire welfare effects of a transport investment. However, if there are 'distortions' or 'market failures' that mean the economy is not functioning efficiently, additional benefits (or dis-benefits) will arise as the impact of transport improvements is transmitted into the wider economy. These are termed wider economic impacts and it is these economic impacts that are covered in this section.

19.2.2 The Strategic Case explains how bus reform options will deliver improvements to the bus system for passengers. The core economic impacts are based on these improvements. Each option will also generate social and environmental improvements as a result of changes in travel behaviour. These will occur under each of the options for reform but to different extents. These impacts are termed 'Level 1' or 'established' economic impacts.

19.2.3 The Level 1 impacts can be assumed to capture a large proportion of the expected economic impacts. However, because the Greater Manchester economy (as with all economies) has market failures identified in the transport system, it is appropriate to examine and appraise the WEI's of the Franchising Scheme and partnership options as well as the economic impacts derived from an analysis of economic welfare benefits (for the reasons set out in 13.1.1).

19.2.4 The WEIs will be felt at different spatial levels. The Economic Case focuses on the net additionality at the UK level, accounting for displacement of activity between areas using standard DfT approaches. At the Greater Manchester level, impacts will be greater. In accordance with DfT standard practice, however, it is the net UK impacts which should be reported in conjunction with the standard user impacts and the associated 'core' monetised assessment.

19.2.5 WEIs can occur directly due to changes in transport supply and also indirectly by stimulating changes in land use (through changes in transport supply). These are termed Level 2 and 3 impacts respectively, or 'evolving' and 'indicative'[5].

19.2.6 The Level 2 impacts that have been assessed reflect new development activity at key economic areas across Greater Manchester, including the Regional Centre (Manchester City Centre, Oxford Road, Salford Quays and Trafford Wharfside), Manchester Airport and the Western Gateway (including Port Salford and Carrington) and the extent to which this new activity in GM is abstracted from the rest of the UK, versus net new activity within the UK.

19.2.7 For the assessment of the bus reform options, only Level 2 impacts are calculated as the scale of the expected impacts on transport supply is considered insufficient to trigger Level 3 impacts. However, in the event that the Market Reform platform was employed to further invest in the quality of the bus system towards a system commensurate with that outlined in the *Transport Strategy 2040* and its *Draft Delivery Plan*, it is anticipated that Level 3 impacts associated with the interactions between transport supply and land use may be generated. Put simply, a significantly improved bus system will help support sustainable development and economic activity across GM.

19.2.8 Analysis was undertaken for both the partnership and the Franchising Scheme options.

19.3 Net Wider Economic Impacts (WEIs)

19.3.1 The net UK impacts have been estimated in line with DfT Transport Analysis Guidance (WebTAG), and are presented in 2010 values and prices, discounted to 2010.

19.3.2 The WEI impacts for the Franchising Scheme option totals £208 million increase in GDP at the UK level accounting for any displacement. The Operator Proposed and Ambitious Partnership WEIs are forecast to yield smaller benefit. Benefit of £51 million is forecast for the Operator Proposed Partnership and £78 million for the Ambitious Partnership.

19.3.3 Agglomeration impacts are the largest difference between the two schemes, reflective of the fact that better linkage of people with opportunity is a significant reason for reforming the bus market, and for the Franchising

[5] See Box 4.3 in: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf

Scheme option does this better than the Partnership option alternatives tested.

Table 20: Net UK Economic Impacts Breakdown by Type for Franchising Scheme and Partnership Options

WEI	DESCRIPTION	UK IMPACTS PRESENT VALUE OF BENEFITS (£ millions) 30 YEARS		
		FRANCHISING SCHEME OPTION	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
1	**Labour supply**	13.2	3.2	4.4
2	**Reduction in spatial inequalities**	9.5	6.5	6.6
3	**Reduction in structural unemployment**	0.1	0.1	0.1
4	**Move to more productive jobs (direct)**	-2.1	-0.4	-0.6
6	**Move to more productive jobs (upskilling of labour force)**	21.4	5.3	6.5
8	**Agglomeration**	165.8	35.8	61.3
Total WEI impacts (2010 prices and values for 30 years)		**207.9**	**50.5**	**78.3**

19.4 Environmental Impacts

19.4.1 The impacts of the Franchising Scheme option and the partnership options on environmental issues is summarised below. These come from increased use of sustainable modes of transport because of an increased mode share of bus (from people changing modes and also establishing bus travel for new journeys), which reduces emissions of CO_2 and also of NOx, and potential changes to fleet composition, with a different fleet with less emissions of CO_2 and NOx.

Increasing use of sustainable modes

19.4.2 As set out in the Strategic Case in Section 4, increasing the use of sustainable transport is fundamental to the case for changing the bus market in Greater Manchester, and achieving the target of a 50% share for non-car modes by 2040. Bus has a key role to play in meeting this proposed target and reducing the environmental consequences of increased car use.

i. Do Minimum: Declining bus patronage is forecast, despite overall growth in travel across the city region. This will inevitably lead to worse environmental outcomes.

ii. Partnership: the Operator Proposed Partnership increases use of bus by1.4% over the first 10 years. They offer less potential for integration of the transport system than the Franchising Scheme and so would be likely to have a lower effect on overall public transport usage over the long-term.

iii. The Franchising Scheme: the improved potential to create an integrated public transport system means that the Franchising Scheme represents the strongest option to increase the use of sustainable transport. The Franchising Scheme would increase patronage (by 5.6%) and reduce the use of car, and therefore would be expected to contribute most strongly to the use of sustainable transport. The quality and integration of the public transport network as a whole would be enhanced and offers the potential for a more beneficial effect on all overall public transport use.

19.4.3 A further environmental impact of the schemes would be to improve public transport access to new areas where transport demand is established – for instance new employment sites or housing areas.

i. In the Do Minimum option, there would not be expected to be any difference in terms of access to new areas of development. There would continue to be a lack of new bus services to areas where demand was not already established, and potentially missed opportunities to establish demand for new areas of development. To some extent, the GMCA has done this already through subsidised services. Currently, if services prove successful, the GMCA is obliged to stop running the service so it is harder to ensure continuity when such innovations are made. This means that this is harder to ensure good value for money for these services as the later returns do no accrues to the authority.

ii. Partnership: Under a partnership option, the GMCA could negotiate with operators to attempt to cooperate on new areas of employment or housing. This has a greater chance of success where some demand is already established, enabling operators to make a return. Operators may be prepared to take over routes where TfGM has established demand, or take a calculated risk for a defined period of time.

iii. Franchising: In the Franchising Scheme option scenario, the GMCA would have the opportunity to establish and plan services that could serve new areas of demand, be that new areas of housing or areas where jobs are being created, facilitating social inclusion across Greater Manchester. Any returns from new services planned would accrue to the authority of new services were successful, making them better value for money and making it easier for the GMCA to establish new services.

Change in the composition of the fleet in terms of emissions

19.4.4 Reducing transport emissions is a particular challenge, given that economic and population growth will increase the demand for travel. The options presented here will have an impact in terms of the potential to affect the composition of the fleet in terms of both the proportion of Euro VI standard diesel, and also alternative power sources such as electric buses.

i. Do Minimum: As set out in Section 7.2.12 if the current rate of replacement were to be maintained, then the fleet operating in Greater Manchester would be Euro VI compliant by 2030. There would be no effect on the take-up of alternatively fuelled vehicles.

ii. Partnership: As set out in Section 8.5.14 operators have committed to investing in 150 new vehicles for the first three years of the life of the partnership although this is broadly what would be achieved in normal operations through natural replacement of vehicles as they end their useful life. They have also committed to reducing average fleet age during the life of the partnership to 7 years although they have indicated that such any changes to this trajectory would be down to individual operators and no specific detail has been provided on how such a commitment will be delivered. TfGM's analysis suggests that to achieve this would require a greater of level of new vehicles per year than proposed above. Reference has been made to implementing four zero emission corridors, (but is 'subject to available funding') and operators have not been able to provide any detail to support the reference. There is therefore a great deal of uncertainty attached to this proposal. It is not clear how much further an Ambitious Partnership would go in terms of fleet replacement.

iii. Under the Franchising Scheme option, the age profile of the fleet would be set out in the specification of the franchises. The GMCA would specify fleet, and could either accelerate the replacement of fleet and hence the introduction of Euro VI engines, or retrofit a proportion of the fleet. This would come at a cost, either directly to the GMCA or through franchise payments. In future years, the GMCA control of the specification would allow it to take advantage of changes in vehicle technology – though any changes would need to be balanced against their cost and the effect on the network that would be procured.

'Phase 2' measures

19.4.5 Several of the 'Phase 2' measures could improve environmental outcomes. Any measures that involved additional spending to improve the bus service and thus increase patronage would have a positive effect on the first key impact of increasing use of sustainable transport; this could also involve services that established public transport access to new areas. Secondly, investment in newer or different buses would change the composition of the fleet and could reduce emissions. Thus, to the extent that the options facilitate 'Phase 2' measures, they are likely to improve the environmental outcomes for Greater Manchester. As set out in the Strategic Case in Section 8, franchising would best facilitate the widest range of 'Phase 2' measures.

Conclusion

19.4.6 The analysis set out above shows that in terms of the three key environmental impacts – increased use of sustainable modes, emission of the bus fleet, and increased public transport access to new areas of employment or housing, the Franchising Scheme offers will have a more beneficial effect and offers the possibility for greater impact long-term.

20 Risk Assessment

20.1.1 The economic analysis results presented in the Economic Case reflect the position after allowance for risk and for optimism bias. A risk assessment has been conducted following HM Treasury's guidance in *The Green Book* (HM Treasury, 2018), regarding the identification and quantification of risk and is explained in full detail in the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d). The inclusion of a risk provision allows for unforeseen costs which could materialise under the partnership and the Franchising Scheme options. The approach employed estimates this additional cost at a level of confidence (as explained below) deemed to be reasonable but not unrealistically prudent.

20.1.2 The Quantified Risk Assessment (QRA) estimates the cost of specific uncertain events which may occur during the options – "they are specific to an intervention and may be quantified and managed" (HM Treasury, 2018). The cost of the risk occurring is matched with the probability of it occurring. The output of this analysis is a 'risk provision' which is applied to each option to assist in the options appraisal. This Assessment seeks to quantify the risks that TfGM and the GMCA could face and not those that are borne or transferred to the operators in any of the options. Risks faced by operators are considered in so far as they directly impact the GMCA (e.g. if operators do not have the necessary information to price bids appropriately, this could have a cost implication for the GMCA in terms of receiving bids that are less value for money).

20.1.3 To calculate this risk cost, a multi-point probability analysis was performed. For the risks that it is possible to quantify at this stage, three possible outcomes were identified (a minimum, most likely and maximum value). A triangular probability distribution was applied to the three outcomes. For further detail on methodology refer to Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d).

20.1.4 A Monte Carlo simulation (refer to the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d) for more detail on this) was then performed using this information. The simulation creates a distribution of the likely risk cost through calculating the effect of different costs occurring randomly, based on their probability of occurrence under the triangular distribution, over a large number of iterations. The output demonstrates the required provision to cover project risks at different certainty levels.

20.1.5 *The Green Book* (HM Treasury, 2018) requires appraisers to calculate the 'expected value' of risk. Therefore, as is explained in Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d), the P(mean) was used in the economic modelling as this represents the expected value of risk in the Monte Carlo simulation. The 80th percentile (P80) result was adopted for the financial modelling as explained in the Financial Case.

Revenue Risk

20.1.6 For risks in the implementation and management of the Franchising Scheme option that have a specific impact on revenue, a separate risk quantification exercise was performed. A number of risks were identified that could potentially impact demand and revenue; rather than attempting to value these individual risks discretely, an overall scenario-based methodology has been used to value revenue risks. This enables revenue risk to be considered in aggregate, as revenue risk is inherently difficult to predict and factors affecting revenue are also often linked. Each revenue risk is given an impact scoring (low, medium or high) and duration (short, medium and long-term). Further detail on this is provided in Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d).

'System One' Risk

20.1.7 A further specific 'System One' risk has been added to the QRA for the Franchising Scheme option. This risk is to reflect expected lost revenue from trips that are currently made on single tickets which would no longer be purchased as a result of the move to all-network tickets with the Franchising Scheme option (other than on certain routes where discount tickets would be sold). Currently some passengers may be purchasing an operator-own period ticket and also one or more singles from another operator (potentially for an unforeseen journey), rather than buying a System One ticket. In a franchised market, this would not be necessary (other than on certain routes as mentioned), and this represents revenue lost.

20.1.8 The National Travel Survey (NTS) reports the proportions of different tickets sold in Greater Manchester and this data was used to estimate the amount of revenue that would be lost. Further detail on how this is calculated is included in Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d).

20.1.9 The resulting risk provision values from all of these factors has been included in the economic model as a result of the QRA. These are shown in Table21.

Table 21: QRA Risk Results

RISK/CONTINGENCY VALUES	DISCOUNTED REAL CUMULATIVE VALUE TO 2051 IN 2010 PRICES
Franchising	
	£m
QRA – Quantified Risk	22.5
QRA – Revenue	8.3
QRA – System One	17.6
TOTAL	**48.4**
Operator Proposed Partnership	
QRA – Quantified Risk	1.3
TOTAL	**1.3**
Ambitious Partnership	
QRA – Quantified Risk	1.6
TOTAL	**1.6**

20.2 Non-quantifiable Risks

20.2.1 There are a number of risks that were deemed not possible to quantify - these risks are qualitatively assessed, and their respective scoring can be found in Appendix B.

20.3 Optimism Bias

20.3.1 Optimism bias is the tendency for appraisers to be overly optimistic about infrastructure cost estimation. In response, *The Green Book* (HMT, 2018) suggests increasing project costs by set rates depending on the type of cost and the stage of scheme development. The cost estimates used in the in respect of partnership and the Franchising Scheme options in Economic Case reflect this.

20.3.2 Optimism bias can be reduced though mitigation of its contributory factors, as prescribed by *The Green Book*. An exercise has been completed to reduce the necessary level of optimism bias through assessing its contributory factors. For further detail on optimism bias and how it is calculated, refer to Section 3 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d).

20.3.3 The resulting values included in the cost benefit analysis are summarised in Table 22.

Table 22 Optimism Bias Values

OPTIMISM BIAS VALUES	% OB Applied	DISCOUNTED REAL CUMULATIVE VALUE TO 2051 IN 2010 PRICES
Franchising	**%**	**£Ms**
OB - Depot Acquisition	2	0.5
OB - Depot Initial improvements	24	2.8
OB - Systems / Licences / Renewals	10	2.5
OB - Transition Costs	8.75	2.1
OB - Ongoing Costs	8.75	2.7
OB - ITS	38.97	4.8
TOTAL		**15.5**
Partnership		
OB - Capital (Depots)		0.0
OB - Systems / Licences / Renewals	10	0.1
OB - Transition Costs	8.75	0.2
OB - Ongoing Costs	8.75	0.4
TOTAL		**0.7**
Ambitious Partnership		
OB - Capital (Depots)		0.0
OB - Systems / Licences / Renewals	10	0.1
OB - Transition Costs	8.75	0.3
OB - Ongoing Costs	8.75	0.8
TOTAL		**1.2**

21 Economic Case Conclusion

21.1.1 The monetised benefits for the Franchising Scheme option and partnership options are compared in the following tables which present the economic results with and without the valuation of Wider Economic Impacts.

Table 23: Bus Reform Scheme Options – Economic Results (without WEI included)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	THE FRANCHISING SCHEME OPTION VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Present Value of Benefits (PVB)	£344.6	£113.2	£141.7
Present Value of Costs (PVC)	£110.8	£32.7	£38.7
Net Present Value (NPV)	£233.8	£80.5	£103.0
BCR	3.11	3.46	3.66
ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES		**THE FRANCHISING SCHEME OPTION VS. OPERATOR PROPOSED PARTNERSHIP**	**THE FRANCHISING SCHEME OPTION VS. AMBITIOUS PARTNERSHIP**
Present Value of Benefits (PVB)		£231.4	£202.9
Present Value of Costs (PVC)		£78.1	£72.1
Net Present Value (NPV)		£153.3	£130.8

Table 24: Bus Reform Scheme Options – Economic Results with WEI Included

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	THE FRANCHISING SCHEME OPTION VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Present Value of Benefits (PVB)	£552.5	£163.7	£220.0
Present Value of Costs (PVC)	£110.8	£32.7	£38.7
Net Present Value (NPV)	£441.7	£131.0	£181.3
BCR	4.99	5.01	5.68
ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES		**THE FRANCHISING SCHEME OPTION VS. OPERATOR PROPOSED PARTNERSHIP**	**THE FRANCHISING SCHEME OPTION VS. AMBITIOUS PARTNERSHIP**
Present Value of Benefits (PVB)		£388.8	£332.5
Present Value of Costs (PVC)		£78.1	£72.1
Net Present Value (NPV)		£310.7	£260.4

21.1.2 The Franchising Scheme option produces more benefits than the partnership options, at £345 million against a range of £113 million to £145 million. The

Franchising Scheme option has a higher cost at £110 million against the partnership options at £33 to £39 million, but the Franchising Scheme option has a higher NPV at £234 million against £81 to £103 million for the partnership options, a difference of £131 to £153 million. Given this range, the Franchising Scheme option has a better economic performance, with a higher level of benefit and a greater level of positive economic outcomes for Greater Manchester.

21.1.3 Inclusion of Wider Economic Impacts further reinforces the conclusion that overall value for GM would be maximised by reforming the market under the Franchising Scheme option. WEI value generated by the franchising option is between three and four times the forecast value under either partnership options.

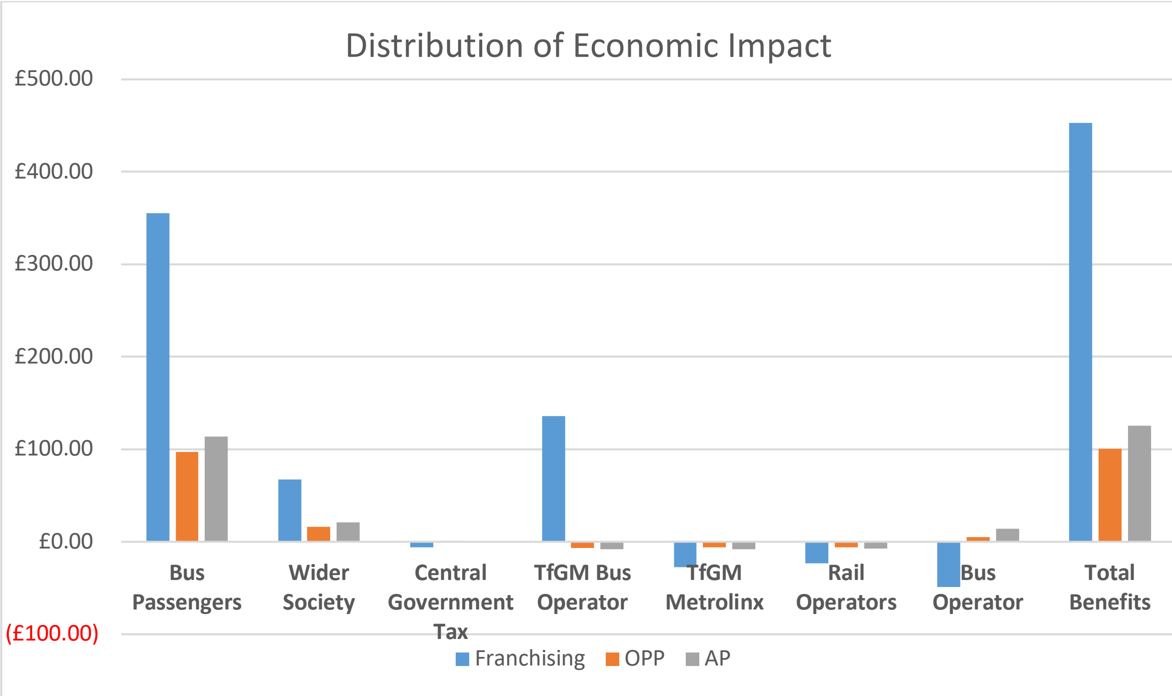
21.2 Distribution of Benefits

21.2.1 A summary of the distribution of economic benefit by economic actor is set out in Table 25 and Chart 26.

Table 25: Economic Impact by Interest Group

	Franchising	OPP	AP
Bus Passengers	£355.10	£96.80	£113.90
Wider Society	£67.30	£16.40	£21.00
Central Government Tax	-£5.70	£1.00	£0.00
TfGM Bus Operator	£136.00	-£6.70	-£8.20
TfGM Metrolink	-£27.70	-£6.10	-£8.10
Rail Operators	-£23.50	-£6.00	-£7.30
Bus Operator	-£48.60	£5.10	£14.20

Chart 26: Distribution of Economic Impacts



21.2.2 In summary;

i. The majority of benefit is to passengers under all options.

ii. Franchising generates significantly more benefit overall than other options

iii. The TfGM Bus Operator "benefit" is offset by TfGM Metrolink revenue impact as well as the £219.1m franchising option transition costs (purchase, maintenance and renewals) included in the Present Value Costs. Costs are partially met through the capture of some private sector profit margin in the franchising option. This profit capture is reasonable and commensurate with the transfer of farebox risk from private to public sectors.

21.2.3 The delivery of an efficient and effective transport network, of which bus reform is a key element, is a main driver in achieving wider economic growth in the region by increasing the confidence of business and attracting new investment that will deliver new jobs, housing and better services to benefit all those living and working in Greater Manchester.

21.2.4 The greater overall level of benefit from the Franchising Scheme option, in terms of the outcomes set out in the Strategic Case, means that it is the preferred option. It delivers more in terms of increased bus demand and overall public transport demand, and hence greater modal shift from car, resulting in greater decongestion and other associated benefits. It does cost more than the other interventions and so the contrast in terms of NPV is not as great as the contrast in terms of benefits.

21.2.5 It also offers more potential to act as a solid platform from which to invest further to achieve the full Vision for Bus as set out in the *Transport Strategy 2040*: in terms of improvement and integration of the network; enabling a simplified and integrated fares and ticketing offer; an enhanced customer experience and greater competition; and delivering value for money. The uncertainty about the nature of the potential partnership and its longevity must be taken into account when choosing the appropriate reform option. It may be that a good value for money partnership option would endure, but that less could be achieved.

21.2.6 The Franchising Scheme option thus offers more potential for the Greater Manchester Combined Authority to advance its transport strategy and develop the public transport market in Greater Manchester.

The Commercial Case

22 Introduction

22.1.1 This Commercial Case sets out the commercial proposition for the franchising and partnership options, and has been prepared with reference to the Guidance.

22.1.2 This Commercial Case sets out:

i. Section 23 – Part 1 which describes current arrangements in the deregulated Greater Manchester bus market (setting the context for the commercial implications of the reform options being considered).

ii. Section 24 to Section 34 – Part 2 which considers the commercial model and implications of a franchised model of bus service operation.

iii. Section 34 to Section 36 – Part 3 which considers the commercial implications of potential partnership models of bus operations.

22.1.3 The Commercial Case sets out a proposed commercial model under each option. It should be noted that there are a greater number of changes to the current commercial model under a franchised model than a partnership. This Commercial Case has to deal with implications for packaging, risk and responsibilities, and procurement amongst other things under the franchised model. For the partnership models the commercial implications are fewer for both the GMCA and operators, although for a successful partnership to function it would need to be underpinned by clear legal framework including management of performance.

23 Part 1 – Current Arrangements in the Deregulated Greater Manchester Bus Market

23.1 Introduction

23.1.1 This section describes current arrangements in the deregulated Greater Manchester bus market. It sets out:

i. Section 23.2 – Greater Manchester Operator market

ii. Section 23.3 – Tendered services contract lengths

iii. Section 23.4 – Allocation of risk and responsibility

iv. Section 23.5 – Depots

v. Section 23.6 – Fleet and Clean Air

vi. Section 23.7 – Intelligent Transport Systems (ITS)

23.2 Greater Manchester Operator Market

23.2.1 The majority (85.4% of estimated mileage) of bus services in Greater Manchester are operated commercially (*Bus Market in Greater Manchester supporting document* (TfGM, 2019b). The remaining 14.6% of bus mileage is currently operated under contract to TfGM, on behalf of the GMCA. As at March 2019, there were 537 service contracts, comprising school services, fully tendered routes and 'add-on' contracts let where a service or a section of a service is run on a commercial basis some of the time (for example, weekday daytimes) and subsidised by TfGM on behalf of GMCA at other times (for example, evenings and weekends).

23.2.2 A large proportion of the commercial and tendered services are delivered by two large operating groups, First[6] and Stagecoach, with a third large operating group, Arriva also providing more than 7% of services. Together, these three operating groups provide 77.6% of all operated mileage in Greater Manchester, including services run by non-Greater Manchester operators in these groups (*Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b)).

23.2.3 Four other large operating groups (Transdev, Rotala, HCT and RATP) each have a small market share in Greater Manchester. Taken together these four groups operate 15.4% of annual mileage.

23.2.4 All other operators are local SMEs[7]. As shown in Table 26, SME operators had a combined market share of 7.2% by annual mileage as at March 2019.

Table 26: Greater Manchester Operator Market Share by Mileage (March 2019)

OPERATOR	COMMERCIAL MARKET SHARE (85.4%)	TENDERED MARKET SHARE (14.6%)	COMBINED MARKET SHARE (100.0%)
Stagecoach (includes Stagecoach Lancashire)	40.1%	21.9%	37.4%
First (includes First West Yorkshire)	36.3%	9.5%	32.3%
Arriva (includes Yorkshire Tiger)	8.7%	2.8%	7.9%
Other large operators	10.9%	41.2%	15.4%
SMEs	4.0%	24.6%	7.0%
Total	**100.0%**	**100.0%**	**100.0%**

Source: *TfGM Route Database* (TfGM, 2019p)

[6] Also see Section 26.1.22 regarding the agreed purchase of First's Queens Road depot and operations (including the associated fleet) by Go-Ahead.

[7] SMEs are defined in accordance with *EU Recommendation 2003/361* as entities that each employ fewer than 250 people and have an annual turnover of less than or equal to €50 million (c.£44 million, assuming an exchange rate of 0.88 £/€) or a balance sheet total of less than or equal to €43 million (c.£38 million)

23.2.5 A breakdown of the other four large operators and their subsidiaries that deliver commercial and tendered services as at March 19, their depot locations and market share by mileage, is set out in Table 27.

Table 27: Other Large Operator Greater Manchester Market Share by Mileage (March 2019)

OPERATOR	SUBSIDIARY	DEPOT LOCATION	COMMERCIAL MARKET SHARE (60.8%)	TENDERED MARKET SHARE (39.2%)	COMBINED MARKET SHARE (100.0%)
HCT	Manchester Community Transport	Stockport and Rochdale	0.0%	17.0%	2.5%
RATP	Selwyn's Travel	Sharston	0.2%	1.2%	0.4%
Rotala	Diamond Bus	Atherton and Eccles	2.4%	17.3%	4.6%
Rotala	Preston Bus	Preston	0.1%	0.0%	0.1%
Transdev	Rosso	Rochdale, Blackburn and Burnley	4.7%	5.7%	4.9%
Transdev	Transdev	Blackburn and Burnley	3.5%	0.0%	3.0%
Total			**10.9%**	**41.2%**	**15.4%**

Source: *TfGM Route Database* (TfGM, 2019p)

23.2.6 A breakdown of the 41 incumbent small and medium-sized operators that deliver commercial and tendered services as at March 2019, their depot locations and market share by mileage, is set out in Table 28.

Table 28: Small and Medium-sized Operators, Depot Locations and Market Share by Mileage (March 2019)

OPERATOR	DEPOT LOCATION	COMMERCIAL MARKET SHARE (48.8%)	TENDERED MARKET SHARE (51.2%)	COMBINED MARKET SHARE (100.0%)
Ashall's Coaches	Belle Vue	0.0%	0.0%	0.0%
Atlantic Travel GB	Bolton	0.0%	0.2%	0.0%
Belle Vue Coaches	Stockport	0.0%	0.8%	0.1%
Blackburn Private Hire	Blackburn	0.0%	0.0%	0.0%
Bradshaws Coaches	Worsley	0.0%	0.0%	0.0%
Cambraco Travel	Melling	0.0%	0.0%	0.0%
Charlton Minicoaches	Ormskirk	0.0%	0.0%	0.0%
Chester's Coaches	Walkden	0.0%	0.0%	0.0%
Cumfybus	Bolton	0.2%	5.0%	0.9%
D & G Coach & Bus	Stoke-on-Trent	0.3%	1.4%	0.4%
D Hurst Travel	Wigan	0.0%	0.0%	0.0%
EasyBus	Shrewsbury	0.0%	0.0%	0.0%
Elite Services	Sale	0.0%	0.0%	0.0%
Ellenbrook Travel	Rochdale	0.0%	0.0%	0.0%
Finches	Wigan	0.1%	0.0%	0.1%
G B Coaches	Reddish	0.0%	0.1%	0.0%
GHH Coach Hirers	Rochdale	0.0%	0.0%	0.0%
Go Goodwins	Eccles	0.0%	0.4%	0.1%
Halton Transport	Widnes	0.0%	0.0%	0.0%
Hattons Travel	Haycock	0.0%	0.5%	0.1%
High Peak Buses	Buxton	1.1%	0.0%	0.9%
Hilton Travel	Newton le Willows	0.0%	0.0%	0.0%
HTL Buses	Huyton	0.4%	0.0%	0.4%
Jim Stones Coaches	Leigh	0.4%	0.9%	0.4%
Jones Executive Travel	Worsley	0.0%	0.0%	0.0%
M D Travel	St Helens	0.0%	0.0%	0.0%
M Travel Mini Buses	Longsight	0.0%	2.4%	0.4%
Matthew's Travel	Chadderton	0.0%	0.0%	0.0%
Network Warrington	Warrington	1.1%	0.9%	1.1%
Olympia Travel	Hindley	0.0%	0.2%	0.0%
R Bullock Buses	Cheadle	0.1%	0.1%	0.1%
R.S. Tyrer & Sons	Bolton	0.0%	1.4%	0.2%
Radio Cabs (Ashton)	Ashton under Lyne	0.0%	0.5%	0.1%
Red Kite Travel	St Helens	0.0%	0.0%	0.0%
Rigbys	Accrington	0.0%	0.0%	0.0%
Smith's of Marple	Marple	0.0%	0.0%	0.0%
South Pennine C.T.	Holmfirth	0.0%	0.0%	0.0%
Stott's of Oldham	Oldham	0.0%	5.2%	0.8%
Travel Assist Services	Darwen	0.0%	0.0%	0.0%
Viking Coaches	Heywood	0.0%	0.1%	0.0%
Vision Bus	Blackrod	0.2%	4.6%	0.8%
		4.0%	**24.7%**	**7.0%**

Source: *TfGM Contract Database* (TfGM, 2019s)

23.2.7 This shows that, whilst there is a relatively small level of commercial service provision by SMEs, there is already a strong tendered market for the schools and general services currently procured for the GMCA.

23.3 Tendered Services Contract Lengths

23.3.1 For the GMCA tendered services, the current average contract length is 4.2 years, with averages of 3.5 years for general services and 5.2 years for school contracts:

Table 29: GMCA Tendered Services (March 2019)

CONTRACT TYPE	NUMBER OF CONTRACTS	AVERAGE LENGTH (YEARS)
General services	231	3.5
School	306	5.2
TOTAL/AVERAGE	**537**	**4.2**

Source: *TfGM Contract Database* (TfGM, 2019s)

23.4 Allocation of Risk and Responsibility

Risk

23.4.1 Commercial services are operated at net cost risk by operators. The operator retains revenue and operational cost risk and, as such, has full control over its customer offer and its fares and ticketing policy. By extension, factors that affect demand, such as operational performance, fare evasion and patronage, are all managed by the service operator. The operator designs and implements its own control measures, including performance management, service quality standards and revenue protection strategies to manage its risks. Similarly, the operator bears operational cost risk, which it seeks to control through cost forecasting and cost management initiatives such as on-bus ‘eco-drive’ equipment.

23.4.2 Tendered general services operate similarly to commercial services, but are also in receipt of subsidy from the GMCA. This is accompanied by operational specifications underpinned by a performance regime to manage operational performance and service quality standards.

23.4.3 Tendered school services are let as gross cost contracts. Therefore operational risk is generally borne by the operator in the same manner as tendered general services, other than that the GMCA bears revenue risk.

Responsibility

23.4.4 Responsibility allocation is in line with the risk allocation described above, reflecting the fact that each party needs to manage the risk allocated to it or the risk it has chosen to take.

23.5 Depots

23.5.1 There are currently ten depots located across Greater Manchester which TfGM has identified as 'strategic depots'. These depots are considered to be of strategic importance due to: combined size and distribution across Greater Manchester; their central importance to delivery of current bus operations and the granting of operator licences by the Traffic Commissioner's Office; and the limited scope to find alternative sites without significant financial outlay and lead time.

23.5.2 The strategic depots have total capacity for circa 1,600 buses. The size of these depots ranges from 80 to 230 buses each (note that registered operator licences have been used as a proxy for capacity). Due to the evolution of the commercial market in the past 20 years, these depots are all in Greater Manchester and controlled primarily by the two large Greater Manchester operators (First[8] and Stagecoach). The Bolton Arriva depot has not been categorised by TfGM as a strategic depot due to its size and condition, in particular when considered in the context of its proximity to the Bolton First strategic depot.

Figure 4: Greater Manchester Strategic Depots

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[8] See Section 26.1.22 regarding the agreed purchase of First's Queens Road depot and operations (including the associated fleet) by Go-Ahead. It is also recognised that First may subsequently dispose of some or all of its remaining Greater Manchester depots and operations.

23.5.3 In addition to the strategic depots, there are a number of smaller depots with individual capacities ranging from 1 to 60 buses. These depots are controlled by SMEs undertaking commercial, tendered and chartered services (including coach services), and are individually considered to be less important than strategic depots which are larger and play a more prominent role in the delivery of Greater Manchester bus services.

23.6 Fleet and Clean Air

Fleet

23.6.1 As at September 2018, there are around 2,000 buses, distributed among 20 operators operated within and around the Greater Manchester area. This number is based on the fleet list returns as at September 2018 that operators are required to provide to TfGM, supplemented by other fleet information where such returns were not available. Typically, these assets have a useful economic life of up to 15 years (12 for midi buses) and are maintained to strict engineering standards that allow operators to hold an operator licence from the Traffic Commissioner.

23.6.2 Table 30 outlines the fleet available to Greater Manchester operators. It should be noted that not all of these vehicles are dedicated to providing commercial and tendered services within Greater Manchester, as some operators deliver private hire services within Greater Manchester and general services wholly outside the area. TfGM has therefore sought to exclude from the fleet dataset vehicles which primarily serve markets outside of Greater Manchester.

23.6.3 This gives a current fleet of 1,986 buses available to services operating in Greater Manchester, as shown in Table 30. However, this figure is subject to changes as operators remove existing (in particular older) fleet from, and introduce newer fleet to, the network on an ongoing basis.

Table 30: Fleet List Adjustment (September 2018)

	DOUBLE DECKER	SINGLE DECKER	MIDI	MINI	COACH	TOTAL
Fleet list	1,244	847	496	15	86	2,688
Removal of vehicles primarily serving markets outside of Greater Manchester [9]	(160)	(217)	(204)	(13)	(4)	(598)
Removal of coaches (dual purpose)	-	-	-	(2)	(82)	(84)
Other adjustments [10]	-	(20)	-	-	-	(20)
Adjusted fleet list	1,084	610	292	0	0	1,986

Source: *TfGM Fleet Data* (TfGM, 2018b)

23.6.4 Currently, circa 70% of this fleet is held by the three large operators in Greater Manchester: Stagecoach, First[11] and Arriva. Stagecoach's and First's Greater Manchester fleets are material to these companies' nationwide operations, representing 11% and 10% of their UK fleets respectively (*TfGM Fleet Data*, (TfGM, 2018b)). The vehicle type and age profile of the 1,986 buses is shown in Table 31 and Chart 27.

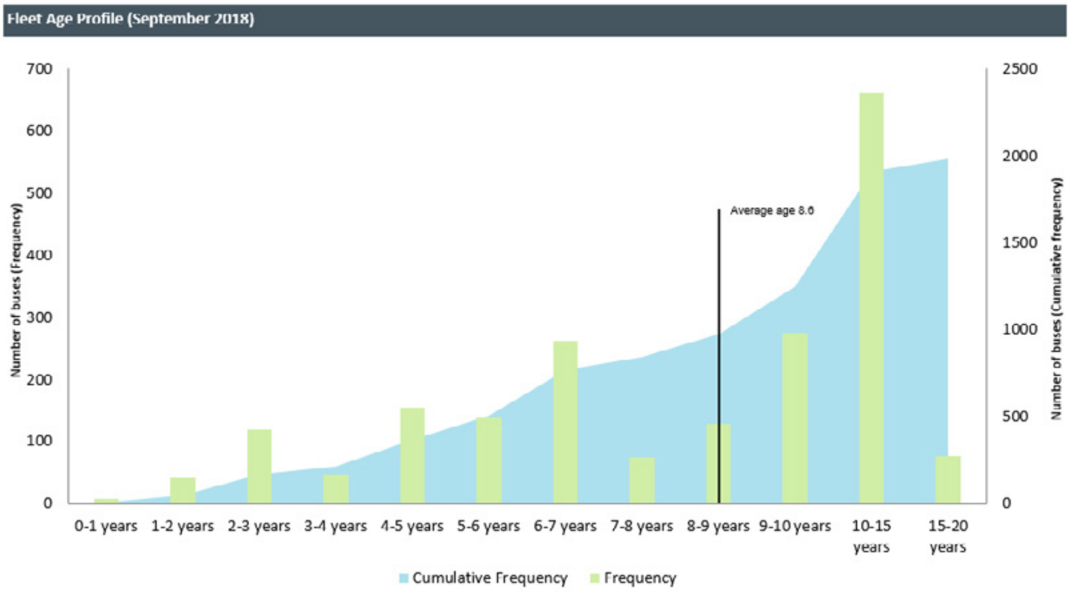
Table 31: Vehicle Type and Age Profile of Greater Manchester Buses (September 2018)

	DOUBLE DECKER	SINGLE DECKER	TFGM YELLOW SCHOOL BUS[12]	MIDI	TOTAL
Number of vehicles	1,084	523	87	292	1,986
Average age (years)	8.3	8.9	8.5	9.3	8.6
Normal asset life (years)	15	15	20	12	n/a

Source: *TfGM Fleet Data* (TfGM, 2018b)

[9] Removal of: Arriva North West, Chester Coaches, D&G Bus, Diamond Bus, Hattons Transport, High Peak, Nexus Move, Selwyns, Stagecoach Lancashire, Warrington's Own Buses.
[10] Other adjustments include removal of strategic spare fleet.
[11] See Section 26.1.22 regarding the agreed purchase of First's Queens Road depot and operations (including the associated fleet) by Go-Ahead. It is also recognised that First may subsequently dispose of some or all of its remaining Greater Manchester depots and operations.
[12] Categorised as 'Single Decker' for the purpose of Table 31.

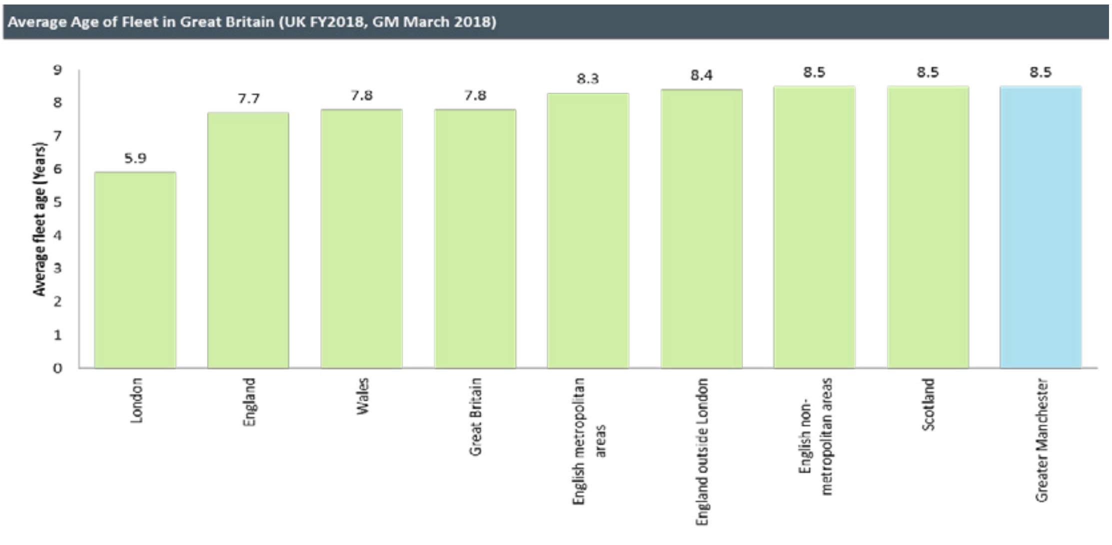
Chart 27: Fleet Age Profile



Source: *TfGM Fleet Data* (TfGM, 2018b)

23.6.5 The average age of the fleet in Greater Manchester as at September 2018 is 8.6 years, which is older than the average for Great Britain of 7.8 years and for England outside London of 8.4 years (both as at March 2018). The following chart presents the spread of Greater Manchester fleet ages.

Chart 28: Comparison of Average Fleet Age



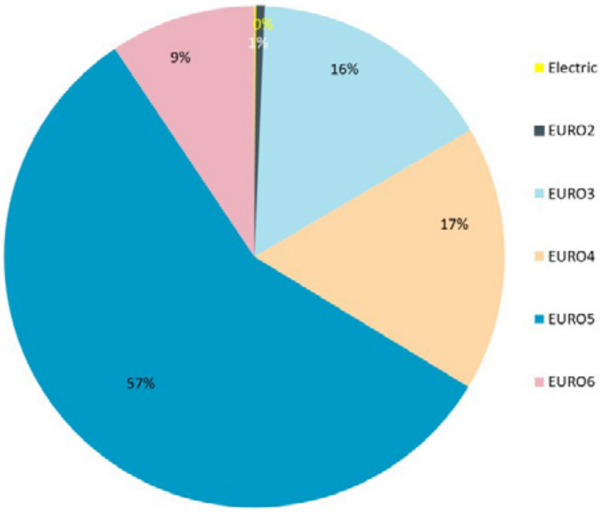
Source: *TfGM Fleet Data* (TfGM, 2018b)

Note 1: Greater Manchester fleet is also included within the following categories of the above chart: England, Great Britain, English metropolitan areas, and England outside London.

Note 2: This chart has a different reference date to other charts in this Fleet section due to lack of national average fleet age data beyond March 2018. The average age of fleet in Greater Manchester has since increased to 8.6 years (as at September 2018)

23.6.6 The emissions standards of the current fleet are shown in Chart 29, with over 65% of vehicles meeting Euro 5 engine standards or higher.

Chart 29: Engine Emissions Category (September 2018)



Source: *TfGM Fleet Data* (TfGM, 2018b)

23.6.7 The specification of fleet has improved in recent years, driven both by the legislative Public Service Vehicles Accessibility Regulations 2000, which require minimum accessibility criteria (low floor/wheelchair and buggy spaces etc.), and also by bus manufacturers improving their product to provide an improved on-board experience (such as improved heating and lighting, CCTV and Wi-Fi) and reduced whole life costs for the operators.

23.6.8 Following the announcements of 19 February 2019, it is anticipated as at 31 May 2019 that First's Queens Road bus depot and operations (including the associated fleet) will be sold to Go-Ahead in 2019, and that this will include the transfer of ownership of fleet operating from that depot. It is assumed that the structure (including type, mix and age) of the Greater Manchester fleet is not going to change materially in the short-term as a result of this. TfGM is also aware that First may seek to dispose of other Greater Manchester operations (including depots and associated fleet). As is the case of the anticipated sale of First's Queens Road bus depot, it is not assumed that the structure of Greater Manchester fleet would change materially in the short-term as a result of this.

Clean Air

23.6.9 As set out in Section 4.2.2, the Department for Environment, Food & Rural Affairs (Defra) have published a Clean Air Zone (CAZ) framework for England

(Defra, 2017). TfGM is currently producing an FBC to implement a Clean Air Plan on behalf of the 10 districts in Greater Manchester in coordination with GMCA. This builds on the Clean Air Plan OBC which was submitted to Defra on 28 March 2019. The OBC recommended the implementation of a CAZ for various vehicle types, including buses, across Greater Manchester (all ten districts) from August 2021.

23.6.10 In respect of bus fleet, analysis performed to date indicates that the current rate of investment in and replacement of fleet in Greater Manchester would lead to a fully Euro VI, or better, fleet by circa 2030. This is clearly not sufficient to meet either the date for introduction of the proposed CAZ (August 2021) or the date when GM anticipates meeting the legal limits for NO_2 in 2024 and that additional retrofitting of non-Euro VI engines or fleet replacement will be required to achieve Euro VI standards (required to meet air quality standards). . The costs and funding of any such intervention have not been included in this Assessment as they form part of the Clean Air Plan OBC and subsequent FBC, which is now in development. The Clean Air Plan business case is neutral as to whether any form of bus reform is implemented.

23.7 ITS

23.7.1 ITS comprise on-bus hardware and supporting back-office systems which collect, transmit, receive and process various forms of data whilst the vehicle is in operation. This supports efficient operation of the service, collection of revenue and customer travel pattern data, the provision of real-time journey information to customers, and performance monitoring by TfGM.

23.7.2 Table 32 describes current arrangements for each aspect of ITS:

i. Electronic Ticket Machines (ETM): Enable the driver to issue tickets, validate smart products and collect revenue.

ii. Automatic Vehicle Location (AVL): Transmits vehicle location in real time using GPS

iii. Real-Time Passenger Information (RTPI): provides passengers with live status updates for their journey, which can be provided both on-board the vehicle (via audio visual announcements) and on a range of web-based platforms.

iv. Driver communications: provides communication between drivers and control centre.

v. CCTV: provides interior and exterior video footage.

vi. Passenger Wi-Fi: supplies data free to customers.

vii. Driving standards monitoring: provides eco-drive and engine emissions reporting.

Table 32: ITS Current Arrangements

ITS EQUIPMENT TYPE	CURRENT SITUATION
ETM	• Various retail solutions currently deployed by operators, including mobile ticketing and ITSO-enabled smart cards. Contactless payments are also widespread in GM. • TfGM provides integrated ETM/AVL solution ('Ticketer') to small and medium-sized operators.
AVL	• Various solutions currently deployed by operators. Use of AVL is widespread across Greater Manchester, but data specifications vary. • TfGM has a system which collects AVL data from various operator systems. • TfGM provides integrated ETM/AVL solution ('Ticketer') to small and medium-sized operators.
RTPI	• Operators currently deploy some RTPI through their web platforms. Limited provision of audio-visual announcements on bus.
Driver communications	• The majority of large operators in Greater Manchester use driver radio systems, but other operators have mobile phone solutions.
CCTV	• Good coverage across operator fleet, although standards of data capture vary, as do policies on data retention.
Passenger Wi-Fi	• Reasonably good (c.70%) coverage across operator fleet; anecdotal evidence that the service is popular.
Driving standards monitoring	• Widely used among larger operators (equating to c.70% of all fleet) to manage driver behaviour and reduce fuel costs.

24 Part 2 - Franchise Model

24.1 Introduction

24.1.1 This section considers the commercial model and implications of a franchised model of bus service operation. It sets out:

i. Section 25 – The proposed franchise design, encompassing a packaging strategy setting out how the Greater Manchester market would be broken down into individual franchises, franchise length, and risk and responsibility allocations. This provides the framework for detailed development of franchise agreements and procurement documentation required to implement franchising.

ii. Section 26 – The proposed commercial strategies in respect of the key asset groups, including depots, fleet, and ITS. The strategy for provision of these assets is fundamental to the structure of the franchises and the roles and responsibilities of the GMCA and its franchisees.

iii. Section 27 – The proposed approach to procurement of the new franchises, including the procurement strategy and procurement programme.

iv. Section 28 – The approach to, and the findings from, the market engagement exercise undertaken by TfGM in early 2018 to invite responses from local, national and international operators in respect of testing the proposed commercial model a franchised market in Greater Manchester. This has tested and validated the commercial proposition.

v. Section 29 – A summary of how the proposed commercial model would facilitate strong competition for franchises.

vi. Section 30 - The proposed approach to implementing 'Phase 2' interventions.

vii. Section 31 – How the GMCA would manage risks around existing operations and services between any mayoral decision to implement franchising and the commencement of franchise operations, including the potential impact and likelihood of service disruption, along with TfGM's proposals for the GMCA's commercial arrangements to protect passengers.

viii. Section 32 – A summary of the key commercial risks, their impact, and actions to mitigate and manage them.

ix. Section 33 – The proposed approach to cross-boundary services.

x. Section 34 – The conclusion to the Commercial Case for the proposed franchise option, which confirms the deliverability of the commercial proposition.

24.1.2 The process of developing a commercial proposition for franchising has included:

i. Consideration of global examples of bus franchising, both from mature franchise models (for example, London and Australia) and from newer franchise models (for example, Singapore and Dublin).

ii. Support from ex-bus industry senior professionals and commercial, technical, and legal external advisors with experience in the bus sector both in the UK and internationally.

iii. Testing of the key commercial principles with local, national and international operators, as part of an initial market engagement exercise performed in early 2018.

iv. Reference to the Guidance and the Utilities Contract Regulations 2016.

24.2 Objectives of the Commercial Strategy

24.2.1 Part 2 of the Commercial Case sets out the commercial strategy for the delivery of bus services through a franchised model. This represents a change in market structure from a deregulated market to one where services are specified and procured by the transport authority, in this case the GMCA. The commercial model has been designed to support the achievement of the Vision for Bus and to deliver the following two key aims:

i. The first key aim is to deliver franchised bus operations that offer quality of service and value for money. This means procuring the best possible service for Greater Manchester within the funds available, allowing the GMCA to optimise deployment of its resources to achieve its objectives. This overarching aim would be realised by:

- Driving competition for each of the franchises.
- Creating and sustaining an enduring market for new bus franchises, to ensure that the market is competitive in the long-term. This would be achieved through the overall franchise and procurement structure, removal of barriers to entry (particularly in relation to key assets required for operations) and facilitation of transition from one franchisee to the next.
- Managing risk efficiently by allocating risks to the party best able to manage and price them.
- Providing sufficient flexibility to respond to changing demands and circumstances, both within franchise terms and from one franchise term to the next. The procurement process would obtain competitive price points (for example, rate per mile, schedule of rates), which would subsequently be applied under the contract when change is required.
- Drawing on examples of best practice, where relevant, in respect of franchise design and procurement, such that the GMCA is a credible procuring body of, and counterparty to, franchise agreements. Best practice examples are drawn from more established bus franchising models globally recognising that in assessing these it is important to ensure their applicability to Greater Manchester.

ii. The second key aim is to maintain access to the market for small and medium-sized operators. This is consistent with the requirement in the 2017 Act for authorities to facilitate the involvement of small and medium-sized operators in the provision of local services, and recognises that such operators currently play a role in the delivery of bus services in Greater Manchester.

24.2.2 TfGM considers that the commercial proposition described in Section 24 to Section 33 would enable the GMCA to successfully secure franchise services that meet the aims described above and support the achievement of the Vision for Bus.

24.3 Structure

24.3.1 Set out below is the rationale for the structure of Part 2 of the Commercial Case.

24.3.2 The core components of a franchise model are the franchise design and asset strategy. Given their importance, these are covered first and are considered in the context of:

i. Firstly the steady state model: the enduring commercial model to deliver the Vision for Bus which will be in place for the majority, and in some cases, all of the appraisal period.

ii. Secondly the transitional arrangements: where the steady state model cannot be achieved immediately, arrangements would be required to facilitate a transition from the current situation (as described in Section 21) to delivery of the steady state model. This is to ensure operational continuity during the commencement of franchised services.

24.3.3 Having established the core components of a franchise model, the approach to procuring operators is considered. This section focuses on the legal and practical approach to procurement and reflects the core commercial propositions for franchise design and asset strategy.

24.3.4 Having established the franchise commercial model and approach to procurement there is a section on market analysis and engagement. The latter is an exercise to seek market feedback on the proposition for franchise design, asset strategy and procurement. The commercial proposals described in Section 24 to Section 27 reflect any changes to the initial proposition as a result of market engagement. Further detail is also provided in the *Commercial Case Market Engagement Supporting Paper* (TfGM, 2019g).

24.3.5 Standalone sections are then included covering 'Phase 2' interventions, commercial risks both pre and post commencement of franchising (including service disruption risks) and cross-boundary services.

25 Franchise Design

25.1 Packaging Strategy

Steady state model

25.1.1 Consideration of the commercial aims set out in Section 24.2, together with a focused study of cities with a franchised bus model, suggests that the optimal number of large franchises in Greater Manchester would be between five and ten in order to:

i. create a healthy market not only at the outset of franchising but also in the steady state;

ii. balance economies of scale with market flexibility and strong competition; and

iii. take account of factors such as the geography of Greater Manchester, operational considerations, depot strategy (explained in further detail in Section 26.1) and scope for future market entry.

25.1.2 TfGM has also considered how best to address the objective of facilitating access to the franchise market for small and medium-sized operators. This has been achieved through the inclusion of a number of small franchise and school resource contracts.

25.1.3 A general principle of 'one large franchise per strategic depot' has been adopted as the cornerstone of the packaging strategy for large franchises (see Section 23.5 for a further explanation of strategic depots) as it is considered to be far more desirable operationally for a single operator to operate out of a depot. While operators could share depots (and do in some places outside of Greater Manchester, for example, at Mare Street in London), this is unusual and considered to be suboptimal due to the risk of disputes and coordination difficulties when facilities are shared, leading to inefficiencies and the increased likelihood of the GMCA management or intervention (for example, to resolve disputes).

25.1.4 The packaging strategy comprises:

i. Five to ten large franchises offering a total PVR of circa 1,250. Each large franchise would be centred on one of the strategic depots, which TfGM believes are best suited for the delivery of large franchises, to be provided to the franchise operator by the GMCA. The rationale for this approach is described in Section 26.1. Following implementation, the GMCA would continue to assess the appropriateness of a packaging strategy of five to ten large franchises, particularly as the operator market evolves. Where appropriate, changes to the number of large franchises will be made to best achieve the commercial aims described in section 24.2. This may result in either an increase or a decrease in the number of large franchises.

ii. Around 25 small franchises offering a total PVR of circa 140, ranging from two to 14 per franchise (circa six on average), depending on geographical and operational factors. Operators bidding for these small franchises would be required to provide their own depots to deliver the services. The smaller scale of these franchises means that depots do not present the barrier to entry that applies to large franchises. These small franchises are included in the packaging strategy and are sized as described above with the intention of maintaining access to the market for SMEs.

iii. Resource contracts for school services not included in large or small franchises (total PVR of circa 300), which would continue to be franchised on a resource basis as they are currently. This would provide the GMCA with the flexibility to match the supply of school services to demand, and provides further opportunities for small operators to bid into the market.

25.1.5 The proposed combination of circa 25 small franchises and up to 300 school contracts represents a significant reduction from the current circa 600 contracts let by the GMCA for school and general tendered work. This reduction would largely be achieved through the consolidation of multiple small contracts into a smaller number of franchises, and through rationalisation of contracts such that each service is operated by a single operator. The introduction of franchising would allow routes that are currently operated partly commercially and partly on a tendered basis to be let as part of a single franchise. Additionally, the majority of the school work would be made available to the SME market (rather than be included in the large franchises). Overall, the PVR available to the SME market would remain largely unchanged compared to the current tendered services.

25.1.6 This approach is adopted as a means of providing a continuing opportunity for SMEs to deliver bus services in Greater Manchester. Although large operators would be able to tender for these services:

i. large franchise operators may be restricted from using controlled strategic depots to deliver either small franchises or resource contracts for school services; and

ii. a restriction would be placed on the number of small franchises awarded to any single bidder in each tranche of procurement

25.1.7 These restrictions are intended to reduce the risk of a large operator being able to dominate the market through marginal pricing, to the detriment of SME operators.

Transitional arrangements

25.1.8 There are currently ten strategic depots located across Greater Manchester, with approximate total capacity for 1,600 buses. Although the size of these depots varies, each depot is large enough to service a large franchise.

25.1.9 As set out in Section 26.1.17, the current transitional depot strategy is for the GMCA to control the strategic depots in order to remove a barrier to entry to the market. Therefore, based upon the principle of one large franchise per strategic depot, this would result in ten large franchises during transition.

25.1.10 Packaging the services operated from the strategic depots into ten large franchises would give an average size of 145 buses per large franchise, with individual franchise sizes ranging from circa 40 to circa 230 buses. Should a policy of depot consolidation be adopted over time (as per the steady state model for depots set out in Section 26.1), then the average franchise size would increase and therefore the number of large franchises would reduce.

25.1.11 While the lower end of the range of vehicles per franchise falls below the 100–200 typically seen in international comparators, there is a benefit to offering some medium-sized franchises to the market (in the c.50-100 bus range) at the outset, in that this has the potential to attract operators not currently active in the Greater Manchester market, and would also provide opportunities for operators to expand, as franchising is introduced.

25.1.12 As described in sections 1.5.2 and 1.5.3, the Franchising Scheme is structured to support the proposed approach to packaging and transition. For transition, it is proposed the purposes that the area of the Franchising Scheme is divided into three geographical areas, or tranches, (which can be seen in Annex 3 of the draft Franchising Scheme), with the scheme indicating which services would fall in each area, including dealing with the operation of services across these areas. The Franchising Scheme becomes operational in each of these areas consistent with the packaging strategy, at a specified date which would also be prescribed in Article 7 of the Franchising Scheme. Once the Franchising Scheme has become operational across all areas, the three tranches are no longer used and future packaging arrangements would apply across the whole of Greater Manchester as appropriate

25.2 Franchise Length

Steady state model

25.2.1 Analysis of the length of franchises in different global markets shows franchise lengths ranging from 4 to 11 years, with a median length of eight years. It should also be noted that EU legislation effectively restricts the maximum length of franchises to ten years, unless there is significant investment in assets.

25.2.2 The GMCA would let large franchises for a five-year term, with an optional extension of up to two years to be exercised at the GMCA's absolute discretion (i.e. maximum large franchise length of seven years), and would let small franchises and school contracts for terms of between three and five years.

25.2.3 The proposal for large franchises:

i. offers a sufficient period of tenure to operators to mitigate the risk pricing associated with longer franchise terms due to uncertainty around long-term cost forecasting; and

ii. provides the GMCA with flexibility to make changes to the franchising proposition (for example franchise sizes and geographies, levels of service provision, contractual arrangements) at regular re-procurement intervals, without the management burden and cost that more frequent re-procurement would bring.

25.2.4 Offering franchisees an automatic performance-related extension, similar to that used by TfL Buses, can drive more competitive bidding (both quality and pricing), further incentivise operators to perform during the five-year core contract term, and keep high-performing operators in contract beyond the core contract term. However, the GMCA could retain some flexibility in the first round of franchising to choose whether or not to extend. After the initial round of franchises, and having built up a substantial baseline of performance data, the GMCA would consider whether there are benefits in providing bidders and operators with more certainty on contract extensions in order to deliver the benefits described above.

25.2.5 Franchise terms of between three and five years are proposed for small franchises and school contracts, in line with current practice for the GMCA tendered routes. The rationale for this is:

i. small and medium-sized operators are unlikely to be of sufficient size or financial capacity to commit to a contract length of up to seven years, where the two-year extension is exercised, of large franchises (as will be the case with large franchise operators);

ii. shorter franchise terms provide small and medium-sized operators with greater flexibility and scope to evolve their businesses over time; and

iii. the lower pre-qualification threshold set for small franchises and school contracts would increase the GMCA's risk (for example, through operator failure and/or termination) in signing long-term agreements.

Transitional arrangements

25.2.6 The procurement programme would introduce franchising across Greater Manchester over a three-year period (see Section 27 (Procurement)). However, given large franchises would be let for either five or seven years, it would be necessary to vary the length of initial franchises to ensure that, by the steady state, a similar number of large franchises are let each year. This would create a steady rolling procurement programme for the GMCA to manage and for the industry to respond to. The option to extend large franchise contracts by up to two years at the GMCA's absolute discretion would be retained.

25.2.7 Small franchises and school contracts of three to five years in length would be let on a rolling basis, as with current tenders. Detailed transition arrangements would take account of the expiry dates of existing tendered services and would allocate these services to small and large franchises.

25.2.8 The GMCA would require the flexibility to implement changes, typically in relation to the network, during the franchise terms. As such, the GMCA would ensure that the franchise contracts contain appropriate mechanisms (including formal change mechanisms) to facilitate specification changes mid-contract term. It is noted that proposed changes would be subject to the GMCA governance procedures and may also require public consultation. Any material changes that would not comply with procurement regulations or cause significant operational disruption would be implemented in subsequent franchises.

25.2.9 Where contract variation rights are exercised by the GMCA, these will be implemented using the contractual change mechanism, under which the operator would also be protected in respect of cost recovery and profitability via an adjustment to the contract price. For smaller changes (e.g. small network change) it is envisaged that these would be managed through a mechanism that would compensate operators on a pre-agreed cost/km basis. Larger changes would follow the same principle, albeit it is anticipated that not all cost components may be covered by a pre-agreed pricing points.

25.2.10 Section 37.1.6 of the Financial Case forecasts a contraction in the size of the network over the appraisal period. It is important that the GMCA manages any such reduction on a timely basis to mitigate the risk of inefficiencies in service provision as a result of overprovision, which the GMCA would manage through the following:

i. Reflecting forecast network change in contract specifications. This may include the use of priced options to facilitate changes during a contract term without the need for negotiation between the GMCA and the operator.

ii. Use of the contract change mechanisms described in sections 25.2.8 and 25.2.9 above.

25.3 Risk Allocation

Steady state model: general risk allocation

25.3.1 The allocation of risks to those best able to manage them supports value for money and ensures that risks are most efficiently managed on an ongoing basis.

25.3.2 Under a franchising model, the operator’s risk profile changes to facilitate the GMCA gaining greater control of the passenger offer in order to achieve its strategic objectives, and the GMCA’s risk profile adjusts to control and mitigate any commercial risks imported through the process.

25.3.3 The proposed risk allocation under a bus franchising model is set out in the *Commercial Case Franchising Risk Allocation Supporting Paper* (TfGM, 2019f). The key features are:

i. The GMCA would retain revenue and patronage risk in order to realise its vision for a common fares and ticketing offer across Greater Manchester.

ii. The GMCA would retain brand ownership and control over the customer relationship as these sit most naturally with the party taking revenue and patronage risk.

iii. The GMCA would define and specify the bus network to support the achievement of its broader objectives, and also to enable it to manage revenue risk.

iv. Cost risk would remain with operators as they are best placed to manage operational costs. However, standard practice (including TfL Buses and TfGM's Metrolink Operating and Maintenance Agreement) is that procuring Authorities take underlying inflation risk based on an appropriate set of published economic indices (see Section 25.3.7).

v. Operational, quality and safety risks are considered to be core operator responsibilities. However, a performance regime would be used to incentivise operational performance and service quality.

vi. The GMCA would set operational specifications that reflect congestion levels at the time the franchise were tendered. Congestion risk would then be borne by operators during the franchise period.

25.3.4 This risk allocation would feed into the development of the proposed franchise contract for large franchises.

25.3.5 Risk allocation for small franchises and resource contracts for schools would be consistent with that of large franchises, albeit the required standards would be both better defined and more comprehensive.

25.3.6 In order to realise the Vision for Bus set out in the Strategic Case, the risk allocation approach described above would apply consistently, via a standard franchise agreement, to all franchised services, including small franchises and resource contracts for schools.

Steady state model: operator cost risk

25.3.7 Although underlying cost risk would lie with operators, TfGM has determined that it would achieve best value for money by protecting operators against cost inflation risk. In order to do so it would allow for annual indexation of franchise payments using a basket of indices. The GMCA would pre-determine the proportion of contract payments allocated to each index, and this would be consistently applied to all bidders for a franchise. Contract payments for large franchises would be indexed on an annual basis, with the exception of fuel unit costs which (to the extent that fuel is not purchased via a hedging mechanism) would be indexed more frequently (e.g. quarterly). This approach is consistent with the approach adopted by TfL Buses.

Steady state model: operational performance regime

25.3.8 A performance regime will be required to manage the risk that, under gross cost franchise agreements, operators may not be fully incentivised to meet the required operational and performance standards. Given that revenue risk and both the brand and customer relationship would be owned by the GMCA, it would be important to exercise control (through the contract specification) over the core operator deliverables to manage the revenue and reputational risks of poor performance that would be borne by the GMCA.

25.3.9 The inclusion of a performance regime would provide operators with a commercial incentive to maintain high standards of reliability and punctuality. Trends in reliability and punctuality are set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b).

25.3.10 The operational performance regime would make an element of the total contract price, equivalent to the GMCA's expectation of operator profit margin, 'at risk' for performance. This regime would comprise three key components:

i. Lost mileage – a measure of any non-delivered service miles, with the resultant operator cost saving and associated profit margin of these miles deducted from the franchise payment.

ii. Excess wait time – applicable to high frequency services (six buses per hour or more), and measures variance in actual average waiting time from the scheduled average waiting time with deductions applied against the franchise payment where the required regularity is not achieved.

iii. Punctuality – applicable to low frequency services (five buses per hour or less), and measures adherence to the timetable within a defined window of tolerance, with deductions applied against the franchise payment where departure times do not occur within the window.

25.3.11 The delivery of a well calibrated performance regime would, amongst other things, support patronage levels. Offering franchisees direct patronage incentivisation via additional performance adjustments may further drive competitive bidding and operational performance, and also ticket revenues, and the GMCA would consider the introduction of this in the steady state.

Steady state model: service quality regime

25.3.12 The service quality regime is similar to the operational performance regime, but considers driver behaviour and driving style (assessed via driving standards monitoring and customer complaint levels), vehicle compliance ('Right Bus Right Route') and functioning of ITS equipment (for example, CCTV, audio-visual announcements and Wi-Fi), and would be underpinned by a mystery shopper regime. Therefore, similar to operational performance above, a means of monitoring achievement of service quality standards would be implemented to adequately mitigate against the risks of poor service quality.

25.3.13 The aspects of the service quality regime not driven by automated data would comprise an input-based regime, where data supplied by the operator would be subject to self-declaration of performance against a suite of KPIs, with the GMCA audit rights contained in the franchise agreement.

Transitional arrangements

25.3.14 TfGM is currently interrogating performance data held, along with relevant industry benchmarks, to determine whether it has sufficient and adequate robust data to appropriately calibrate the performance regime prior to the commencement of the first franchises. In the event that this is not the case, the GMCA would deploy interim measures during a transitional phase, likely to be between six and 18 months, while franchise performance data is collected, analysed and calibrated. Interim measures may include:

i. Alternative means of assessing performance. For example, excess wait time and punctuality measures could be calibrated and performance monitored using manual observed timings while franchise AVL data is collected.

ii. Deferral or setting of minimum standards. If an alternative means of assessing performance cannot be deployed, the GMCA may either set a minimum standard, which would be subject to the performance regime, or alternatively may defer components of the regime, while franchise data is collected.

25.4 Allocation of Responsibility

Steady state model and transitional arrangements

25.4.1 Table 33 sets out the detail of the division of roles and responsibility between operators and the GMCA (including TfGM). The allocation of responsibility determines the degree and manner of specification that the GMCA would include in franchise contracts.

25.4.2 In addition to the division of roles and responsibilities set out in Table 33, the GMCA and operators would take a level of TUPE responsibility. Should current incumbent operators not win franchises, incumbent operators would need to take part in a TUPE process for staff that may transfer to the new operation. This is set out in section 123X of the 2000 Act and the TUPE Regulations, which are discussed at Section 15.4.48. In summary, this means that the GMCA would have to undertake a process to determine which employees would be "principally connected" to a franchised service and which operator those employees would transfer too.

25.4.3 Furthermore, regardless of whether an incumbent operator wins one or more franchises, it is likely that some staff would transfer to TfGM to deliver roles for which the GMCA would be responsible under a franchise model (for example, TfGM Control Centre operations). Financial and organisational allowances are made for this in the Management Case at Section 46.4. The Franchise Agreement would contractualise an operator's requirements consistent with the TUPE Regulations (for example, with respect to pay and conditions). It would also oblige operators to make relevant TUPE data available to the GMCA prior to contract expiry to facilitate subsequent franchise procurements and to mitigate the risk of bid pricing being underpinned by inaccurate TUPE assumptions. In addition, the risk of additional costs because of inaccurate TUPE assumptions at franchise bid stage is captured in the franchising risk register at Appendix A.

25.4.4 Under section 123X of the 2000 and the Pension Regulations, any staff who are subject to TUPE transfer are also entitled to pension protection. This means that a new operator would have to make sure they have the same pension rights they had with their previous employer, or rights which were "broadly comparable" to those. Whilst the potential impacts of this on operators are set out in section 17, in terms of what contractual arrangements would be necessary then the GMCA would make it a requirement in any franchise agreement that operators complied with these requirements and offered the appropriate level of pension protection to transferring employees. If this was not the case, operators would either not be able to successfully bid for a contract or, in the worst case, could face the consequence of the franchising agreement being terminated.

Table 33: Responsibility allocation under the proposed TfGM franchised model

RESPONSIBILITY AREA	LONG-TERM RESPONSIBILITY	TFGM ROLE – STEADY STATE	OPERATOR ROLE – STEADY STATE	DEGREE OF SPECIFICATION	TRANSITION ARRANGEMENTS
Fares and ticketing	GMCA	- Establish products and set fares. - Retail tickets and passes at TfGM Travelshops and other channels. - Sell TfGM fares on TfGM specified ETMs. - Monitor operator revenue collection. - Manage revenue protection teams.	- Retail tickets, collect fares and transfer of data to TfGM.	HIGH – All fares and products specified by the GMCA and retailed according to GMCA standards. Data requirements highly specified to support Customer Relationship Management (CRM).	GMCA/TfGM revenue protection teams introduced.
Network design	GMCA	- Specify routes, first and last buses, bus capacities, and frequencies by peak/off-peak period and type of day (e.g. weekday, weekend, bank holiday. - Publish timetables as part of marketing and communication activity.	- Develop timetable to meet TfGM specification. - Provide data to inform network planning and design.	HIGH – Data specification to be standardised and specified to deliver business intelligence requirements.	GMCA specification of similar service patterns to those currently in operation, with phased revisions to follow.
Network operation	Operator (performance regime is capped)	- Provide off-bus real-time information to passengers (subject to funding). - Administer performance incentive regime. - Manage highway performance. - Provide open data (subject to funding). - Discharge duties of regulator, taking on role previously performed by the Traffic Commissioner.	- Provide on-bus real-time information to passengers (subject to legislation (applicable for both franchise and partnership models) and funding). - Develop working timetable, fleet and driver diagrams. - Operate timetable daily and manage incidents. - Share performance data.	MEDIUM – GMCA specifies service levels (routes, frequencies, and operating hours). Performance data HIGHLY specified to deliver performance regime and RTPI requirements.	Potential phased standardisation of AVL and roll-out of performance regime.
Marketing and brand management	GMCA	- Own, develop and implement marketing initiatives. - Commercialise the network via advertising, data etc., and retain revenue. - Develop and specify branding.	- Distribute and maintain materials. - Implement branding on fleet etc.	HIGH – Distribution requirements prescriptive to ensure delivery to required standard. No flexibility on design or implementation of GMCA brand.	Phased integration of commercialisation initiatives (e.g., Greater Manchester-wide multi-modal advertising contract(s)). Phased re-branding of fleet to GMCA brand to manage capacity constraints.
Customer relations and service quality	GMCA/ Operator (performance regime is capped)	- Operate multi-channel customer contact centre. - Establish and specify customer service standards. - Employ bus station staff and revenue protection teams.	- Front-line customer interface (drivers). - Maintain standards of customer service and quality of on-board services.	MEDIUM – GMCA develops minimum customer service standards, monitors compliance. Operators free to develop or source staff training.	Potential phased introduction of service quality regime.

RESPONSIBILITY AREA	LONG-TERM RESPONSIBILITY	TFGM ROLE – STEADY STATE	OPERATOR ROLE – STEADY STATE	DEGREE OF SPECIFICATION	TRANSITION ARRANGEMENTS
People	GMCA/ Operator	- Recruit, employ and manage staff to deliver procurement, contract management, and client-side operations. - Specify minimum standards for operator staff, where these are additional to regulatory requirements. - Consider controls on use of agency staff.	- Recruit, employ and manage operational staff (including drivers, engineering, cleaning, management, support).	LOW - Operator largely free to propose management structure, maintaining ability to manage operational cost, although the process of interaction with GMCA/TfGM would be specified in the Franchise Agreement.	Staff transfers from: - current to new operators would be required to deliver franchise operations; and - current operators to TfGM likely to be required to fulfil new areas of responsibility.
Fleet	Operator (procurement, operations and maintenance); GMCA (long-term interest)	- Vehicle specification and management of long-term interest through RV mechanism.	- Asset procurement, operations and maintenance.	MEDIUM – Generic vehicle specifications adopted to avoid adding cost.	Engagement with existing operators to set up RV mechanism.
Depot (large franchises)	Operator (operations and maintenance); GMCA (asset management and long-term interest)	- Depot specification and management of depot leases.	- Day-to-day management and depot maintenance.	HIGH – Depot estate and capacity to be designed and developed by GMCA through control of strategic depots.	Short-term leases of existing depots prior to transfer to or construction by TfGM.
Depot (small franchises)	Operator	- Depot specification.	- Depot provision, and - Day-to-day management and depot maintenance.	MEDIUM – GMCA develops minimum depot specification and monitors compliance.	None
ITS assets (ETM/AVL driver communications, passenger Wi-Fi)	Largely operator, although: - Asset supply and management/maintenance arrangements would be procured by GMCA and recharged to operator. - GMCA would retain long-term interest.	- Asset specification and procurement of equipment and maintenance arrangements.	- Asset installation and day-to-day management.	HIGH – Required from day one to manage integration risks.	Existing operator-owned equipment may be deployed for brief transitional phase to facilitate smooth transfer to new equipment.
ITS assets (CCTV, driving standards monitoring)	Operator	- Asset specification	- Asset procurement, installation, operations and maintenance.	MEDIUM – GMCA develops minimum specification and monitors compliance.	None

26 Asset Strategy

26.1 Depots

Steady state model

26.1.1 The steady state model for strategic depots is that they would be controlled by the GMCA in order to remove a key barrier to entry for bidders for large bus franchises. This supports the commercial model's objective of delivering value for money by removing barriers to entry, driving competition, and creating an enduring market for new bus franchises.

26.1.2 TfGM has considered an alternative model of splitting the network into a larger number of smaller franchises. This would remove the need for strategic depots to be controlled by the GMCA, and is similar to TfL Buses. However, it has been concluded that this model is not appropriate for Greater Manchester, as it would likely lead to less competitive bids and a greater risk of there not being an enduring market due to the following:

i. It would lead to sub-optimal franchise sizes, reducing efficiency and making each franchise individually less attractive to the market.

ii. The current network of depots (Section 0) is not sufficiently dense to necessarily allow multiple bids for each franchise, particularly as there is a concentrated geographic ownership of depots in Greater Manchester

26.1.3 The provision of depots is considered to be a barrier to entry of sufficient significance to warrant intervention by the GMCA. This is because they are large and specialist facilities which require significant land for parking, specific facilities for refuelling and maintenance, appropriate staff welfare and training facilities, and are also the base for operator licences to be granted. A new entrant would unlikely to be able to submit a credible bid for a large bus franchise without depot access arrangements being established at the outset. A prospective new entrant would not be in a position to do this on a speculative basis because:

i. The life of a depot asset (30+ years) is significantly longer than the likely large franchise term (five to seven years), and the new build investment cost is significant.

ii. If a new entrant was required to and indeed could lease a site, the lease costs would be factored into the bid price and would be likely to put the bidder at a competitive disadvantage compared to incumbents already in control of depot access. Additionally, the investment needed on a leased site (assuming it were not currently a dedicated bus depot) to bring it up to operational and safety standards for a bus operation would represent a significant capital outlay.

26.1.4 It is unlikely that operators would be able to reach agreement on commercial terms to pass depots on to an incoming franchisee, as the incumbent operator is likely to seek to maintain its competitive advantage during the procurement phase. In the event that it lost a franchise, the operator would more likely want to either retain the depot for future franchise bids or seek to sell it for development.

26.1.5 This means that were the GMCA to specify that operators should provide strategic depots to operate large bus franchises, it is likely that the franchised market in Greater Manchester would be characterised by a constraint on competition, and/or may result in a procurement challenge from any operator that does not have control of a strategic depot. Therefore, the long-term strategy is that strategic depots would be offered to bidders for large franchises on equal terms, to promote competition.

26.1.6 With control over the depot estate, the GMCA would also be able to coordinate and consolidate depot capacity across Greater Manchester. It would also be better able to manage the specification and quality of the depot assets, which it is anticipated would become increasingly relevant given the likely need for infrastructure investment in emerging fuel technologies. Ideally for a market the size and geography of Greater Manchester, there would be five to ten strategic depots, positioned to reduce 'dead mileage'. This would maintain flexibility while providing for economies of scale to be realised.

26.1.7 Depot capacity requirements could be met through utilising the existing facilities (currently controlled by operators), through constructing new depots in the region, or through a combination of both. Work has been undertaken to assess the option of constructing new depots through the development of new build depot feasibility studies. This has included: looking at available sites in Greater Manchester; developing standard depot designs based upon current best practice; and reviewing costs, benefits and risks relating to the construction of new depots.

26.1.8 TfGM considers that the most efficient size for new depots would be a capacity of somewhere between 200 and 450 buses. Some of the most recent modern bus depot developments elsewhere in the UK, including the Caledonia depot in Glasgow and Olive Grove depot in Sheffield are at the upper end of this range. Depots at the upper end of this range may drive cost and operational efficiencies but would also be more complex to manage and are therefore not always optimal. Additionally sizing of new depots is likely to be partly driven by other factors such as availability of suitable sites.

26.1.9 There are many significant benefits associated with the provision of new depots, particularly when designed to the scale proposed. For example, future-proofing if changes in operational delivery occur, including, for example, allowance for the servicing of a large proportion of electric or other alternative technology vehicles. Technical advice indicates that significant additional space may be required if vehicles are fuelled through alternative technologies, a factor reflected in the development of new build depot proposals. Modern facilities also have a lower environmental impact, and can facilitate a more efficient operation and incur lower facility overheads over the long-term. In many of the existing sites it would not be possible to attain equivalent environmental sustainability standards.

26.1.10 New depots would be located such that they maximise operational efficiency, and provide consistent facilities at each location. Although the period required to plan for and construct new depots means that this option does not meet the current proposed timetable for at least some of the first round of franchising, the timeline to build new depots is largely in the control of the GMCA and therefore provides an alternative option for transition.

26.1.11 Industrial relations would need to be managed carefully with new build depots. Consolidating staff into single sites from multiple depot locations is likely to mean a longer commute for some existing staff. While new facilities should generally be an attraction for both existing and new employees, the transition from old facilities would require a period of training and familiarisation.

26.1.12 In summary, TfGM considers that the optimal depot strategy under the steady state to be one where:

i. The GMCA controls a strategic depot for each large franchise, with those depots being made available to large franchise operators for the delivery of franchise operations. Large franchise operators would pay a rental charge at market rate for the use of strategic depots, although for reasons of revenue/cost circularity this is not visible in the financial model.

ii. The number of strategic depots may be consolidated over time, with a mix of existing and new depots. However, any new depot would be subject to a separate business case to assess value for money.

Ownership and delivery model

26.1.13 TfGM control of strategic depots could be delivered by one or more of the following models:

i. The GMCA ownership of depot freeholds: this would give the GMCA full control of the depot estate. This would give the GMCA ultimate asset management responsibility, although day-to-day maintenance and repair would be passed down to operators.

ii. Depot ownership managed through an arm's length asset management Special Purpose Vehicle (SPV) controlled by the GMCA: this would focus on managing the depot estate, possibly engaging partners to bring technical expertise and raise third party finance (if advantageous).

iii. The GMCA lease of depots from freeholders or current depot operators: although this would likely incur a higher cost of capital than purchasing depot freeholds, it would reduce the cash flow impact on the GMCA, and may smooth the transition to the steady state model in some cases.

26.1.14 The current preferred approach (as is detailed and costed in the Financial Case at Section 42.3) is for depots to be owned outright by the GMCA, who would lease the assets to the franchise operator with some associated asset management responsibilities. The operator would maintain the assets to an agreed standard through a lease agreement and maintenance schedule. The GMCA would enforce this through inspection processes, audits and dilapidations. The strategic depots would be provided at a commercial rent to comply with state aid rules and to ensure that holders of large franchises would not be in receipt of subsidy from the GMCA when, if allowable by the GMCA, competing for the smaller franchises.

26.1.15 Responsibility for plant and machinery (P&M) would be split between the GMCA and the franchisee. Fixed P&M, for example bus washes, would be provided by the GMCA, and with a detailed schedule of all the equipment the GMCA would supply would be included in the lease agreement. The operator would be expected to provide operational equipment such as vehicle lifts and tools.

26.1.16 The provision of depot facilities for the small franchises and schools resource contracts would be the responsibility of operators, consistent with the current market model. The smaller scale of these facilities means they are not considered strategic in nature, and they do not present a material barrier to entry to bidders for small franchises and school contracts to be let by the GMCA. Therefore, the intervention proposed for strategic depots is not justified for small and medium depots. TfGM would expect existing smaller depots to continue to play a role under franchising, predominantly in the delivery of small franchises and school resource contracts.

Transitional arrangements

26.1.17 It is anticipated that the process of securing control of some or all of the existing depots to deliver the steady state model set out above would not be straightforward. The existing large commercial operators that currently control the strategic depots may not be willing to confirm their agreement to pass control (through sale or lease) to the GMCA before franchising is implemented.

26.1.18 The preferred option for transition is that the GMCA gains control of the ten depots in Greater Manchester currently identified as strategically important. These would be used for the delivery of franchising in the transition phase to reduce:

i. impact on existing operators in the event of otherwise stranded assets; and

ii. transition risk as it avoids a significant reorganisation at transition impacting people, routes and assets.

26.1.19 The GMCA would seek to do this via the negotiated depot transfer. Certain commercial operators may conclude that it is in their commercial interest to engage with the GMCA in negotiations in respect of depot transfers, as this should minimise the risk of stranded assets following implementation of franchising. TfGM believes that voluntary agreements in respect of depot transfers represents the best outcome for all parties and this approach would be prioritised.

26.1.20 If it is not possible to negotiate the transfer of some or all of the strategic depots at the transition phase, the GMCA has the following alternative routes open to it for depot provision at the transition stage. TfGM anticipates that it might be necessary to implement more than one of these alternative routes simultaneously to minimise transition risk depending upon the status and stage of any transfer of existing strategic depots:

i. ***Provide short-term temporary depot facilities:*** the GMCA could develop depot facilities that are intended to provide accommodation for a relatively short period of time (e.g. the first franchise period) whilst permanent new build depots are constructed (see below); if negotiations on depot transfers are still ongoing; or to supplement/support alternative delivery options noted below. GMCA and districts have a range of existing land and buildings that could be adapted for this purpose as follows:

- Temporary depot facilities would make use of land with or without permanent infrastructure and buildings. Where there are permanent infrastructure and buildings these would be adapted for driver accommodation and maintenance facilities. Where there are no permanent facilities there could be provision made (either by the GMCA or operator) of modular buildings for driver sign-on and support; temporary infrastructure for fuelling and cleaning, and, if appropriate, maintenance facilities.
- The intention is that there would be a larger number of smaller sized depot facilities (each accommodating circa 50+ buses) than the current ten strategic depots. Having a mix of facilities on such sites will provide flexibility (for example some may be used for parking only whilst vehicles are maintained on other sites) and depending on location could be used to provide temporary capacity in transition across more than one franchise and/or tranche (for example if there had been a transition to the permanent depot solution in an earlier franchise).
- It is recognised that the provision of maintenance and fuelling facilities may be less efficient on a temporary site. If it is not feasible or if it is inefficient to provide suitable maintenance facilities then operators would have options including the use of a third party maintenance provider and/or maintaining vehicles at one of the other temporary or permanent sites. Similarly fuelling could take place at one of the other temporary or permanent sites or at an agreed filling station.

ii. ***Alternative delivery options:*** For the first round of franchising, the GMCA could alter the commercial model so that strategic depot provision becomes the responsibility of the operator. This could:

- allow the GMCA more time to develop the long-term depot provision strategy (through acquiring existing or constructing new facilities) while still delivering the benefits of franchising to the customer.
- be undertaken in the context of a commitment from the GMCA to allow the transfer of any depot developed/provided by

operators to the GMCA for future rounds of franchising subject to the depot meeting appropriate standards. This would offset the operator’s investment risk associated with depot provision.

As noted above in Section 26.1.5, this approach carries some risk and may result in a constraint on competition in the first round of franchising. Feedback from the market engagement exercise indicated that whilst operators had a strong preference for depot provision to be a responsibility of the GMCA, a majority of large operators indicated that they would still consider bidding even if they had to provide depot facilities (albeit with reassurances on issues such as residual value of any depot facilities; length of contract etc.).

iii. ***Build new depots:*** Under this option the current transition programme would need to be extended to allow time for depots to be constructed. The advantage of this approach is that it would deliver elements of the long-term strategy sooner, as part of the transition to franchising. It may be necessary to implement this in conjunction with the option above of providing short-term temporary depot facilities or alternative delivery options set out below while construction takes place. TfGM has identified a number of potential sites across Greater Manchester that could be used to construct suitable depot facilities. Some of these are in public ownership and others private. Design work has been undertaken to ascertain the optimal design for modern depot operations, based upon best practice, and to offer both flexibility for the changing nature of operations and future proofing to adapt to changing fuelling technologies.

iv. ***Compulsory Purchase Order (CPO):*** TfGM and GMCA have legal powers, for example pursuant to Section 10 (3) of the Transport Act 1968, to make a CPO application once it has exhausted all alternative options to acquire the land, including voluntary negotiation. The GMCA could therefore pursue a CPO of the existing strategic depots.

26.1.21 The GMCA has a range of viable options for transition as set out above. At this stage, as noted above, the preferred option that would have the minimum overall disruption and allow franchising to proceed in line with the current timetable, would be to reach a negotiated depot transfer. The Commercial Case assumes that the GMCA would achieve control of strategic depots through a combination of negotiated depot transfer and CPO, with the alternative arrangements described above being pursued in the event that this cannot be achieved.

26.1.22 The Assessment has considered the announcements of 19 February 2019 by First and Go-Ahead confirming that agreement has been reached for Go-Ahead to purchase First's Queens Road bus depot and operations (including the associated fleet). As at 31 May 2019, it is anticipated that this purchase will be completed in mid-2019, and it is also recognised that First may subsequently dispose of some or all of its remaining Greater Manchester operations. It is acknowledged that completion of the sale of Queens Road would diversify ownership of the ten strategic depots from three to four operators (Stagecoach (six), First (two), Arriva (one) and Go-ahead (one)), and that any subsequent disposals by First would likely increase this. However, it is noted that neither the asset strategy in respect of depots or the franchise packaging strategy are materially affected by this announcement.

26.2 Fleet

Steady state model

26.2.1 In the steady state, provision of vehicles would remain the responsibility of the franchise operators. This approach takes advantage of the relationships, experience and buying power the operators have with the bus manufacturing industry. It also allows operators the flexibility to balance fleet procurement and maintenance solutions on a wider basis than Greater Manchester, thereby managing whole life cost.

26.2.2 Buses would carry unified exterior branding, but a detailed, specific design (a bespoke 'Greater Manchester Bus') is not envisaged for reasons such as:

i. Cost: procuring and maintaining standard vehicle products is a lower cost alternative to specifying a bespoke solution such as London's New Routemaster.

ii. Limitations on alternative use: subject to any restrictions on vehicles funded through central government initiatives, standard vehicles could be transferred into and out of Greater Manchester, which would improve flexibility in managing vehicle age and Residual Value (RV) risk (discussed below).

26.2.3 Under franchising, the GMCA would be able to specify emissions standards and use of electric power (or alternatives). The key commercial issues would therefore be in respect of the funding of this and other fleet investment, and the managing of RV risk (described in further detail in Section 26.2.5). However, it should be noted that investment by the GMCA in alternative fuel technology, and associated infrastructure under a franchise model where the GMCA is the long-term owner of infrastructure and fleet (or controller of fleet under the RV mechanism), lowers the risks associated with state aid compared to other bus reform options.

26.2.4 Research has shown that there is a very limited supply of second-hand buses in the UK, and therefore the best source for a mixed age fleet would be the stock of vehicles held by incumbent operators. As such, specifying that large franchises require a mixed-age fleet to be provided introduces a barrier to entry on the basis that not all operators would have suitable spare fleet available. Prospective new entrants might therefore need to offer a higher proportion of new fleet than specified or a mixed used/new fleet in their bids. This is not as significant a barrier to entry as that presented by depots, however, because new fleet offers benefits in terms of lower maintenance costs, improved performance and quality. As such, this does not necessarily lead to an uncompetitive cost to bidders, can be used to drive performance and service quality payments, and should score well in tender evaluation.

26.2.5 To minimise any potential barriers to entry, the GMCA would introduce an RV mechanism that establishes a fleet of RV mechanism buses as 'primary franchise assets'. At the beginning of each franchise competition, the GMCA would provide a subset of the RV mechanism buses to all bidders on equal terms, with ownership transferring to the successful bidder at the operational commencement date of that franchise. This mechanism guarantees the future value of vehicles throughout their useful economic life which, as shown in Section 23.6.1 and Table 31, is longer than the proposed franchise term. The GMCA would specify the value at which the fleet would be underwritten under the RV mechanism. This guarantee would be subject to operators maintaining RV fleet to an acceptable standard in order to maintain the reliability, quality and whole life cost of RV fleet.

26.2.6 The RV mechanism helps to control franchise cost by the GMCA taking the long-term risk on fleet demand beyond the life of individual franchises. By guaranteeing the future value of new vehicles introduced during bus franchising, the RV mechanism avoids the need for operators to accelerate depreciation of new vehicles over short franchise terms. Instead, under the RV mechanism, fleet would be amortised over its useful economic life, even if this spans two or three franchise terms. In addition, the RV mechanism is intended to assist all operators in the mobilisation phase by reducing the volume and financing requirements of fleet that would otherwise need to be purchased or alternatively sourced.

26.2.7 The RV mechanism also gives the GMCA greater ability to actively manage and coordinate fleet age across Greater Manchester, cascading buses where required to provide appropriate vehicles for passenger service. Clearly these benefits depend on the degree to which incumbent operators agree to place existing GM fleet into the RV mechanism ahead of franchising.

26.2.8 A material financial risk to the GMCA would only crystallise under this mechanism in the event that a vehicle is (or vehicles are) no longer required for the provision of Greater Manchester franchised bus services and the guaranteed future value is not achieved in the open market. The GMCA would recognise this risk (that is, the difference between open market valuation and depreciated net book value) as a contingent liability.

Transitional arrangements

26.2.9 The RV mechanism would be mandated for new vehicles as part of the Franchise Agreements once franchising has been fully introduced. In order to maintain the current fleet standards and age profile across Greater Manchester, to stimulate competition for the new bus franchises, and to mitigate the risk of stranded assets for existing Greater Manchester operators, the GMCA would facilitate making suitable vehicles from the existing fleet available to bidders for franchises let during the initial procurement round.

26.2.10 It is proposed to provide incumbent operators (and potentially other operators) with the option to put suitable existing fleet into the RV scheme so that it can be made available to bidders for first franchises. The incentive is that this manages the risk of existing fleet assets being 'stranded' in the event that the operator does not win franchises under the new scheme.

26.2.11 In the event that incumbent operators do not transfer in vehicles to the RV scheme or the number of vehicles is less than required, then bidders would be expected to provide vehicles which could be new, second-hand, vehicles from their existing fleets, or leased.

26.2.12 New buses take around six to nine months to be delivered once ordered from manufacturers. Sufficient time (up to nine months) would be allowed in the franchise mobilisation period to allow for operators to bid with new buses.

26.3 Intelligent Transport Systems (ITS)

Steady state model and transition arrangements

26.3.1 Given the wide-ranging scope of these assets and processes, and their integration with wider the GMCA and operator business processes, there would be a sharing of responsibility between the operator and the GMCA. This section does not discuss provision of ITS assets at bus stops and bus stations as they are outside of the scope of this Assessment.

26.3.2 Set out below is the proposed steady state model for each of the different aspects of ITS. Also described are any transitional arrangements that differ from the steady state model.

26.3.3 *Electronic Ticket Machines (ETMs):* enable the driver to issue tickets, validate smart products and collect revenue.

Table 34: Electronic Ticket Machines (ETMs)

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• AVL – ETMs and AVL systems can be delivered as a single solution. This interface is crucial for 'location-stamping' tickets issued under a smart ticketing scheme. • Smart ticketing system. • CRM and network planning – demand and revenue data. • Enterprise Data Warehouse system.	• ETMs capable of retailing the GMCA's product suite, and capable of supporting all specified retail media including the future requirements of Smart. • Technological developments mean that a single solution combining ETM and AVL is likely to provide best value for money. • In order to ensure an integrated system with consistency for customers, operators and the GMCA the preferred position is for the GMCA to procure a chosen provider and system for ETM.

26.3.4 *Automatic Vehicle Location (AVL):* transmits vehicle location in real time using GPS.

Table 35: Automatic Vehicle Location (AVL)

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• ETM – location stamping. • Drives real-time passenger information, both on-board the vehicle and on web-based platforms. • Operational performance management and monitoring. • Traffic Light Priority (TLP). • Driver communication systems.	• AVL solution would transmit positional location data to the GMCA's specifications. Would meet requirements of future smart ticketing, RTPI, and operational performance systems. • Technological developments mean that a single solution combining ETM and AVL is likely to provide best value for money. • In order to ensure an integrated system with consistency for customers, operators and the GMCA the preferred position is for the GMCA to procure a chosen provider and system for AVL.

26.3.5 ETM equipment is central to the delivery of bus services. It is the primary point of transaction for the majority of customers and the source of the majority of revenue and patronage data. As revenue risk transfers to the GMCA, the GMCA would set the fares and ticketing strategy and ensure that retailing platforms can support the desired product range. The GMCA would collect data generated by the ETMs and use this to monitor the commercial performance of the network.

26.3.6 Increasingly, ETM equipment is being delivered with built-in AVL functionality. Although both systems can be delivered separately, a combined solution provides greater efficiency and cost effectiveness, simplicity of use and a richer source of data. The AVL system would underpin the performance monitoring activity, real-time passenger information platforms and the management of the network in real-time by controllers.

26.3.7 As such, both the ETM and AVL systems would need to be tightly specified in input terms by the GMCA, ensuring that critical data is available, consistent and accurate, that retail platforms can deliver the fares and ticketing strategy, and that the customer experience is as uniform as possible across the network.

26.3.8 The systems used within each franchise area should be consistent, enabling operators to secure efficiencies through the standardisation of operational and maintenance procedures, and would then be transferred to incoming franchisees during handover, minimising barriers to entry and ensuring a 'level playing field' for all bidders. Consistency would also reduce the potential complexity of collating and transferring data to the GMCA.

26.3.9 Due to the broad mix of equipment suppliers and functionality across the Greater Manchester network currently, the GMCA would undertake a procurement to select a single preferred supplier of ETM and AVL equipment which would be made available to franchise operators, either via a lease or through a managed service arrangement.

26.3.10 The implementation constraints (for example, driver training on new ETM and AVL equipment) associated with this solution are likely to necessitate a brief transitional arrangement. This transitional arrangement would look to satisfy as many of the conditions above as possible, with particular emphasis on the availability of critical commercial data. The transitional arrangement is likely to be that at the launch of each tranche franchise operators are free to either install the steady state model for Day 1 or, for a limited period, to bring alternative ETM and AVL equipment which meets or exceeds a GMCA output based minimum specification. In the event that a longer transitional arrangement is required this would likely be in place until the final franchise tranche was operational, after which there should be consistent benefits across the whole of the network.

26.3.11 *Real Time Passenger Information*: provides passengers with live status updates for their journey, which can be provided both on-board the vehicle (via audio visual announcements) and on a range of web-based platforms.

Table 36: Real-Time Passenger Information (RTPI)

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• AVL provides raw data to customer interfaces e.g., on-bus audio-visual announcements, contact centre, web platforms (app, website etc.), PIDs.	• The GMCA to provide web-based RTPI as part of customer offer, drawing on standardised AVL data. • Every bus equipped with audio-visual announcements fed from AVL system.

26.3.12 The GMCA would deliver an RTPI solution across its web-based platforms, driven from AVL data transmitted from the vehicles. This would either build upon or supersede the current functionality delivered through the GMCA's

RTPI platform, and replace the separate RTPI platforms currently delivered by some operators with a combined platform enabling passengers to make informed travel choices with real-time information.

26.3.13 It is expected that on-board audio-visual announcements would become a requirement for new-build vehicles under future legislation. As such, it is likely that this functionality would be specified for new-build vehicles entering the network from the outset of franchising. Some retrofitting would also take place during the first round of franchising to deliver audio-visual announcements on high frequency routes. The details of these requirements would be included in the contract specification.

26.3.14 *Driver communications:* provides communication between drivers and control centre.

Table 37: Driver Communications

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• Operational performance management systems.	• Single, dedicated Greater Manchester-wide voice communications network provided by the GMCA, through TfGM or through a managed service.

26.3.15 The GMCA would deliver a Greater Manchester-wide driver radio system infrastructure in time for the first franchising round, either by:

i. installing its own system; or

ii. buying into a managed service.

26.3.16 TfGM has performed an initial assessment of options and has concluded that a Digital Mobile Radio (DMR) system would best meet its requirements. However, given that the UK government is switching from Private Mobile Radio to Long-Term Evolution (LTE) for the delivery of the national Emergency Services Network, TfGM will continue to monitor whether LTE is a viable option in the future. TfGM is exploring whether efficiencies could be derived through a joint solution for bus services and Metrolink.

26.3.17 The GMCA would undertake a procurement to select a single preferred supplier of driver communications equipment which would be made available to franchise operators, either via a lease or through a managed service arrangement.

26.3.18 Providing a Greater Manchester-wide DMR system allows operators to manage performance actively, underpins driver and passenger safety, and enables multi-operator and multi-modal co-ordination from the TfGM Control Centre. A common system would enable all franchise operators to communicate with both drivers and the TfGM Control Centre from their own control rooms and also for the TfGM Control Centre to communicate with drivers. An emergency code red facility would be provided for drivers.

26.3.19 Radio equipment is a long-life asset and, as such, it would be inefficient to specify that operators install their own radio systems at the beginning of each franchise. In addition, such a requirement is likely to present a barrier to entry to smaller operators given the level of investment required.

26.3.20 *CCTV*: provides interior and exterior video footage.

Table 38: CCTV

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• n/a	• Operators provide on-bus equipment. • Every new bus equipped with CCTV solution equipment that meets or exceeds the GMCA's output based minimum specification.

26.3.21 The GMCA would produce an output based specification for CCTV equipment. Franchise operators would be required to either bring existing CCTV equipment or to purchase CCTV equipment which meets or exceeds the GMCA's specification on all new vehicles. For existing buses, an appropriate and cost-effective solution would be achieved by the specification of minimum standards of coverage, resolution and footage retention, but does not anticipate these being significantly more onerous than those delivered prior to franchising. Operators would remain responsible for managing claims following an incident. The GMCA would retain the right to view footage (in accordance with data protection legislation and protocols) as and when necessary, e.g. investigation of customer complaints or queries.

26.3.22 *Passenger Wi-Fi*: supplies data free to customers.

Table 39: Passenger Wi-Fi

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• Commercial management systems.	• The GMCA provides Greater Manchester-wide data contract to cover premium and high-frequency routes.

26.3.23 Analysis indicates that the public values passenger Wi-Fi provision, and current Wi-Fi provision would be retained, and expanded, under franchising. The operator's current individual data contracts would be replaced by a new central data contract procured and managed by the GMCA. This would allow the GMCA to present a common brand and customer interface, collect data for its CRM systems, and exploit commercial opportunities offered by Wi-Fi provision. TfGM is also currently exploring whether efficiencies could be derived through a joint solution for bus services and Metrolink. The GMCA would undertake a procurement to select a single preferred supplier of both on-board Wi-Fi equipment and data which would be made available to franchise operators, either via a lease or through a managed service arrangement.

26.3.24 The GMCA would deliver free passenger Wi-Fi on all non-school services fleet, an estimated increase of 250 vehicles above the current estimated position.

26.3.25 The GMCA would continue to review the demand for Wi-Fi, and the extent to which it is replaced by future generations of mobile communication technology.

26.3.26 *Driving standards monitoring*: provides eco-drive and engine emissions reporting.

Table 40: Driving standards monitoring

INTERFACE WITH OTHER SYSTEMS	STEADY STATE MODEL
• Operational performance management systems. • Driver and incident management systems.	• Operators provide on-bus equipment. • Eco-drive/engine management systems widely used by operators to minimise operational costs, lower emissions and improve the passenger experience.

26.3.27 The GMCA would produce an output based specification for driving standards monitoring equipment. Franchise operators would be required to either bring existing equipment or to purchase equipment which meets or exceeds the GMCA's output based minimum specification. Commercial operators are already incentivised to make use of such equipment in order to drive cost efficiency. The GMCA would include reporting requirements in the Franchise Agreements which would enable it to report on bus emissions and monitor performance in respect of air quality and customer experience.

26.3.28 Procurement of ITS equipment

26.3.29 This Section 0 identifies a number of types of on-bus ITS equipment that it is proposed would be procured by the GMCA. Each of these procurements would be delivered as a separate workstream aligned to the franchise procurement programme timeline described in Section 27.3, and would be appropriately supported by the GMCA procurement and relevant business functions, with external advice where required.

27 Procurement

27.1 Introduction

27.1.1 Procurement has a fundamental part to play in ensuring the GMCA achieves its overarching objective of delivering quality services and value for money. As described earlier, this includes: removing barriers to entry (including facilitating the involvement of small and medium-sized operators) and driving competition; allocating risk efficiently; providing sufficient flexibility to respond to changes; and adopting global best practice.

27.1.2 The Franchising Scheme is structured to support the proposed packaging strategy and transitional arrangements. It is therefore proposed that, for the purposes of transition, that the area of the Franchising Scheme is divided into geographical areas (which can be seen in Annex 5 of the proposed Franchising Scheme, *The Greater Manchester Franchising Scheme for Buses* (TfGM, 2019n)), with the scheme indicating which services would fall in each area and the transition of services across those areas. The Franchising Scheme would become operational in each of these areas consistent with the packaging strategy. Once the Franchising Scheme has become operational across all areas, future franchising arrangements can apply across the whole of Greater Manchester as appropriate.

27.1.3 When considering how many franchises would be appropriate, across which geographical areas, and in what order they would be introduced, a broad range of factors were considered. This included:

i. Minimising customer confusion.

ii. Managing implementation risk for the GMCA and operators.

iii. Attractiveness to the market (both new entrants and incumbents).

iv. Best achieving value for money.

27.1.4 As a result, in the first round of franchising TfGM anticipates that the ten large franchises would be let in three tranches, with each tranche containing between two and five franchises. The c.25 small franchise packages, plus resource-based contracts for schools would be let alongside these large franchises.

27.1.5 The c.25 small franchise packages, plus resource-based contracts for schools would be let alongside these large franchises.

27.1.6 The procurement principle underpinning the approach to small franchises is to align the specification and technical requirements with large franchises. This would provide a consistent level of service across Greater Manchester, while at the same time limiting the administrative burden of both procurement and operation of small franchises, such that they are commensurate with size, risk and commercial return.

27.2 **Procurement Strategy**

*Utilities Contracts Regulations 2016 (*UCR 2016*)*

27.2.1 Procurement of the bus franchising operations would be conducted under the UCR 2016 which came into force on 18 April 2016. The UCR 2016 requires that bidders are treated "equally and without discrimination" and that buyers "act in a transparent and proportionate manner". If the decision to leave the EU leads to changes in procurement regulation then the procurement strategy set out below may need to be revisited. However, at this stage the UK Government's proposed changes to procurement legislation as a result of Brexit are minimal and have no impact on those fundamental principles.

27.2.2 The UCR 2016 presents the GMCA with a number of key decisions around the procurement process including:

i. whether or not to conduct a pre-procurement market engagement exercise;

ii. the procurement procedures to be applied; and

iii. the approach to pre-qualification and shortlisting of bidders.

Pre-procurement market engagement

27.2.3 Unlike the previous procurement rules, the UCR 2016 specifically makes reference to allowing market consultation or engagement before commencing the procurement procedure, provided that this does not distort the resultant competition.

27.2.4 TfGM undertook preliminary market engagement in April 2018 in order to:

i. explain to the operator market the proposed:

- commercial structure and parameters;
- franchise design parameters; and
- procurement process; and

ii. obtain feedback from the operator market on proposed franchise design parameters and key commercial and procurement principles.

27.2.5 The results of the preliminary market engagement are summarised in Section 27.3.9 and further detailed in the *Commercial Case Market Engagement Supporting Paper* (TfGM, 2019g).

27.2.6 TfGM would also undertake pre-procurement market engagement on behalf of the GMCA following any mayoral decision to implement franchising. This would include engagement on a draft procurement documentation and a draft franchise agreement. The GMCA would use this process to invite initial comments from the operator market on these detailed draft documents in order to further test commercial principles and contractual mechanisms prior to the commencement of procurement procedures.

The procurement procedures

27.2.7 The UCR 2016 permits five different procurement procedures: open procedure; competitive dialogue; innovation partnership; negotiated; and restricted. Of these:

i. Open procedure is designed for simple procurements, and has therefore been discounted for franchising.

ii. Competitive dialogue provides for successive stages, and is particularly relevant where the specification is primarily output (i.e. outcome) based rather than input based. It generally takes longer than both the negotiated procedure and restricted procedure. TfGM has a well-defined specification for use by the GMCA, and therefore it is not considered that there is a need to use the flexibility of this approach.

iii. Innovation partnership is a new procedure, but it is focused on where there is a need for significant research and development, and is therefore unsuited to bus franchising.

iv. Negotiated procedure enables contracting authorities to enter into negotiations with a group of pre-qualified bidders by way of an ITN, notably in areas such as the terms and conditions of any franchise agreement. The negotiated procedure provides greater flexibility than the restricted procedure, but provides less scope for negotiating with the preferred bidder than competitive dialogue.

v. Restricted procedure is based on pre-qualified bidders submitting a fully priced tender. This procedure offers no scope for substantive negotiation or dialogue with the bidders. This restricted procedure is currently used by TfGM on behalf of the GMCA for the procurement of existing tendered general bus and school bus services.

27.2.8 For the first two large bus franchise tranches, it is assumed that the negotiated procedure would be used because of the additional flexibility it provides. The negotiated procedure would be used to consult with bidders on the ITN following the shortlisting of bidders (see Section 27.2.16).

27.2.9 For the third and subsequent large bus franchise procurements, it is expected that the GMCA would continue to use the negotiated procedure to provide maximum flexibility during procurement. However, it does not expect to directly consult again on the ITN because it would have had the experience of the first two large franchise procurements, and therefore negotiations should be limited as material issues would have been dealt with in the earlier franchise procurements. The exclusion of such negotiation on the ITN would make the procurement process quicker and simpler. With later procurements, there may be fewer areas which are open to negotiation up to a point where the GMCA could consider use of the restricted procedure where negotiation was no longer required.

27.2.10 For the small franchises, it is also proposed that the negotiated procedure would be used as described above, although the restricted procedure may be introduced from the second round of franchising (i.e. earlier than for large franchises) due to the reduced complexity compared to large franchises. For resource contracts, the restricted procedure (incorporating the Qualification System detailed below) would be used as these contracts are smaller, less complex, can be sufficiently specified, and are of lower risk.

Qualification System

27.2.11 A Qualification System is expected to be used for all franchise procurements. The reasons for using a Qualification System are:

i. Bidders are only required to complete the qualification process once.

ii. Once established, it represents a much more efficient system than a typical pre-qualification questionnaire (PQQ) approach as there is no need for repeated issue and evaluation by the GMCA.

iii. Although upfront work would be required to establish a Qualification System in time for the first franchise tranche, subsequent tranches can be procured more effectively and efficiently.

iv. It would also enable the GMCA to introduce Bus Services Framework Agreements, one for large franchises and one for small franchises, which would contain the elements of the Franchise Agreement that would not vary from franchise to franchise. The resultant reduction in the scope of the draft Franchise Agreement would bring further efficiencies to the procurement process and be more transparent.

27.2.12 The Qualification System would be similar to the 'Pre-Qualification Questionnaire Passport System' used by TfL Buses and by DfT in respect of rail franchising, to provide an effective system for establishing minimum thresholds for tenderers to participate in the procurement of bus franchises.

27.2.13 All potential bidders who have successfully satisfied the requirements of the Qualification System (the 'TfGM Passport Holders') would be required to sign a Bus Services Framework Agreement (BSFA) as a further condition of being considered for any franchise.

27.2.14 At the start of the procurement of a particular franchise, TfGM would issue on behalf of the GMCA an Expression of Interest (EoI) to all TfGM Passport Holders who have signed a BSFA. The EoI would test economic and financial standing, the purpose being to ensure that operators are of sufficient size and financial robustness relative to each franchise opportunity.

27.2.15 When the EoI is issued TfGM would also, as required by the UCR 2016, simultaneously make available the remaining procurement documents, including the draft ITN and draft franchise agreement.

Two-stage ITN

27.2.16 All respondents to the EoI that meet the economic and financial standing requirements of that EoI would be invited to the ITN stage. The GMCA would utilise a two-stage ITN process to provide a deselection stage (ITN Stage 1) in advance of final bid submissions (ITN Stage 2). This deselection stage would take place early in the ITN phase and ensure that an appropriately sized shortlist of bidders is taken forward to final bid submission. This would both support an efficient procurement process, and would seek to maximise the interest and commitment of bidders due to the increased chance of success than if not shortlisting took place.

27.2.17 The first stage (ITN Stage 1) would require bidders to submit short proposals in response to a small number of franchise specific issues or requirements. The GMCA would evaluate these in order to establish a shortlist of bidders to be taken to ITN Stage 2 and bid submission. The number of bidders to be shortlisted would be finalised prior to franchising, and in normal circumstances is expected to be restricted to three.

27.2.18 The GMCA would reserve the right not to apply ITN Stage 1 for any franchise procurement where the number of successful respondents to the EoI does not exceed the number of bidders to be shortlisted for that franchise. In such circumstances the submission requirements for ITN Stage 2 would be adapted to include any submission requirements anticipated at ITN Stage 1.

Evaluation, preferred bidder notification and contract close

27.2.19 Bids would be evaluated and where the negotiated procedure is used, this may result in a period of clarification. Sufficient time would be allocated for the final bid evaluation, preferred bidder validation, contract finalisation and the approvals process, which includes internal governance and sign-off procedures in addition to the ten-day standstill period required by UCR 2016.

Mobilisation

27.2.20 Once contracts have been signed, the process of mobilisation would commence and, as described in the 2000 Act, this would take a minimum of six months. It is anticipated that most large and some small franchises would require purchase of new vehicles. Supply lead times are typically between six to nine months, and this is reflected in the procurement programme.

27.2.21 Franchises within a tranche would be mobilised over either:

i. a single period such that all franchises within a tranche commence operations at the same time; or

ii. different lengths of time (e.g. by geographical cluster) such that a tranche has more than one operational commencement date, with the operational commencement date for each franchise being allocated to it by the GMCA.

27.2.22 The GMCA would determine the appropriate approach on a tranche by tranche basis.

Procurement of small franchises

27.2.23 Small franchises would, as noted above, be procured using the same Qualification System and the negotiated procedure. However, TfGM anticipates that the ITN phase would be limited to a single stage for small franchises, rather than two-stage process applied for large franchises.

27.2.24 Similar standards would need to apply to both small and large franchises but, wherever reasonably practicable, tender documents for the smaller franchises would be shorter and simpler than for the large franchise including, for example, less onerous bid requirements.

Resource contracts for school work

27.2.25 The retention of existing resource-based school contracts is expected to see little substantive change from existing restricted procedures, albeit the required standards would be both better defined and more comprehensive.

27.3 Procurement programme

Large franchises

27.3.1 TfGM has developed a procurement programme that is designed to balance a transparent, competitive, and compliant procurement process with a desire to introduce franchising in Greater Manchester in an efficient manner.

27.3.2 Under the steady state model, the majority of local bus services operating in Greater Manchester (with the exception of cross-boundary services, interim services, private hire services and other exclusions) would be subject to franchising. The transition from deregulation to franchising would be phased in over three tranches, staggered over approximately three years, with each tranche covering a discrete geographical area of Greater Manchester. The franchises contained within each tranche would be determined by the strategic depots that are situated within the tranche boundary.

27.3.3 The small number of tranches would enable the benefits of franchising to be achieved quicker than a more gradual roll-out, whilst enabling the GMCA to manage transition risk and provide opportunity for lessons to be learned between tranches.

27.3.4 This plan is illustrated in Figure 5 and is described below.

27.3.5 A number of key assumptions underpin this procurement plan:

i. A mayoral decision to implement franchising is made in December 2019. This would be subject to the appropriate steps as set out in the 2000 Act being followed and any potential mayoral decision thereafter not being challenged, which may result in a delay to implementation.

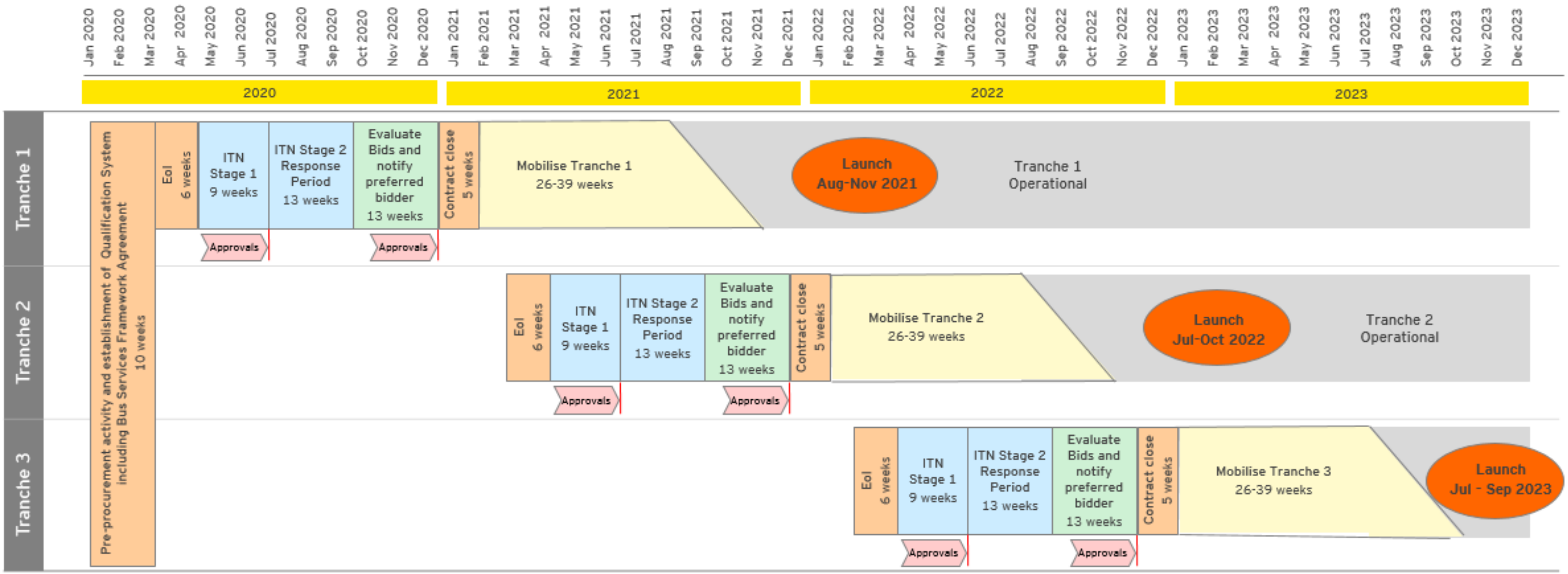
ii. Depots would be available in time for each large franchise to be let.

iii. A large proportion of the existing fleet would be available to bidders through the RV mechanism agreed with current incumbents.

iv. There would be ten large franchises let in three tranches.

27.3.6 In the event that the above assumptions change, the procurement programme would be revisited and updated.

Figure 5: Procurement Programme – Large Franchises (Assumes Mayoral Decision December 2019)



NOTES

Key Assumptions
- Depots acquired through mix of voluntary agreement and CPO (Tranche 1 and 2 voluntary).
- No significant delay in process between Assessment completion and any mayoral decision.
- Mayoral decision is not challenged.
- Not modified to take account of mayoral election 2 or seasonal factors.

Qualification System (QS) Process
- QS will establish a shortlist of potential bidders that meet pre-defined criteria set by TfGM.
- QS will be applied to all franchises.
- Each tranche will contain between 2 and 5 large franchises.
- Entities wishing to bid any franchise will respond to the corresponding EoI.

ITN Process
- Two stage ITN process, with deselection at ITN Stage 1.
- Negotiation on ITN Stage 2 for Tranche 1 and Tranche 2 to seek market feedback - considered to reduce risk and maximise quality of bids (optional in future tranches).

Evaluation, Award and Approval
- Tranche 1 and 2 negotiation and evaluation will set precedent and standard for later tranches.
- Tranches will require Mayor/CA approval of FBC prior to contract signature.

Mobilisation Period
- A period of six to nine months is considered appropriate - this includes the potential need to manufacture buses alongside other mobilisation activities relating to assets, staff, contracts etc.

Operational Commencement
- In practice a phased commencement of packages may be used across some tranches
- Assume between 6-9 months for mobilisation

Small franchises

27.3.7 As set out above, the procurement of small franchises would be conducted under the UCR 2016. Small franchises would be let in parallel with the large franchises in the same geographical area, to enable franchised services to be introduced in an orderly fashion.

i. Pre-procurement market consultation would essentially be the same as for large franchises.

ii. Pre-qualification would be consistent with large franchises.

iii. The ITN phase would be less complex than for large franchises, with only one stage and a reduced level of engagement on the draft ITN and draft franchise agreement.

iv. Bid, evaluation and award would follow the same process as that of large franchises, but because of reduced complexity and scale this can be completed in less time than large franchises.

v. Mobilisation would, as required by the 2000 Act, take a minimum of six months. Operations commencement dates for small franchises would generally be aligned to those of the large franchise in whose geographical area they are contained, and therefore the mobilisation period for small franchises is expected to align to those of large franchises.

27.3.8 There may, however, be some occasions when the procurement and subsequent mobilisation of small franchises would be completed before the large franchises in the relevant area. This is due to two factors:

i. The timescales around some elements of the procurement of small franchises can potentially be reduced because of the relatively lower complexity and scale.

ii. With depots being the responsibility of operators for small franchises and only limited new fleet investment envisaged, mobilisation within six months, as opposed to up to nine months (other than where new fleet needs to be procured) may be achievable.

27.3.9 However, it is expected that individual geographical areas consisting of a number of franchises would have a single operations commencement date in order to minimise customer disruption and confusion.

28 Market Analysis and Engagement

28.1 Potential bidders for franchises in Greater Manchester

28.1.1 A market analysis has been performed to identify potential bidders for franchises in Greater Manchester, including the large UK and international operators not currently active in Greater Manchester who may have an interest in entering the market.

Large operators

28.1.2 A summary of market analysis is shown in Table 41. This identifies the primary large UK operators and international franchise operators, accompanied by key attributes, including wider ownership and group size, and current activity in the Greater Manchester commercial/tendered market. It is noted that prior to procurement there would be a formal exercise to notify the wider market to ensure as comprehensive an engagement of the market as possible.

Table 41: Operator Characteristics

BUS OPERATING GROUP	PARENT CO. / GROUP	ULTIMATE OWNERSHIP (STATE OR PRIVATE SECTOR)	NO. BUSES (UK UNLESS STATED)	ANNUAL UK BUS REVENUE (£M)	GLOBAL GROUP REVENUE (£M)	OPERATING IN GREATER MANCHESTER	GREATER MANCHESTER CROSS-BOUNDARY OPERATOR
Arriva	Deutsche Bahn AG	State	5,065	930	37,914	Yes	Yes
First UK Bus	First Group PLC	Private	5,800	879	6,398	Yes	Yes
Stagecoach	Stagecoach PLC	Private	7,200	1,125	3,227	Yes	Yes
Go-Ahead	Go-Ahead Group PLC	Private	4,900	934	3,462	- (see footnote 13)	-
National Express	National Express Group PLC	Private	1,655	273.8	2,321	-	Yes (see footnote 14)
Abellio UK (Abellio London Limited)	NV Nederlandse Spoorwegen	State	700	190	4,484	-	-
Metroline Ltd / SBS Transit (see footnote 15)	ComfortDelGro Corp.	Private	1,682	380	3,477	-	-
RATP Dev	RATP Group	State	1,297	239	4,778	-	Yes (see footnote 16)
Tower Transit	Tower Transit Group Ltd	Private	450	116	183	-	-
Rotala	Rotala PLC	Private	486	58	58	Yes	Yes
Transdev PLC	Caisse des Dépôts et Consignations (66%) / Rethmann Group (34%)	State (66%) / Private (34%)	830	42	5,817	-	Yes
Keolis	SNCF (70%) / Caisse de dépôt et placement du Québec (30%)	State	21,500 (Worldwide)	0	4,728	-	-
SMRT	Temasek Holdings (Private) Ltd	Sovereign wealth fund	1,400 (Worldwide/Asia)	0	957	-	-

Source: Operator Accounts and Websites (TfGM, 2019q)

[13] On 19 February 2019, First Bus announced its intention to sell the Queens Road bus depot and operations (including the associated fleet) to the Go-Ahead.

[14] Some coach services registered as local bus routes within Greater Manchester.

[15] Metroline Ltd and SBS Transit both owned by ComfortDelGro Corp. UK Buses and Annual UK Bus Revenue analysis relate wholly to Metroline Ltd as SBS Transit does not operate in the UK.

[16] Although RATP Dev does not participate directly in the Greater Manchester market, it owns Selwyn's which has operated Cross-Boundary services.

28.1.3 As shown in the above table, a number of large UK operators would have the capacity to bid for multiple bus franchises in Greater Manchester. The packaging strategy of offering a range of franchise sizes, as described in Section 0, is designed to encourage participation from all anticipated large operators.

28.1.4 The packaging strategy is supported by the fleet strategy which, via the RV mechanism (as described in Section 26.2.5), recognises that not all operators currently have such ready access to a mixed-age fleet that would be suitable for a Greater Manchester franchise bid, given that they operate smaller or London-only fleets, or do not operate in the UK at all.

Small operators

28.1.5 Analysis of current incumbent SME operators that deliver commercial and tendered services in Greater Manchester is provided in Section 23.2.6 and Table 28. This shows that, whilst there is a relatively small level of commercial service provision by SMEs, there is already a strong tendered market for the schools and general services currently procured by the GMCA. This indicates that the market is used to, and there is an appetite for, a model requiring operators to bid for operational contracts in Greater Manchester

28.2 Market Engagement

28.2.1 Separately to the market analysis set out above, TfGM also undertook initial market engagement in early 2018 to test the suitability of the proposed commercial proposition for franchising described in Sections 23 to 25. To do so it invited responses from local, national and international operators. The exercise involved:

i. explaining to the operator market the proposed:
   - commercial structure and parameters;
   - franchise design parameters;
   - procurement process;

ii. obtaining feedback from the operator market on proposed franchise design parameters and key commercial and procurement principles

28.3 Approach taken by TfGM to engaging with the operator market

28.3.1 TfGM invited the three large Greater Manchester operators to attend individual meetings and the small Greater Manchester operators to one of two group meetings. These meetings were used to share with operators TfGM's high-level proposals in relation to how franchising could be structured and respond to questions. These operators, along with national and international operators, were then asked to respond to a short questionnaire providing feedback on the proposed approach. Each operator was then invited to respond to either the large franchise proposal, the small franchise proposal or to both proposals.

28.3.2 The questionnaire and accompanying material were sent to 16 large operators and of these TfGM received responses relating to the large franchise proposal from 13 operators and responses relating to the small franchise proposal from seven operators. Stagecoach was the only one of the three large operators in Greater Manchester who did not respond to the questionnaire. The questionnaire and accompanying material were also sent to 22 small operators and of these responses relating to the large franchise proposals were received from four operators, and responses relating to the small franchise proposal were received from 15 operators.

28.3.3 The level of interest achieved and responses provided suggest that there is a broad level of agreement with the packaging strategy and sufficient interest in all proposed franchise sizes.

28.3.4 The detailed feedback to both the large and small franchise proposals from the operators who responded can be seen in the *Commercial Case Market Engagement Supporting Paper* (TfGM, 2019g) whilst the below details the high-level feedback that the operators provided.

28.4 Large Franchises

28.4.1 The below responses summarise the key themes from the large operators relating to the large franchise proposal.

28.4.2 In relation to a question about franchise sizing, eight out of the 13 large operators that responded to the questionnaire indicated that they were interested in all franchise sizes i.e. 30 – 200+ buses. However, there was a common theme that the franchises of 30 – 50 buses and 51 – 100 buses would only be attractive to those who have already won franchises of 100+ buses unless there are lower barrier to entry and higher profit margins on the smaller franchises.

28.4.3 In relation to franchise lengths there were various comments that a five-year length is at the lower end of the acceptable spectrum, however no operators commented that a five-year franchise would be unacceptable. There was also strong agreement that a two-year extension period that has objective criteria would be desirable. TfGM considers it important to retain some flexibility in the first round of franchising to choose whether to extend contracts, particularly to align to the rollout of the depot strategy and any potential rationalisation of the number of large franchises. After the first round of franchising, and having built up a substantial baseline of operator performance, the GMCA could consider whether there is opportunity to provide bidders and operators with more certainty on contract extensions based on objective criteria.

28.4.4 There was agreement that the GMCA should take revenue risk and be responsible for defining ticket and product types and for setting fares. There were also suggestions that there should be incentives for operators who successfully increase patronage on buses.

28.4.5 With regards to operational and performance risk all of the operators that responded to the questionnaire agreed that operators should bear operational and cost risk and that there should be mechanisms in place such that fuel risk is shared (whereby operator bears volume risk and the GMCA bears price risk) and inflation risk is borne by the GMCA. There was also strong agreement with the proposed performance mechanism however there were comments that the measures which are financially penalised should be objective.

28.4.6 Also, all of the operators that responded to the questionnaire agreed with the allocated asset ownership for depots and with the proposed RV mechanism. However, there were various comments that the depot dilapidation schedule must be made clear at the start of the franchise. There was also general agreement that a single system for each ITS component across the network is the preferred option to ensure a consistent product for customers.

28.4.7 There was also strong agreement with the proposed procurement process with most operators agreeing that the optimal number of bidders to be shortlisted is between three and four.

28.4.8 The responses from small operators in relation to the large franchise proposal mainly mirrored their responses to the small franchise proposal below.

28.5 Small Franchises

28.5.1 The below responses summarise the key themes from the small operators relating to the small franchise proposal.

28.5.2 In response to the franchise length, there was strong disagreement with the proposed franchise length of three years with no extension period. Some operators commented that they instead preferred a five-year length and potentially with an objective criteria based extension period. However, ten operators commented that the overall franchise proposal would allow SMEs to still be involved in the GM market. TfGM considered this and, as indicated at Section 25.2.5, proposes franchise terms of between three and five years for small franchises and schools resource contracts. In relation to asset ownership, the majority of operators commented that they agreed with the allocated asset ownership for depots and with the proposed RV mechanism. There was also full agreement from the small operators that they would wish to retain ownership of their vehicles. There was also strong agreement that a single system for each ITS component across the network is the preferred option to ensure a consistent product for customers. However, a few operators stressed that the cost of the system would need to be discussed and there was also a query regarding who would pay for early termination costs where an operator already has an ITS contract with a preferred supplier in place.

28.5.3 In relation to the procurement process there were mixed responses with regards to the proposed process as seven operators stated they agree with the proposal. The reasons for operators not agreeing with the proposed process mainly stemmed from concerns that large operators may be able to apply marginal costing to win small franchises at the expense of SMEs. TfGM has considered how best to protect SMEs in this regard, including potential restrictions on the ability of large franchise operators to operate small franchises from strategic depots.

28.5.4 The responses from the large operators were mainly in agreement with the proposals aside from the proposed franchise length of three years which was seen as too short a time period for small franchises. Also, there was a query from a large operator regarding whether they would be expected to pick up small franchises on an emergency basis if there are no suitable bidders.

29 Facilitation of Strong Competition

29.1.1 The creation and sustaining of a competitive market is a key driver of the commercial model's aim of delivering franchised bus operations that offer quality of service and value for money (see Section 24.2.1i). As such, the facilitation of strong competition has been a core feature throughout the development of the commercial proposition. This has been achieved through a number of factors, including:

i. Consideration of global examples of bus franchising, both from mature franchise models (for example, London and Australia) and from newer franchise models (for example, Singapore and Dublin).

ii. Testing of the key commercial principles with local, national and international operators, as part of an initial market engagement exercise performed in early 2018.

29.1.2 Each core aspect of the commercial proposition (franchise design, key asset strategies, and approach to procurement) has considered and describes how the creation and sustaining of competition will be supported and achieved. Examples of this include the proposed approach to strategic depot provision (see Section 26.1.1) and the proposed establishment of a residual value mechanism for fleet (see Section 26.2.5).

29.1.3 There are a number of indicators that provide confidence that the commercial proposition would successfully drive competition:

i. International franchise markets (such as Dublin, Singapore, the Middle East and Australia) indicate strong competition for similar models.

ii. Initial market engagement was well received by operators and the commercial proposition generally endorsed. Where responses identified potential concerns with the initial commercial proposition, TfGM has revisited and, where appropriate, made amendments.

iii. The strong existing Greater Manchester tendering market for schools and general service indicates that the market is used to, and there is an appetite for, a model requiring operators to bid for operational contracts in Greater Manchester.

iv. Wider indications of interest in the franchise option from bus operators. This includes statements made by operators (for example, in Rotala's annual report 2018), and participation in initial market engagement in early 2018 from international operators such as Busitalia.

30 'Phase 2' Interventions

30.1.1 Section 8.6 of the Strategic Case describes the 'Phase 2' interventions that if implemented would, based upon evidence from the TfL case study, address the factors that act as a deterrent to travelling by bus and increase patronage forecast above those in the base case. At present there is no committed funding to 'Phase 2' activities within the Partnership or franchising cases.

30.1.2 In the event that funding was secured to carry out 'Phase 2' activities, the GMCA would use the contractual change mechanism described in Sections 25.2.8-25.2.9 to facilitate any necessary specification (including fares and ticketing arrangements, network implications, and resource requirements) and associated pricing changes mid-contract term. Any interventions that would not comply with procurement regulations or cause significant operational disruption would be implemented in the subsequent franchise term.

30.1.3 Refer to Section 15.4 of the Economic Case for further information on 'Phase 2'.

31 Period Between Any Mayoral Decision to Implement Franchising and the Commencement of Franchise Operations

31.1 Introduction

31.1.1 In the event of a mayoral decision to proceed with franchising, the GMCA would manage the risk that services provided by operators across Greater Manchester (either registered commercial services, or contracts let by the GMCA for tendered services) do not continue in line with levels forecast prior to the commencement of franchise operations.

31.1.2 However, it is recognised that the risk of service reduction exists through either:

i. Limited marginal service reduction, targeted at loss making commercial services. This could result in reduced scope of registered services or fewer registered services (or both), and would most likely be achieved through 'natural wastage' of staff and assets, and/or a decline in investment.

ii. Sustained marginal service reduction, either over a prolonged period or through more aggressive reductions targeting marginally profitable commercial services. This would most likely be achieved through the same means as (i).

iii. Large-scale deregistration and cessation of services by one or more operators, either across the whole of Greater Manchester or in one or more discrete geographical areas.

31.2 Likelihood of Disruption

31.2.1 Of the scenarios described above, limited marginal service reduction is considered probable as operators may seek to maximise margins in the period up to franchising by cutting costs. This could be achieved, at least in part, through reduced investment in staff (i.e. failure to recruit staff to replace 'natural wastage' and/or failure to maintain an adequate programme of staff training) and assets (e.g. non-replacement of aged fleet).

31.2.2 A prolonged phase of marginal service reductions could collectively result in large scale service reduction. Although this scenario is possible, it is considered less likely due to the limited extent of loss-making and low margin services, and the likelihood that, although operators would seek to reduce costs, they are less likely to do so in a manner that incurs expense to them (e.g. redundancy costs, stranded assets).

31.2.3 Large scale de-registration and cessation of services is considered possible if one or more large operators wished to use this potential disruption to:

i. Destabilise the introduction of the franchising in Greater Manchester; and/or

ii. Disincentivise other local transport authorities from proceeding with a franchising proposition.

31.2.4 This scenario is considered less likely as, unlike marginal service reduction which can be achieved more incrementally and naturally, it would require an explicit operator decision to take such a significant course of action. Such action is also considered less likely than the other scenarios due to the probable unacceptability to operators and their shareholders of financial consequences such as:

i. Lost revenue and margin.

ii. Potentially significant exit costs e.g. redundancy, potential pension liabilities.

iii. Stranded assets (if no sale of depot(s) and/or fleet is agreed with the GMCA or another party).

iv. Impact on any long-term incumbent advantage to bid for franchise contracts in Greater Manchester.

31.2.5 In addition, the extension of the deregistration period from 56 to 112 days, as set out in the 2000 Act, would give the GMCA more notice of any cessation of services and a greater period to respond than would previously have been the case. This would give the GMCA more time to implement its commercial response (see Section 31.3) to ensure that passengers are protected.

31.2.6 However, TfGM recognises the possibility that a large operator may take short-term decisions which negatively impact on services provided in Greater Manchester. These both have the potential to result, in the short-term, in disruption of the market and the non-operation of some bus services. Section 31.3 goes on to look at what commercial arrangements may be put in place by the GMCA to protect services during transition, whilst Section 48.2 of the

Management Case looks at the GMCA's contingency plans for providing replacement services should operators stop running their services.

31.3 Commercial Arrangements to Protect Passengers

31.3.1 In the event that a current operator either reduces services or entirely exits the Greater Manchester market prior to that operator's services being made subject to franchising, it is anticipated that this would be managed by the GMCA and/or the market to as follows:

i. Step-in by one or more operators into the commercial space left by an existing operator, particularly in the case of any large-scale deregistration and cessation of profitable services.

ii. Emergency letting of short-term contracts using tendered services contracts to fully or partially replace withdrawn services, either under its existing tendered services framework or through alternative contractual arrangements.

iii. No action, with withdrawn services not being replaced.

31.3.2 It should also be noted that the GMCA has greater ability to protect services which it subsidises. This is because the GMCA specifies how long it wants to contract an operator to provide those services for, meaning the risk of subsidised services not being provided would be low.

31.3.3 The GMCA's approach to operational continuity risk is considered in further detail in Section 48.2 of the Management Case. Appropriate allowances have been made for this within the financial model, and the quantified risk assessment recognises the potential need for letting of short-term contracts to ensure service continuity.

32 Key Commercial Risks

32.1.1 The commercial risks associated with a Franchising Scheme are identified in the risk register at Appendix A. This has been updated and reviewed regularly as the Assessment has progressed. The Management Case sets out how risks would be managed. The risk register identifies commercial risks, an estimate of their likelihood and impact, and actions to mitigate and manage each. The key commercial risks are summarised in Table 42 below:

Table 42: Key Commercial Risks

Risk ID	Description	Impact	Key Mitigation & Management
F012	Depots - There is the risk that the GMCA's preferred option to negotiate and purchase strategic depots post mayoral decision cannot be achieved and the GMCA needs to put alternative arrangements into place.	Need for an alternative approach leading to either delay or change to assumption that the GMCA would provide strategic depots to franchisees.	1. Ensure that the depot strategy is appropriately managed with sufficient resource and expertise. 2. Contingency plan (including alternative mechanisms of provision such as new build).
F018	Implementation - incumbent large operators do not win franchise contract and subsequently acts in an uncooperative manner.	1. Reputational damage. 2. Cost and time of managing issues. 3. Implementation delay.	1. Fully scoped and defined approach would be adopted, committing adequate resources. 2. Detailed mobilisation plan to mitigate risks associated with incumbent operators. 3. Any voluntary agreement of depot transfer would build in obligations in relation to the existing operator to cooperate in depot and operational transfer. 4. Engagement with incumbent operators.
F020	Reputation and Implementation - Implementation of the first packages are delayed due to mobilisation and complexity issues, resulting in customer impacts and a significant loss of confidence in franchising.	1. Delay to franchise introduction. 2. Cost and reputational damage, including loss of public confidence. 3. Alternative solution/ supplier required. 4. Cost and time of managing issues.	1. Bidders would be required to provide a detailed mobilisation schedule to be approved by the GMCA prior to contract signature including agreed milestones and business readiness criteria. 2. Ensure the teams delivering through transition have the appropriate skills to manage the implementation 3. Early recruitment of key roles. 4. Joint risk register with mitigations and contingency arrangements. 5. Achievable Programme agreed. 6. Supplier engagement. 7. Strong public relations.
F071	Residual Value Risk (fleet) - risk that part of the fleet is no longer required by the bus market in Greater Manchester.	The realisable value is lower than the carrying value of assets leading to a write down.	1. Gradual reductions managed via fleet renewal programme. 2. Any policy intervention can phased to reduce the risk associated with it.
F013 & F013a	Risk that the GMCA is challenged over the approach and implementation of procurement.	1. Cost and time delay. 2. Reputational damage. 3. Potential need to retender.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure approach to implementation is agreed with and/or shared with GMCA and stakeholders (as appropriate). 3. Ensure draft procurement documentation is in line with best practice, relevant procurement law and informed by legal advice.
F014 & F014a	Market Attractiveness - insufficient bidders attracted to bid for franchises.	1. Failed procurement, leading to delay in implementation. 2. Less competitive bids - price and quality.	1. Procurement approach and documentation to be prepared by experienced TfGM/advisor team. 2. Benchmarking of risk transfer and key commercial principles. 3. Market testing and engagement.

Source: Appendix A [Risk registers for Franchising, Partnership and Do Minimum]

32.1.2 Separate consideration of TfGM's assumption regarding revenue and demand risk under franchising is provided at Section 46.7 of the Management Case.

33 Cross-boundary Services and the Permit Regime

33.1.1 It is important to allow cross-boundary services to continue to be operated, and indeed encouraged, allowing bus travel between places outside Greater Manchester and destinations such as the Regional Centre and the airport. As set out in the Strategic Case at Section 5.4, these services are important to neighbouring authorities as they enable people living in those places to reach destinations within Greater Manchester. They are also commuting flows from Greater Manchester to destinations within neighbouring authorities such as Cheshire East.

33.1.2 Currently, there are approximately 116 services that cross the Greater Manchester boundary, of which 24 are wholly commercial, 43 are operated under partial or total subsidy from the GMCA and/or neighbouring authorities with the remainder being school services. Of the 67 non-schools services that cross the boundary (at March 2018) (see *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b), it is estimated that 20 of these are run from within Greater Manchester and only have relatively short running beyond the boundary. These would be part of the Franchising Scheme and the portion outside Greater Manchester could be run with the co-operation of the neighbouring authority. Of the remainder, 23 are estimated to have little potential impact on franchised services and are unlikely to change significantly. The remaining 24 services may need to change in some way – for instance in terms of their picking-up points within Greater Manchester – in order to pass the statutory tests.

The legal tests for the permit scheme

33.1.3 A permit scheme will be introduced in accordance with the 2000 Act to allow these services to run in the event that the Franchising Scheme is implemented. If the GMCA wanted the ability to attach conditions to these permits, it would have to undertake a consultation on the details of the conditions that would be attached to permits. This will be held in the event that franchising is the chosen option for bus reform and will take place prior to the introduction of Franchising Scheme. Under the 2000 Act, the GMCA must satisfy two conditions to grant a permit – first that the proposed service will benefit those making journeys in the franchised area, and second that the proposed service will not have an adverse effect on the local services that are part of the Franchising Scheme. The GMCA would have to look at applications for permits in the light of these two criteria and it is assumed that TfGM would be responsible for undertaking that assessment and managing the permit scheme on its behalf.

Assessing the potential adverse impact of cross-boundary services

33.1.4 While the first test is relatively straightforward for a proposed service to pass, if it offered more potential travel and extended the public transport system and hence benefitted passengers, determining an adverse impact is more complex. Abstraction of revenue from franchised services because of fares paid to cross-boundary operators for journeys wholly within Greater Manchester could be considered an adverse impact. The extent to which a cross-boundary service would have a material negative effect in this way on the franchise would depend not only on the route taken, but also on stopping points and where passengers could alight and join the service, and the proposed fares and arrangements that would be in place. An adverse impact could also be expected from poor quality vehicles or customer service, or a lack of information about other connecting or other bus services. This means that, for instance, a service that has a large number of stopping points along a major corridor and would compete directly with a franchised service would be unlikely to be granted a permit. A service on a similar route with fewer stopping points would be more likely to be granted a permit.

33.1.5 A permitted service could also benefit franchised services, for instance by bringing more people in on public transport rather than in private vehicles, reducing congestion and making those people more likely to use other bus services once in Greater Manchester, creating revenue for the franchised service. While each of the legal tests will be considered separately, TfGM intend that the assessment by the GMCA of the adverse impact a service might have is taken accounts for these benefits to the franchised service, rather than simply focussing on the potential dis-benefits in coming to a conclusion on whether a service has an adverse effect and should be granted a permit.

Permitting process and conditions

33.1.6 The process for granting a permit would involve an application that detailed the nature of the service within Greater Manchester, including stopping points, proposed fares arrangements. It would need to detail where a service was able to pick up passengers and also set them down, as well as fares arrangements, such as day or single fares within Greater Manchester. The GMCA would use this information to assess the potential impact of a service and to decide whether a permit could be granted, and if so, what conditions should be attached.

33.1.7 As most of the impact of a cross-boundary service will be determined by where it picks up passengers within Greater Manchester and what fares it charges for journeys wholly within Greater Manchester, these would be the main determinants of whether a service would be able to be granted a permit. It is anticipated that there would be a pre-application stage where operators could discuss proposals with the GMCA to ensure that applications are made that are likely to pass the necessary legal tests.

33.1.8 Permit conditions would be used to help to mitigate any adverse impacts from poor quality service within Greater Manchester. The permit scheme would set various conditions upon the operator depending upon the extent to which the proposed services would be considered to have an impact on the Greater Manchester franchised network. It is anticipated that all services granted a permit would have a basic set of conditions relating to fares, customer standards (such as participation in the Travelsafe programme), vehicle standards such as emissions standards and operational conditions such as having appropriate driver communications. For some services that play a greater role in the Greater Manchester bus network, further conditions might be added, for instance on acceptance of tickets.

33.1.9 Where services are operated with financial support from a neighbouring authority, it is anticipated that initial liaison would take place between the GMCA and that local transport authority in respect to the proposed service, in order that the principles applicable to any required permit could be agreed in advance of a tendering exercise being undertaken. Following the award of a contract, the actual permit application would need to be made to the GMCA by the operator contracted to provide the service.

Fares and ticketing arrangements for cross-boundary services

33.1.10 It is not anticipated that cross-boundary services would be required to accept GMCA period tickets. It would not be commercially viable to require operators to accept passengers with such tickets without compensation, and if cross-boundary operators were compensated it would mean that they would be in the position of potentially abstracting a great deal of revenue from the franchised services and therefore would not be likely to pass the legal tests to be granted a permit. It would also mean this ticket would become a Multi-operator Travel Card (MTC) and therefore the price of this ticket would be subject to negotiation with all operators who would be required to accept it. The GMCA would not independently be able to set the price of its period tickets.

33.1.11 This would mean the situation for passengers would be similar to the status quo, as passengers on a cross-boundary service from one operator would not be valid on another operator's services within Greater Manchester.

33.1.12 To widen travel options and to encourage the use of the bus network including cross-boundary services, the GMCA would pursue two options:

i. Using permit terms and conditions to ensure cross-boundary operators sell a 'GM add-on' ticket that would allow travel on franchised services. This would be priced below the standard period tickets and available to passengers who had purchased a cross-boundary period ticket. The total cost of travel would always be more than the cost of a regular network ticket, but this would make it straightforward for passengers to take any further journeys within the boundary by bus. Purchasing arrangements would mean that this would work for those coming into Greater Manchester from outside, but also those who would start their journey within the boundary and then change onto a cross- boundary service for onward travel.

ii. At the same time as introducing a 'GM add-on' ticket, look to explore with neighbouring authorities multi-operator ticketing schemes that covered an area beyond Greater Manchester. This would enable travel in a wider area including Greater Manchester services but also in a defined neighbouring area. It would be preferable to introduce these arrangements at the same time as the 'plus bus' option to give passengers the widest possible choice, but any MTC would need to be discussed and agreed with neighbouring authorities and arrangements for reimbursement and price setting agreed with operators.

33.1.13 Both of these would make travel choices simpler for passengers using cross-boundary services, and also potentially increase patronage making them more viable as well as encouraging use of the bus network more generally. This would also mean that cross-boundary services were more likely to be of net benefit to franchised services as they would bring revenue into the franchised system and so able to be granted a permit. Arrangements for transition are set out in the Management Case.

33.1.14 As well as facilitating cross-boundary travel, it may also be helpful for some passengers to use cross-boundary services within Greater Manchester as part of the overall network. For this reason, having a 'one network' MTC ticketing option for Greater Manchester covering franchised buses and journeys within Greater Manchester on cross-boundary services would be of value to passengers in Greater Manchester and would support the achievement of the objectives of the Vision for Bus. The GMCA would consider introducing a multi-operator ticket for journeys wholly within Greater Manchester.

33.1.15 The price of MTC period tickets would be at a premium to period tickets valid only on franchised services. While the price levels and reimbursement arrangements would be agreed with cross-boundary operators, participation in the scheme would be mandatory as a permit condition. This will ensure that the most comprehensive bus network is available to passengers within Greater Manchester.

34 Conclusion

34.1.1 Sections 24 to 27 of Commercial Case have described the commercial proposition for the franchising option, setting out how the GMCA would implement franchising from a commercial perspective.

34.1.2 This has considered franchise design, asset strategy, procurement, contractual arrangements, market engagement, the facilitation of competition, arrangements to protect passengers during transition, keys commercial risks, and the proposed approach to cross-boundary services.

34.1.3 The case has concluded that the commercial proposition would:

i. allow the majority of the network to operate under franchised contracts, whilst at the same time allowing operators to apply to run cross-boundary and other non-franchised services under service permits;

ii. achieve the key commercial aims of delivering franchised bus operations that offer quality of service and value for money, whilst allowing access to the market for small and medium-sized operators;

iii. be accepted by the operator market, and that there is appetite from the operator market for franchising;

iv. ultimately be deliverable by the GMCA, including during the transition period.

34.1.4 The Management Case describes how the GMCA would implement and deliver the franchise option.

35 Part 3 – Partnership Model

35.1 Introduction

35.1.1 Having set out the Commercial Case for Franchising, Part 3 describes the Commercial Case for the partnership option. It sets out:

i. Section 35.2 – an introduction to the partnership model which sets out the two potential models considered.

ii. Section 35.3 – a description of the mechanisms and powers relating to the delivery of bus partnerships.

iii. Section 36 – a description of the proposed mechanisms to support the partnership proposals considered in the Assessment, including:

- common assumptions
- key features of an Operator Proposed Partnership
- key features of an Ambitious Partnership

35.2 Introduction to the Partnership Model

35.2.1 The Economic Case considers two potential partnership options: one reflecting current propositions that have been discussed with the operators, incorporating the consolidated proposal put forward by the operators (Operator Proposed Partnership); and one that reflects a more ambitious potential partnership scheme (Ambitious Partnership) which intends to deliver more benefits. Modelling these two different options illustrates the range of potential outcomes that could be achieved under a partnership.

35.2.2 It is currently considered that the Ambitious Partnership would require the introduction of a regulatory scheme (being an EP under the 2000 Act as well as other regulated options including an AQPS, as further detailed below), to allow it to be implemented. Such a scheme could be introduced alongside a VPA. The Operator Proposed Partnership could be introduced through a VPA alone and operators have indicated through TfGM's ongoing engagement with them (further details on this are set out in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h), that this would be their preferred mechanism for operating under a partnership. They have stated that they would not want an EP mechanism.

35.2.3 The Commercial Case for partnership focuses on the commercial and legal framework for the different partnership options under consideration. It is structured as follows:

i. A review of the range of legal partnership mechanisms available to deliver a partnership including how these would operate in practice from a governance and performance management perspective.

ii. A summary of each of the partnership options considered (Operator Proposed Partnership and Ambitious Partnership) including a review of which of the partnership mechanisms is likely to be most appropriate for implementation; and how the mechanism would apply in respect of commercial issues such as contract length, performance and risk.

35.2.4 The Commercial Case section on franchising considers in detail the commercial arrangements for franchise contracts including the approach to procurement, contracting structuring and transition. Clearly a number of these aspects are not relevant under a partnership model as there would not be a competitive bidding process for the services currently operated commercially. The GMCA would continue to subsidise aspects of the bus network through TfGM. These subsidised services would continue to be tendered to the market in the same way as they are currently procured. Therefore, no specific detail in relation to the procurement of any such tendered services is included in this section.

35.3 Partnership Mechanisms

35.3.1 There are a range of powers relating to the delivery of bus partnerships which have developed over the last few decades, mostly through amendments to the 2000 Act. The current powers, as amended by the 2017 Act, provide a selection of powers enabling delivery of bus services and ancillary arrangements through a range of schemes and statutorily approved arrangements including voluntary partnership agreements (VPA), advanced ticketing schemes (ATS), advanced quality partnership schemes (AQPS), qualifying agreements (QA) and enhanced partnership plans and schemes (EPP and EPS). These arrangements can be used separately or in combination to deliver partnership arrangements with one or more operators. The key routes to delivering a comprehensive partnership over an area are the use of a multi-lateral VPA, and the use of a new arrangement under the 2017 Act, the enhanced partnership.

VPA

35.3.2 A VPA is a voluntary agreement under which one or more local transport authorities, undertake to provide particular facilities, or to do anything else for the purpose of bringing benefits to persons using local services. This can be within the whole or part of their area, or combined area, and one or more operators of local services undertake to provide services of a particular standard. This therefore covers a broad range of potential agreements and/or arrangements relating to delivery of bus services. If such an agreement has an anti-competitive effect then the Part 2 competition test under Schedule 10 of the 2000 Act applies, which considers whether such an agreement contributes to the attainment of specified bus objectives, without imposing restrictions on the undertakings which are not indispensable to meeting those objectives, nor afford the possibility of eliminating competition in respect of a substantial part of the services to which the agreement applies. A VPA which is anti-competitive has to satisfy this test to be legal. This ensures that VPAs can be entered into where they constrain competition (which will often be necessary to deliver proposed benefits) but that those constraints can be justified in accordance with the Part 2 test.

AQPS

35.3.3 An AQPS is a regulatory scheme which allows a local transport authority to ensure a minimum level of standards for the services to which it applies, and ensure that these are maintained even if the bus market changes, as a result of new entrants or changes in services offered by existing operators. Quality partnership schemes have been useful in allowing authorities to attach required service standards to facilities that they introduce, providing a greater level of certainty that investment in bus facilities will not be undermined by those facilities being utilised by services which are infrequent or of a poor quality standard. Reflecting the same approach, AQPS can therefore be used to ensure a consistently high standard of vehicle or service, making use of new bus facilities, such as bus stations/stands, bus lanes or similar. Unlike a VPA they provide a consistent minimum standard. This potentially allows them to be used in conjunction with a VPA. An AQPS has to satisfy the Part 1 competition test under Schedule 10 of the 2000 Act. As a regulated scheme based upon existing mechanisms, an AQPS has the benefit that it would be relatively easy to implement and be familiar to many operators as other AQPSs have been implemented around England, for example in Nottingham City Centre.

Enhanced partnership

35.3.4 Enhanced partnerships (EP) are a new option under the 2000 Act which potentially provide some of the benefits of voluntary partnership agreements, as well as other regulated options such as qualifying agreements between operators, advanced ticketing schemes and quality partnership schemes in a single regulatory scheme (an EPS). As a result, they potentially allow for more significant market change whilst maintaining the existing deregulated bus environment, and therefore provide an opportunity for bus operators and local transport authorities to agree more significant changes to the bus market in an area. As a regulatory scheme, an EPS would apply to all services which have one or more stopping place in the scheme area, unlike a VPA which only applies to those operators who choose to sign-up to its terms. In order to implement an EPS, operators have objection rights which ensure that an EPS will only proceed if it is broadly supported by a specified majority of bus operators in an area.

35.3.5 An EPS provides potentially the greatest level of regulation within an otherwise deregulated environment, and therefore greater commercial risk to operators. As a currently untested mechanism, there is also a greater risk that, if implemented, a scheme could have unforeseen impacts on the local bus market. The key risk with an EP is that any commitments made by the authority or by operators once a formal EP is made, are legally binding. If an authority does not fulfil its obligations it could face legal action by the operators in the courts. If an operator does not meet the service standards it could be in breach of its local bus service registration and can face registrations being cancelled and/or wider action by a traffic commissioner. The objection mechanics would also apply to any changes to the scheme, creating a potential risk that there may be difficulties making changes once an EPS has been implemented, unless there is broad level of support to any changes by the bus operators (see 36.6.4 and 36.6.5).

36 The Proposed Mechanisms to Support Partnership Proposals Considered in the Assessment

Introduction

36.1.1 The choice of partnership mechanisms to deliver any particular partnership proposal will depend upon the willingness of the partners to commit resource and their preferences. Where a partnership is required to deliver greater benefits, and is to be applied more universally, it is expected that an EP would be more beneficial than a VPA, or would be used in conjunction with a VPA.

36.1.2 The Economic Case also models the two partnership scenarios: Operator Proposed Partnership and the Ambitious Partnership.

36.2 Common Assumptions

36.2.1 In either scenario there are a common set of assumptions made which are consistent with discussions with operators (i.e. companies providing local commercial bus services in Greater Manchester) to date, as well as the GMCA's objectives. The common assumptions are as follows:

i. The first assumption is that the partnership mechanism would cover the whole of the Greater Manchester area, in order to ensure as much consistency across the bus network as possible under the different partnership models and that any partnership benefits apply across the whole of Greater Manchester.

ii. The second assumption is that any partnership would be entered into by all commercial operators based within Greater Manchester and who operate local services within the area. Cross-boundary services will be subject to the partnership arrangements within Greater Manchester to the extent appropriate.

iii. The third assumption is that the GMCA would procure tendered services to broadly equivalent service standards as those proposed under any partnership model. Additionally, one of the GMCA's roles in the partnership would be to endeavour to ensure the appropriate integration of commercial and tendered services across Greater Manchester.

36.2.2 It should be noted that both an EP and a VPA could also apply to any cross-boundary services which fell within their scope. In the case of the VPA, this would depend upon the terms of the VPA (so operators could either agree that such services were caught, maximising the consistency of the scheme, or determine that such services were not caught). The terms of the EP would apply to all such services, where they were operating within the area of the EP, unless they were expressly excluded from its scope: this may be complex, given the difficulty of distinguishing between a cross-boundary and non-cross-boundary service at points where they are running on the same route. This could also mean that the terms of either a VPA or EPS could impact on services in adjacent areas.

36.3 Operator Proposed Partnership

36.3.1 For the purposes of delivering the Operator Proposed Partnership a VPA would be used. In discussions to date with OneBus and operators, they have indicated that a VPA is the mechanism that they would adopt. OneBus is a unified collective of commercial bus operators in Greater Manchester, launched in 2018 with the intention several of bus companies being able to speak with one voice. Since October 2017, there has been extensive engagement with operators and OneBus, with a series of meetings to discuss how a partnership could be used to deliver GMCA's objectives for bus. As part of this key information has been shared in relation to the GMCA's objectives and approach to the Assessment. OneBus has also shared information including a potential partnership offer. Following receipt of the operators consolidated partnership offer in January 2018, six working groups were arranged to elicit further detail from the operators' proposed and to inform the drafting of the VPA and therefore the Operator Proposed Partnership option. Refer to the *Partnership Option: Operators' Position and Modelling*

Implications Supporting Paper (TfGM, 2019h), for further details on the discussions to date with OneBus and the operators.

36.3.2 There have been discussions regarding the use of EP and AQPS. In these discussions, a sufficient number of operators have confirmed that they would not accept the use of an EP such that this mechanism has been discounted for the Operator Proposed Partnership. Similarly, the use of an AQPS mechanism has been considered. Operators have indicated that whilst they do not favour using such a mechanism, they may accept its use in a limited capacity alongside a VPA (for example if delivering a set of bus priority measures on a specific bus corridor).

36.4 Key Features of the Current Operator Proposed VPA

36.4.1 TfGM have been developing a draft VPA with OneBus and operators, such that where sufficient detail has been agreed or obtained, this has been reflected in the draft VPA. The governance arrangements for such a VPA are set out in Section 53.5 of the Management Case. This section focuses on the key commercial issues relating to contract length, termination, performance management and risk. The Strategic Case contains further detail on the main aspects of the current proposals from the operators that have informed the VPA, a high level summary can be found below.

36.4.2 The VPA addresses all aspects of the partnership. The following sections below summarise the main aspects of the current proposals which cover:

i. Congestion and Service Punctuality – an agreement to an approach to review congestion issues and identify potential mitigations and improvements, including potentially taking forward specific improvement schemes such as bus priority measures.

ii. Network – an agreement to undertake a network review once in the partnership.

iii. Customer Experience and Patronage Growth – an agreement to rationalise and establish single customer contact approach; a more uniform branding of the bus network including some common livery.

iv. Fares and Ticketing – a commitment for each operator to share with the GMCA a simplification road map when signing the VPA and a greater focus on marketing the all operator ticket.

v. Fleet Investment – a commitment to fleet investment and potentially some zero emission corridors.

36.4.3 As set out in Section 36.4.2 above and in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h), a number of workstreams may identify more specific projects to be undertaken under a partnership, for example a set of bus priority measures/investments on a particular corridor. Any such projects are likely to:

i. need the involvement of other parties who would not necessarily be signatories to the main VPA (e.g. Transport Authorities);

ii. be subject to specific investment commitments;

iii. not cover the whole of the Greater Manchester area and therefore may only involve a limited number of operators;

iv. require a number of specific measures of success to track performance.

36.4.4 For these reasons, and the fact that the detailed projects would not be sufficiently developed prior to signing the main VPA, it has also been agreed that local VPAs would be developed for such projects. These would be based on the principles agreed in the main VPA, but have more specific geographical scope, standards and parties reflecting the specific deliverables of a project e.g. where it is agreed that higher standards will be provided on a corridor where a highway authority is providing additional bus infrastructure, a local VPA would be put in place including the relevant local bus operators and highway authority. The term of the local VPAs may be different to the main VPA and the parties to the local VPA can agree that the local VPA will continue in full force and effect even if the main VPA has terminated.

36.4.5 Based on current discussions with OneBus, all commercial operators based in Greater Manchester would sign up to the VPA and the associated measures of success. However, a number of non-Greater Manchester based operators who operate cross-boundary services into Greater Manchester have also expressed an interest in signing up to parts of the VPA. There is not however, any consistency over the degree to which cross-boundary operators would adopt aspects of the VPA. Some wish to fully adopt the commitments and others have indicated they would adopt elements of the proposed VPA.

Length

36.4.6 It is currently proposed that the VPA would be in place for a five-year period. However, this could be extended by a further five years upon agreement of all parties to the VPA. In setting a length, TfGM and operators considered both the need to commit all parties to a suitably long duration to enable changes to be delivered whilst avoiding the risk of stagnating the market by locking in specific requirements for the long-term which may not remain appropriate to the market, going forward.

36.4.7 By its very nature as a voluntary agreement, parties can withdraw unilaterally from the arrangements in specified circumstances, and enforcement rights are relatively limited. Termination provisions have been built into the draft VPA for material breach of the agreement and a remedial action plan is also included to incentivise the relevant party to rectify any material issues and avoid termination. However, the right to claim damages is limited with specific enforcement of contractual obligations being the key remedy. Therefore, if a party no longer wishes to, or is unable to, comply, there may be limited recourse, especially where the contract is reaching its end.

36.4.8 It is currently proposed that there is a change procedure built into the VPA. Inclusion of a robust variation mechanism is important to allow change within the scope of the terms of the VPA, but this also means that any long-term VPA could be expected to deliver variable benefits over its lifetime, as it adapts to the requirements of the parties. It may therefore be reasonable to assume that a VPA could deliver in accordance with its original terms for a similar term to a typical services contract, where operators can appropriately price for their participation at the outset.

Performance requirements

36.4.9 As a voluntary agreement, the precise performance metrics that can be included in a VPA will be dependent upon what operators are willing to commercially agree to.

36.4.10 The contracts let under the Franchising Scheme would include a contractual regime which encompasses formal key performance indicators (KPIs) linked to performance. As partnership would not involve the GMCA contracting with operators and setting out how services should be performed, a partnership could not replicate this mechanism but would instead track measures of success and failures in other ways.

36.4.11 Currently it has been agreed that there will be a set of Measures of Success that would cover the range of areas included in the VPA. A number of Measures of Success have been identified and discussed and these are being further developed by a number of working groups. The Measures of Success focus on:

i. Network

ii. Congestion and punctuality performance

iii. Fares and ticketing

iv. Fleet investment; and

v. Customer experience and patronage growth.

36.4.12 By way of illustration, the following types of measures are currently under discussion: reliability of service, increased punctuality of service, regular (high frequency) services, increase in the levels of patronage on bus, journey times and variability, passenger satisfaction with the bus journey, the fares and ticketing product set, and the fleet profile.

36.4.13 The baseline figures and potential targets set for each measure of success will be individual operator based. Additionally, as and when local VPAs are developed for specific improvement schemes, there would be additional scheme specific measures of success developed and agreed.

36.4.14 The aim of the measures is to focus on delivery of key outputs which are required to deliver the proposed benefits of the agreement. It has been agreed that there will be a number of enforceable remedies. In the first instance, the VPA focuses on rectification of poor performance through a remedial plan which would be approved by the partnership strategy board. Section 53.5 of the Management Case contains further details on the governance and associated boards that would be in place under a partnership.

36.4.15 TfGM and the operators believe that it is important that there is a focus on ensuring that there is a sanction when an operator and/or the GMCA is failing to adhere to the standards of a VPA rather than simply determining whether an operator and/or the GMCA has or has not achieved the relevant standards. Operators have indicated that they are not averse to financial penalties being put in place, particularly in instances when the operators are seen to be deliberately not abiding by the requirements of the VPA. However, the scale and extent of such penalties, and precisely when these would apply, is not clear.

36.4.16 Should a financial penalty be put in place, the current proposal under the Operator Proposed Partnership are that such funds are to be ring-fenced to benefit the partnership and that the operator that incurs the fine should not benefit from the use of the funds. The exact details behind how this would work in practice are not clear.

Commercial Risks

36.4.17 Under an Operator Proposed Partnership, the operator's risk profile and the risks faced by the GMCA will remain the same as at present. Please refer to the *Commercial Case Franchising Risk Allocation Supporting Paper* (TfGM, 2019f) for further detail on the current situation. However, some key issues around risk allocation have been detailed below. The risks associated with partnership are also identified in the risk register at Appendix A. The risk register identifies commercial risks, an estimate of their likelihood and impact, and actions to mitigate and manage each. The Management Case sets out how risks will be managed and also considers transition risks.

36.4.18 Operators: having committed to deliver specific service standards, operators will need to continue to manage key operational risks which they retain under the VPA. These are likely to include elements such as fuel costs and wider economic factors. To the extent that these factors change in a way not expected, even without express contractual provisions providing relief, there is a risk that operators will seek to change or terminate the VPA in order to maintain their commercial interests.

36.4.19 Operators also bear the risk that they fail to comply with their obligations more generally under the VPA. However, whilst contractual breach is potentially a risk for an operator, the remedies cannot easily be focussed on termination of the agreement as this would simply lead to an operator in breach no longer being subject to the requirements of the VPA. Therefore, the remedies under the VPA would be more focussed on specific performance.

36.4.20 Transport authority: from the GMCA's perspective the level of enforceability of a VPA is a key risk - if operators cannot be required to comply with its terms, or remedies to ensure compliance are weak, then this potentially undermines the benefits of the VPA. A balance therefore needs to be struck between having a VPA with high standards - but with the potential for operators to not commit to effective remedies or enforcement - or lower standards with a greater level of agreed enforcement mechanics.

36.4.21 As a VPA is a voluntary arrangement, the potential for either existing or new operators to not sign up to the terms of a VPA also creates a high risk that the whole market will not necessarily comply with the relevant standards, leading to a dual-standard bus industry in the area of the VPA.

36.4.22 These risks can potentially be mitigated through the promotion of associated AQPS to set base standards that will apply to all operators in an area, whether or not they are signatories to the VPA, subject to those additional standards satisfying the applicable competition tests. As noted in Section 36.3.2, this is an approach that operators have indicated they may consider for specific local VPAs described earlier in this section.

Process to finalise and sign

36.4.23 Where parties are in agreement over the terms of a VPA, the timescale for implementation can be rapid. Each party will need to be satisfied that the VPA fulfils the competition test, and otherwise complies with the applicable legal requirements, including any ancillary arrangements that may need to be put in place, such as qualifying agreements, or associated AQPS. As currently it is anticipated that a VPA would only be entered into at this stage, once commercial agreement is reached this means the parties could implement the VPA quickly. The operators have committed to then undertake the various reviews (e.g. Network review) and implement any agreed changes over the course of 18 months. Although the VPA can be implemented quickly, and more quickly than franchising, the benefits will take longer to implement than franchising. Engagement with the operators is still ongoing to develop and agree the detail of the parties' obligations. Once the details have been finalised, through the process of ongoing working groups and legal sessions with the operators, the VPA will be shared with all relevant parties for signing, i.e. the Mayor, GMCA, TfGM and the operators.

36.4.24 Where an associated AQPS is required (e.g. for a local VPA focused on a scheme of improvements), this would be expected to extend the timescale for implementation of such a local VPA (assuming that measures under both arrangements would need to be introduced together). As such a scheme would need to go through a mandatory consultation process, once its terms were defined, extending any implementation period by at least two months. However, as any such local VPAs would only be implemented once the main VPA has been signed, this would not have any impact on the ability to proceed to signing of the VPA.

36.5 Ambitious Partnership

36.5.1 It is currently considered that in order to implement an Ambitious Partnership, it would require the use of a regulatory scheme (either AQPS or EP), potentially alongside a VPA. This is because the scope of what can be provided within an EPS is potentially wider in scope than VPAs and/or AQPS. For example, a scheme can specify:

i. the frequency and timing of particular services – this can include different services taken together, so can potentially be used to implement service rationalisation;

ii. requirements relating to the vehicles used to provide services – similar to what can be achieved through an AQPS. This can include requirements as to emissions and power type;

iii. requirements about the way that tickets can be purchased, fares paid and entitlement to travel;

iv. requirements as to the prices of multi-operator tickets – such pricing requirements would still need to be block exemption compliant, and therefore this does not provide an ability for a local transport authority to simply set pricing of such tickets.

36.5.2 TfGM considers that this would allow for greater regulatory reform of the bus industry within the area of an EPS consistent with the Ambitious Partnership, whilst still allowing operators to provide services on a broadly deregulated commercial basis. However, the ability of GMCA to implement such a regulatory scheme is based on the arrangement being accepted by sufficient operators to implement an EPS.

36.5.3 An EPS requires completion of a detailed statutory process including consultation with relevant stakeholders and operators prior to implementation. It would be possible for GMCA to implement an EPS and VPA in conjunction with each other, as well as in combination with other partnership options, provided that the relevant statutory tests (as outlined in sections 35.3.2, 35.3.3 and 36.6.5) could be satisfied in each case.

36.6 Key Features of an Ambitious Partnership

36.6.1 It is anticipated that the Ambitious Partnership would cover similar areas to those proposed under the Operator Proposed Partnership (as set out in the Strategic Case). However, the use of the EP mechanism would allow operators and the GMCA to be more ambitious in what would be delivered under a partnership. These differences are set out in Section 13.3 of the Economic Case and are summarised below:

i. Greater level of network integration and network changes;

ii. Greater levels of interoperability of tickets through the introduction of Qualifying Agreements.

36.6.2 To implement an EPS, the GMCA would first be required to make an EPP for Greater Manchester. The plan would need to include an analysis of the services within the area, policies relating to those services, objectives as to the quality and effectiveness of local services provided in that area, and set out the intended effect of enhanced partnership schemes in respect of those policies and objectives. The plan also needs to consider the effect on neighbouring areas, and state whether it is to be reviewed, and if so specify the timing and approach to its review.

36.6.3 Where a plan has been made, the GMCA could then make one or more EPSs, which impose requirements on services in the area, in compliance with the EPP. The EPS may also include provisions relating to the provision of facilities or measures by the local transport authority (although unlike an AQPS this is not a requirement), and can include a review procedure for the scheme. Any EPS must both contribute to the policies set out in the EPP (and wider local transport policies) and benefit persons using local services.

36.6.4 An EPS can only be implemented with the support of:

i. At least three operators (where there are more four or more operators), or all operators (where there are less than four operators), where in either case these operators operate 25% of the registered distance of all such services operated in the area; or

ii. At least 50% of the operators running qualifying services in the area object, and they together operate at least four percent of the registered distance of all such services operated in the area.

This means that a scheme with broad operator support could be implemented even if certain smaller operators objected.

36.6.5 Any EPS is also subject to the Part 1 Competition Test. "Part 1 Competition Test" means the test for making and varying quality partnership schemes, making and varying ticketing schemes, and inviting and accepting tenders under section 89 or 91 of the Transport Act 1985 (subsidised services) as set out in Schedule 10, Part 1 to the 2000 Act which considers whether there is a significant adverse effect on competition and if so whether the agreement either: (i) secures improvements in the quality of vehicles or facilities used to provide local services; (ii) secures other improvements in local services of benefit to users of local services; or (iii) reduces or limits traffic congestion, noise or air pollution; and whether the effect on competition is proportionate or likely to be proportionate to the achievement of that purpose. Therefore, a small operator who would be materially prejudiced by a scheme, but who did not satisfy any of the thresholds for vetoes, may still have recourse to challenge the decision based on the application of the Part 1 test, and a local transport authority would need to demonstrate that it had considered these specific impacts in making its decision.

36.6.6 Overall, this means that if the GMCA were to implement an EPS to deliver an Ambitious Partnership it would need to ensure that it does not have significant adverse competition impacts on operators (unless these are proportionate and justified) and that there is broad operator support for the proposal (which there is not currently). This means that there is a material risk that such a scheme may not be implemented or may require significant watering down of its requirements to enable implementation.

Length

36.6.7 An EPS can theoretically be implemented and then continue, providing an ongoing regulatory framework i.e. there is no fixed term for such a regulatory scheme. This would, however, be dependent upon the terms of the EPS continuing to be fit for purpose within the commercial bus market covered by the EPS.

36.6.8 A long-term EPS would therefore need to include appropriate variation mechanics to enable change within the EPS. It is possible to build such mechanisms into an EPS to enable such change, and this may also include provisions that expressly allow for revocation to provide operators with greater comfort consenting to a scheme such that it would not bind them to unrealistic requirements, should the commercial environment change. Proposals relating to these procedures may therefore be helpful in mitigating issues raised by operator engagement.

36.6.9 If such provisions were not included within the scheme, then a process similar to that for making a scheme would be followed, with similar veto rights for operators. This provides the potential for "deadlock" in schemes in the future, where certain operators require changes to the scheme, whilst others are opposed to change – in such cases the operator veto rights may simply lead to an absence of change. Whilst this could lead to the continuation of an EPS (and indeed make it difficult for the transport authority to revoke the scheme) this also creates the risk of such a scheme not being capable of changing to reflect the needs of the market, potentially reducing the long-term benefits.

Performance requirements

36.6.10 Under an EP it would be possible to include Measures of Success. It is currently anticipated that similar of Measures of Success as developed as part of the current draft VPA would utilised under an EP.

36.6.11 As with the VPA, a series of enforcement measures could be put in place, potentially including a similar approach to remediation. However, the EP mechanism does not currently enable the levying of financial penalties, and does not have direct contractual enforcement rights. Instead, the primary mechanism to manage non-compliance with the standards of the scheme is through the right for the Traffic Commissioner to cancel registration of services which do not comply with the standards specified in the scheme. Furthermore, the functions of the Traffic Commissioner in respect of registration of such services would be delegated to the transport authority, allowing GMCA to directly implement such cancellations. This approach ensures that GMCA would be able to effectively enforce non-compliance of standards by bus operators by removing their services from operation.

Commercial Risks

36.6.12 Under an Ambitious Partnership, the operator's risk profile and the risks faced by the GMCA will remain the same as at present in relation to the base position. However, because the commitments made in an EP are legally binding and higher standards can be achieved, the nature of commercial risk will differ from that under a VPA. The *Commercial Case Franchising Risk Allocation Supporting Paper* (TfGM, 2019f) has further detail on the current situation. However, some key issues around risk allocation have been detailed below. The risks associated with partnership are also identified in the risk register at Appendix A. The risk register identifies commercial risks, an estimate of their likelihood and impact, and actions to mitigate and manage each. The Management Case sets out how risks will be managed.

36.6.13 Operators: the risks faced by operators under an Ambitious Partnership are different to an Operator Proposed Partnership due to the statutory process required to implement an EPS and the fact that all parties would be bound to the EPS. If an operator does not meet service standards set out in the EPS, it could be in breach of its local bus service registration and could face registrations being cancelled. There is a risk that the regulatory scheme attached to the more ambitious standards could make the partnership prone to collapse. In order to mitigate this risk, there would need to be tighter governance around the measures of success and monitoring of the partnership standards, along with regular engagement with the operators to help prevent the partnership from collapsing. This would also help to mitigate the risk that of relationship between the GMCA, TfGM and operators, or between operators, being poor, increasing the risk of partnership disputes or failure. The EPS would need to include a clear dispute resolution process to deal with this risk.

36.6.14 Under an EPS, the GMCA and the operators would be able to work together to perform a detailed review of the network and implement more ambitious changes to the network. As a result of these potentially larger-scale changes to the network, there is a risk that the network design change reduces customer satisfaction, and in turn reduces patronage. Similarly, there is a risk that the change mechanisms in place within the EPS, are not capable of managing changes desired, meaning that the ability to make changes to the partnership is reduced. Furthermore, as an EP is a regulatory scheme which grants operators veto rights in relation to proposed changes, there is a higher risk that such proposed changes will not be implemented if the operators are not in agreement as to the direction of change.

36.6.15 Transport authority: as noted above, and unlike the process to implement a VPA, there is a statutory process required to implement an EPS and therefore there is a risk that the GMCA would not be able to obtain agreement from sufficient operators or consent for the implementation of an EPS. If not all operators in Greater Manchester are in agreement to consent to the EPS, the EP cannot proceed.

Process to finalise

36.6.16 As noted above, the engagement required for an EP is greater than for the other schemes that would apply within a deregulated environment. In particular, the GMCA is required to invite operators in the area to which the EPP relates to participate in the preparation of the plan and scheme.

36.6.17 The Guidance for EPs makes it clear that there should be informal discussions even in advance of developing an EPP, in order to determine if an EP is worth pursuing and/or viable. It is worth noting that operators have explicitly told The GMCA that they do not want an EP mechanism. The GMCA would also need to seek informal views from a wider group of stakeholders, such as passenger groups, representatives of local businesses and community transport operators. This would mean that discussions with operators on a VPA could contribute towards an EPS, if that was found to better implement the proposals. However, whilst a VPA could potentially be agreed with a sub-set of operators who were willing to implement service standards to a higher standard, for an EPS there is an ongoing duty to invite new operators to participate in discussion, if they enter the market whilst the plan is being prepared.

36.6.18 Unless there is sufficient operator buy-in to the proposals, the GMCA could not proceed to wider consultation. As set out above, following consultation, the same operator veto right exists to the final decision to make the plan and scheme with any modifications. This effectively means that sufficient operators retain a continuing veto right over plans and schemes, as a scheme cannot go to consultation unless passed by sufficient operators, and if modified, the authority must either go back through consultation or ensure that operators generally consent.

36.6.19 This potentially means that the timescales for implementation of an Ambitious Partnership utilising an EPS may be long, or perhaps not even possible, as it will be necessary to agree the terms with sufficient operators to allow consultation to commence, and for that level of operator support to continue through the consultation process. These timescales may be impacted by the potential sale of First Group; however, the level of this impact is unknown.

37 Conclusion

37.1.1 Sections 35 and 36 of Commercial Case have described the commercial proposition for the two partnership options, setting out how the GMCA and operators would deliver partnership from a commercial perspective.

37.1.2 This has considered the various mechanisms to deliver a partnership and their specific applicability to the Operator Proposed Partnership and the Ambitious Partnership as well as the key features of each of the options.

37.1.3 The case has concluded that the commercial proposition would:

i. Involve a VPA for the Operator Proposed Partnership and, most likely, an EPS for an Ambitious Partnership;

ii. For a VPA, would involve relatively short timescales to implement the partnership itself given the work undertaken with operators over the past 18 months (although any improvement would take longer to realise and come with less certainty over what would be delivered given that some of the agreement is to undertake reviews to determine and agree actions once the partnership has been signed), would last for five years (with an optional extension) and could have some limited performance measures. As a voluntary agreement, there is a limited degree of enforceability.

iii. For an EPS, the process would be much longer as it requires as it requires a plan to be developed, and then consulted upon. It also requires operator support for it to proceed. Operators have indicated that they would not wish to us an EPS. An EPS can theoretically be implemented and then continue, providing an ongoing regulatory framework i.e. there is no fixed term. The primary mechanism to manage non-compliance with the standards of the scheme would be through the rights of GMCA to remove service licences.

37.1.4 The Management Case describes how the GMCA would implement and deliver the partnership option.

The Financial Case

38 Introduction

38.1.1 This chapter sets out the Financial Case for Bus Reform; as set out in the Strategic Case, the Financial Case considers a Reference Case (under the Do Minimum option), partnership options and a Franchising Scheme.

38.1.2 This Case considers the financial responsibilities of the GMCA under the options of partnership (Operator Proposed and Ambitious Partnership) and franchising.

38.1.3 Given the ongoing nature of both the partnership and the franchising options, the Financial Case considers year-by-year forecasts of income and costs over a long-term appraisal period, commencing from a base year of 2016/17 through to 2050/51, so that forecasts beyond an initial transitional period can be considered.

38.1.4 The Case sets out:

i. Section 39 – the baseline income and costs in the current bus market as a basis for analysis and forecasting;

ii. Section 40 – how ongoing income has been modelled for the Do Minimum, this includes key assumptions for farebox revenue, concessionary reimbursement and supported services funding;

iii. Section 41 – how ongoing operating expenditure has been modelled for the Do Minimum, this includes the key assumptions for network supply volumes, unit costs and indexation;

iv. Section 42 – the Financial Case for franchising; this includes any variations to the assumptions used for income and operating costs under the Do Minimum along with details on any additional costs under franchising and their key assumptions. The resulting model outputs and funding requirements for the scheme are also presented. A section is also included on Value Added Tax, working capital and analysis of accounting treatments. A number of sensitivity tests were also performed and a summary of the impact on affordability is provided. The central model outputs show a net funding requirement and this section concludes with funding sources that could be applied; and

v. Section 43 – the Financial Case for partnerships; this includes both the Operator Proposed Partnership and the Ambitious Partnership. This section details any variations to the assumptions used for income and operating costs in the Do Minimum along with any expected additional costs under both partnership options and their key assumptions. The modelled central outputs from both schemes are also presented. Details on the sensitivity test undertaken is also provided. As the central model outputs show a net funding requirement, this section concludes with funding sources that could be applied.

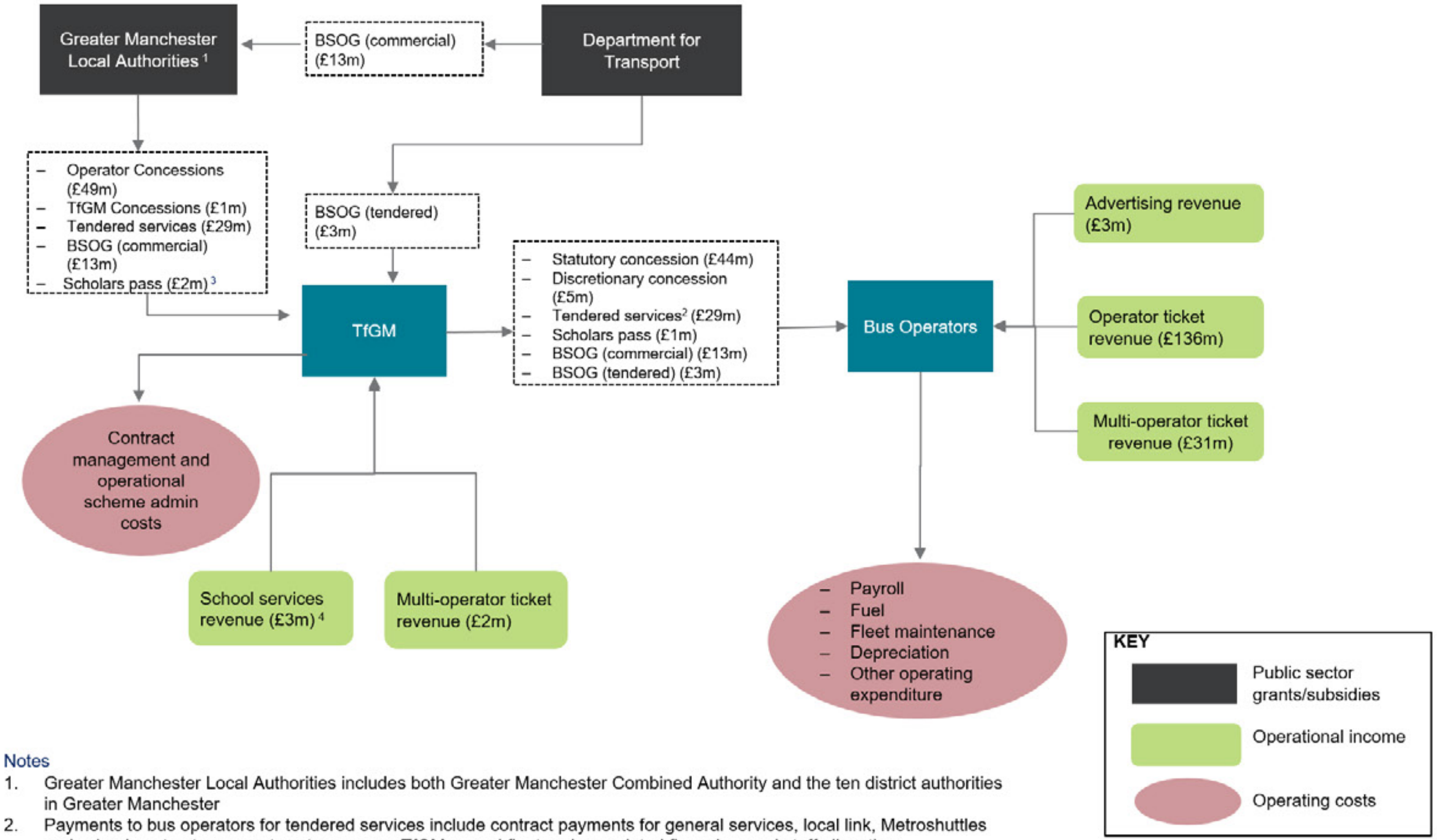
39 Current Position

39.1.1 This section sets out an overview of the funding flows from the current market that have been used as a basis for analysis and to develop year by year forecasts.

Financial flows and baseline values

39.1.2 Figure 6 sets out a representation of current bus industry cash flows and indicative annual values to demonstrate their relative size. The cash flows under both partnership options would remain similar and so are also represented by Figure 6.

Figure 6: Overview of Current Bus Industry in Greater Manchester (Do Minimum and Partnerships)



Notes
1. Greater Manchester Local Authorities includes both Greater Manchester Combined Authority and the ten district authorities in Greater Manchester
2. Payments to bus operators for tendered services include contract payments for general services, local link, Metroshuttles and school contracts, support costs, surveys, TfGM owned fleet and associated financing, and staff allocation.
3. £1m of scholars pass income is retained by TfGM as an operator of services
4. For simplification, school revenue is shown as flowing directly into TfGM. However, in practice, it is collected by the bus operators and netted off payments made by TfGM to the bus operators.

40 Income – All Options

Farebox revenues

40.1.1 Under the Do Minimum, bus operators predominantly assume farebox revenue risk both through revenues from their own fare products and revenues distributed from multi-operator ticketing (System One products). The combined gross value of annual farebox revenue streams is currently (based on 2016/17 data) estimated to be approximately £175 million (or approximately £172 million after distribution of multi-operator System One revenue).

40.1.2 The majority of tendered, non-commercial services are let on a minimum subsidy basis with operators retaining control of farebox and fares. However, the GMCA currently assumes some revenue risk as a result of funding certain non-commercial services on a gross cost contract basis. The GMCA receives farebox revenues on these services (principally school services of approximately £3 million revenue per annum) and an allocation of multi-operator System One revenue of approximately £2 million. The GMCA sets the fares on these services.

40.1.3 Bus farebox revenues are forecast using a bespoke demand and revenue model (DRM) as described in the Economic Case. The financial model uses the same modelled demand and revenue forecasts for each option as the economic appraisal. The farebox revenue outputs from the DRM for each option are in real terms, including the modelled impact of real fares growth, and the financial model applies forecast RPI inflation to these forecasts to derive nominal farebox values.

40.1.4 Chart 30 sets out the changes in real forecast farebox revenues from the 2016/17 base year estimate to 2039/40 (as an illustration point during the appraisal period and which aligns with *Transport Strategy 2040*). Under the Do Minimum, the farebox revenues accruing mainly to operators are forecast to decline by approximately £25 million or 14.6% from the base year to 2039/40, reflecting a forecast reduction in demand of 30% over the same period and the continuing contraction of the bus network. The differing scale of the forecast demand and revenue reductions principally reflects the opposing impact of modelled real fares growth which increases real revenue but reduces demand.

40.1.5 There are a number of key demand drivers, data sources and assumptions underpinning this overall forecast change in farebox revenues and the individual drivers of demand and their relative impact on the farebox revenue forecast is demonstrated in Chart 30.

40.1.6 Key assumptions and data sources driving the farebox revenue forecast are described in the Economic Case and *Economic Case Supporting Paper* (TfGM, 2019a) which in summary include:

i. forecast population growth of on average approximately 0.45% per annum in Greater Manchester will positively impact bus demand; different demographic segments are forecast to grow at different rates within the overall average, in particular the older ENCTS demographic is forecast to grow at a higher rate than adult fare payers;

ii. research analysing National Travel Survey (NTS) data found that car ownership and income have an inverse relationship with bus demand. Car ownership and incomes are forecast to increase over the appraisal period, with a consequent reduction in bus demand. The relationship is stronger for adult ticket categories and hence this relationship has a stronger impact on farebox revenue than overall demand;

iii. the relative attractiveness of car, as a competing mode, is forecast to increase due to improving fuel efficiency outweighing real increases in fuel costs and thus negatively impacts bus demand;

iv. forecast real growth in bus fares of RPI+1.4% per annum negatively impacts forecast bus demand but positively impacts forecast real farebox revenue; the fares growth assumption reflects historic fares trends and forecast exogenous factors reducing demand and revenue whilst operating costs are forecast to grow in real terms leading to fares growth as one of the responses available for operators to maintain a sustainable financial return; and

v. a forecast contraction in the size of the network at an average rate of approximately 1.2% per annum over the appraisal period, resulting in a network reduced in size by approximately one third at the end of the appraisal period. The reduction in network leads to a reduction in operating cost but also a negative demand response as service availability and journey times become less attractive resulting in fewer trips.

Public sector funding

40.1.7 Revenue expenditure on bus services represents the largest element of Greater Manchester's transport budget. Over the appraisal period, based on the assumptions subsequently described, the forecast total of local ongoing revenue funding that will be invested in bus services is approximately £4 billion in nominal terms.

40.1.8 The exercise of bus services functions is a Mayoral power with a funding baseline provided by a statutory contribution from the ten Greater Manchester Local Authorities.

40.1.9 The GMCA (Functions and Amendment) Order 2019 (Functions Order) sets out the baseline funding arrangements and that the costs incurred in exercising mayoral bus functions are to be apportioned amongst the Local Authorities of Greater Manchester on the basis of resident population up to a total value of £86.7 million per annum, this total being variable by unanimous agreement.

40.1.10 In addition to this funding the Department for Transport provides BSOG funding for both commercial and supported services, which was fully devolved to GMCA in 2017/18. The combined value of annual BSOG funding is estimated at £16.1 million in 2016/17.

40.1.11 Including BSOG and the GMCA Functions Order, the combined value of these funding streams currently represents approximately 36% of the total value of current Greater Manchester bus industry income (see *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). The main activities undertaken with this funding are described below:

i. GMCA via TfGM is the Travel Concession Authority (TCA) responsible for administering reimbursements on a 'no better, no worse' basis to bus operators for the statutory English National Concessionary Travel Scheme (ENCTS), amounting to approximately £44 million in 2016/17. Since the introduction of the GMCA Functions Order 2019, that function is now a mayoral function which can be exercised jointly with the GMCA, meaning that the Mayor is responsible for reimbursing operators and determining which other discretionary travel concessions schemes may be introduced in accordance with the appropriate provisions of the 2000 Act;

ii. GMCA provides, and locally funds, bus (and other public transport) concessions over and above the national scheme requirements for residents of Greater Manchester; this includes:

- half fare for children (ages six to 16) with the appropriate concessionary permit;
- half fare for 16-18 year olds to and from a place of education with the appropriate concessionary permit;
- disabled passengers travel for half fare outside ENCTS provisions; and
- extension of the free fare for severely disabled passengers to all times of the day. The total reimbursement for the bus element of these concessions is approximately £5 million in 2016/17.

iii. as part of transport policy and social inclusion objectives, funding is provided to tender 'non-commercial' bus services and routes which amount to approximately £29 million in 2016/17 (including the value of BSOG-supporting tendered services, Scholar's Concessionary Permit funding on tendered services and school services revenue). The balance of funding for non-commercial services is via the GMCA Functions Order; and

iv. BSOG fuel subsidy for commercial bus services is currently claimed by operators from the GMCA via TfGM. The Greater Manchester element of BSOG was devolved to the GMCA by DfT in 2017/18 and is included as an ongoing income stream. The base commercial funding is £13.1 million per annum plus £3 million per annum of BSOG that was devolved to TfGM, on behalf of the GMCA previously in relation to tendered services.

40.1.12 In addition to the above, the Greater Manchester Local Authorities also provide funding of approximately £2 million in total for Scholars' Concessionary Permits, of which approximately £1 million is related to commercial services.

40.1.13 The Mayor has announced a significant additional local concession in the form of the 'Our Pass' providing free bus travel for 16 to 18 year olds. Demand forecasts, and the reimbursement and funding values set out, do not include the impact of the Our Pass as this is currently a two year trial commitment.

Concessionary Reimbursement and Tendered Funding - Forecasting

40.1.14 ENCTS reimbursement is a statutory obligation and must be met with associated funding. TCAs are required by law to reimburse bus operators for carrying ENCTS passengers based on concessionary trips commencing within their area. Reimbursement is based on the principle of leaving operators 'no better and no worse off' as a consequence of the scheme, including allowance for reasonable profits; in practice, whilst the Department for Transport publishes guidance and a reimbursement calculator, there are a range of factors to consider in determining reimbursements which can be complex and subject to discussion and agreement with operators based on data specific to their own operations.

40.1.15 Current reimbursement values are controlled to TfGM's latest estimated values for the 2018/19 financial year and thereafter the financial modelling assumes that long-term ENCTS reimbursement is a function of forecast concessionary trips from the DRM and growth in the reimbursement rate of RPI+0.7% per annum. The reimbursement rate growth equates to half of the forecast real growth rate in commercial fares, this assumption allowing for the effect of 'generated' demand i.e. actual and forecast ENCTS demand includes 'generated' trips that would not occur if a commercial fare applied in absence of the ENCTS scheme.

40.1.16 The overall Do Minimum forecasts for bus demand show a significant decrease in overall trips over the appraisal period (a 30% modelled reduction up to 2039/40). However, the component of demand relating to ENCTS trips is forecast to be relatively static and grows slightly by the end of the appraisal period: this reflects assumed population growth being weighted towards an older demographic and suggests that the ENCTS passenger group is not responsive to commercial fares growth which negatively impacts demand.

40.1.17 ENCTS trips are therefore forecast to become a larger share of overall demand over the appraisal period and under these forecast demand and reimbursement rate assumptions, nominal ENCTS reimbursement is forecast to grow, on average, by approximately RPI+0.6% per annum over the appraisal period.

40.1.18 This growth is, however, not evenly distributed over the appraisal period and as noted is sensitive to forecast concessionary trip volumes. In the short-term concessionary reimbursement growth is lower than the long-term average as forecast ENCTS trips are subject to mandatory increases in the entitlement age tied to pensionable age increases. Pension age equalisation is due to end in 2020.

40.1.19 Greater Manchester's current discretionary concessions are assumed to be retained as a planning assumption going forwards and reimbursement is forecast by reference to similar principles as ENCTS based on demand forecasts and the commercial fare per trip.

40.1.20 Whilst ENCTS is a statutory obligation, in practice the level of funding provided from central government to Local Authorities does not have an explicit linkage with reimbursement.

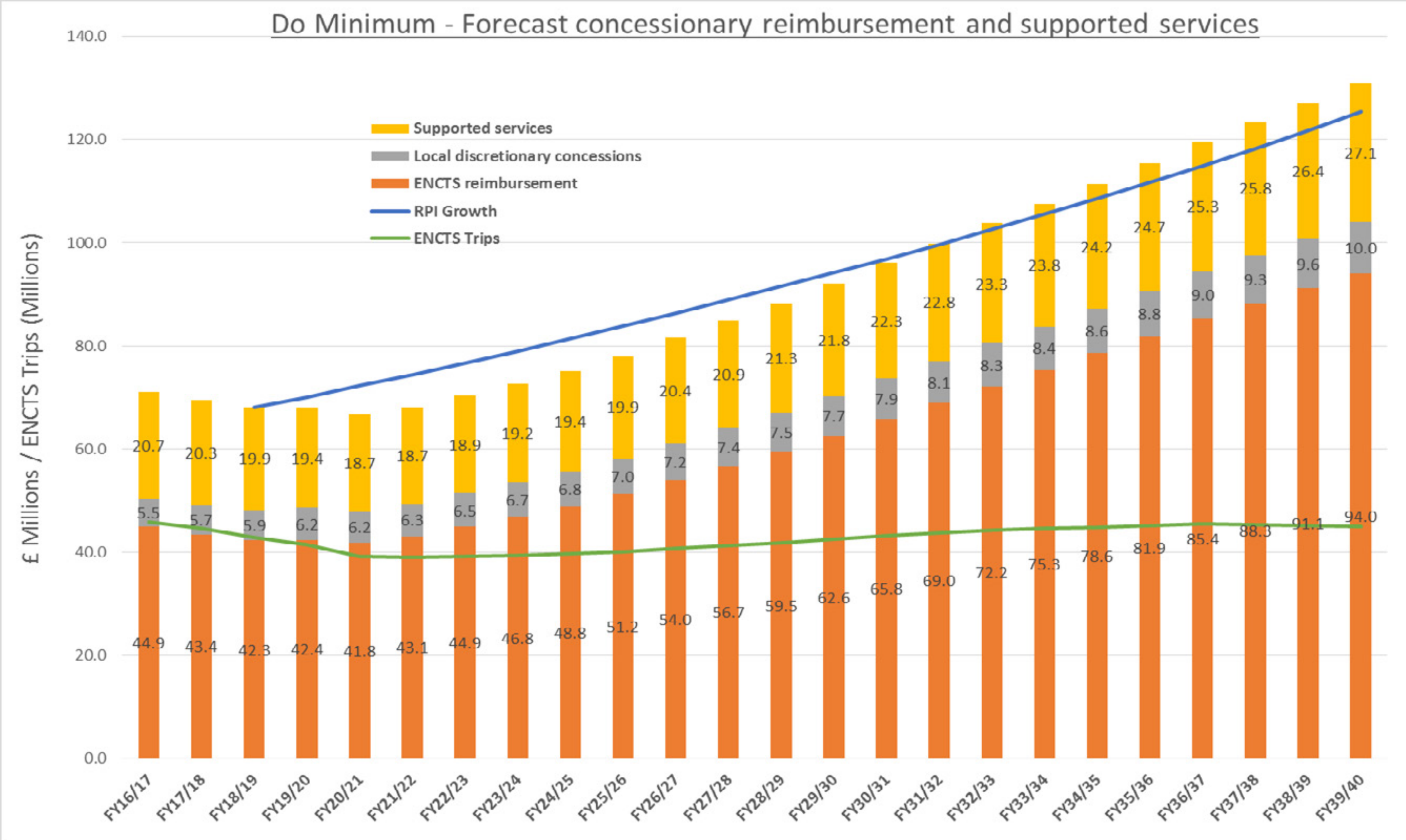
40.1.21 Given the significant forecast growth in ENCTS reimbursement, the assumed retention of discretionary concessions and the lack of any direct linkage between central government funding for ENCTS reimbursement, the tendered network funding is assumed to contract at the same rate as the forecast reduction in the commercial network.

40.1.22 This assumed contraction in the tendered network and funding moderates the overall level of funding growth required to keep pace with forecast concessionary reimbursements in developing a set of planning assumptions for the Do Minimum.

40.1.23 Figure 7 illustrates the resulting overall forecast growth in concessionary reimbursements and the tendered network funding which equates to funding growth of approximately RPI+0.4% per annum over the appraisal period, however, as already noted for ENCTS specific growth, this overall growth is not uniform over the appraisal period with forecast growth in the short to medium-term below forecast RPI.

40.1.24 As previously noted bus services represents the largest element of the local transport budget, and the forecasts for overall growth in concessionary reimbursement and tendered services, allied to the forecast contraction in real farebox revenues, results in an increasing proportion of overall funding being provided from local public sector sources over the appraisal period.

Figure 7: Forecast concessionary reimbursement and supported services funding



40.1.25 The forecast growth above the current baseline funding provided by the statutory contribution could in practice be met from a combination of 'pillars' and funding sources, including a mayoral precept, resetting the statutory contribution baseline provided by the Local Authorities of Greater Manchester and central government.

40.1.26 The assumptions and forecasting approach set out for concessionary reimbursements and the tendered network, and the resultant funding growth above the current baseline, results in a 'balanced budget' for the GMCA under the Do Minimum.

40.1.27 The same overall level of ongoing public sector funding forecast under the Do Minimum is also applied to all bus reform options, albeit the funding can be deployed differently under the options; under franchising, this equivalent overall level of funding is used to fund multi-year franchise contracts rather than funding concessionary reimbursements to operators.

41 Operating Costs – All Options

41.1.1 This section describes how ongoing operating costs are modelled for the Greater Manchester bus network.

41.1.2 The forecast total network operating costs are dependent on a number of factors:

i. the 'supply volumes' or total size of the network in terms of operating distances, bus fleet size and operating hours and – the Do Minimum forecasts a continuing reduction in the overall size of the Greater Manchester bus network; however a relative growth in fleet and operating hours (and hence cost) to maintain effective service levels for a given operating distance is also modelled as a result of forecast congestion;

ii. average unit cost rates for cost categories representing costs up to earnings before interest and taxes (EBIT) level (and therefore excluding the costs of financing and taxation) that are responsive to supply volumes;

iii. the proportion of cost categories deemed fixed or variable in response to supply volume changes; and

iv. indexation applied to unit cost rate categories.

Network supply volumes

41.1.3 Network supply volumes are input into the financial model from the DRM and these estimates are described further below. The baseline 'as is' 2016/17 network supply represents the current network position in the base year.

41.1.4 As described in the Economic Case in Section 14.4, under the Do Minimum (and all bus reform options), the size of the Greater Manchester network is forecast to continue contracting with an assumed reduction in operating distances averaging approximately 1.2% per annum over the appraisal period, equating to a reduction in network size of approximately one third by the end of the appraisal period in 2050/51. This leads to a reduction in operating cost but also lower demand as service availability and journey times become less attractive resulting in fewer trips.

41.1.5 Under the Do Minimum (and all bus reform bus options), congestion forecasts result in a relative increase in fleet and operating hours (and operating costs) as the assumed response by operators to a reduction in highway speeds in order to maintain a broadly equivalent service standard. Detail on network volume calculations that feeds into the cost per kilometre calculation is given in the Section 3 of the *Financial Case Supporting Paper* (TfGM, 2019c).

Unit costs

41.1.6 Average unit costs are derived from total costs and supply volumes. The most recent information provided by bus operators is most closely aligned to financial year 2016/2017. Adjustments have been made when the operators' financial period did not coincide with a 31 March 2017 year end and also for estimated costs incurred outside of Greater Manchester on cross-boundary services. Detail on unit cost calculations and supply volumes are provided in the *Financial Case Supporting Paper* (TfGM, 2019c).

Unit cost rates have been estimated from a combination of operator information, estimates using published accounts and industry standard proportions of expenditure.

41.1.7 Table 43 summarises the baseline supply volumes and derived average unit cost rates for specified cost categories and how they calculate a total operating cost estimate in the base year. The supply volumes represent baseline estimates for Stagecoach and First services for the purposes of illustrating the costing methodology.

Table 43: Baseline Costing for Current First/Stagecoach Entities

COST ACTIVITY	BASELINE NETWORK SUPPLY	UNITS	2016/17 RATES		BASELINE 2016/17 COSTS (£M)	INDEXATION
Depreciation and leasing	1,436	Fleet	£9,235	per vehicle per annum	13.3	Depreciation
Overheads	1,436	Fleet	£17,523	per vehicle per annum	25.1	RPI
Claims	1,436	Fleet	£5,433	per vehicle per annum	7.8	Non-fuel Opex
Parts	74,945,888	In service vehicle km	£0.13	per kilometre	10.0	Non-fuel Opex
Fuel (net of BSOG)	74,945,888	In service vehicle km	£0.28	per kilometre	20.9	Fuel Opex
Maintenance staff	1,436	Fleet	£9,269	per vehicle per annum	13.3	Wages
Driving staff (including on costs)	4,639,826	In service vehicle hours	£19.57	per in service hour	90.8	Wages
Admin staff and staff on costs	N/A	N/A	11%	of staff categories	11.5	Wages
TOTAL – DO MINIMUM					**192.7**	
Cost of franchise bidding	N/A	N/A		0.25% of cost	0.5	% of nominal
Performance bond	N/A	N/A		0.16% of cost	0.3	% of nominal
Reduction in marketing and other activities	N/A	N/A		Variable by year	Variable	RPI
EBIT margin				7.5% long-term average	15.7	N/A
TOTAL – FRANCHISING SERVICE FEE[17]					**209.2**	

[17] Adjustments for costs of bidding, performance bond, reduction in marketing and EBIT margin illustrate the methodology for franchising specific changes, see Section 42.2

41.1.8 For 'other' non First and Stagecoach operators, the overall costing methodology and principles are the same, however unit cost rates are reduced by different factors based on an analysis of operator information provided to TfGM; the overall reduction in unit rates is a weighted average of approximately 28%. Unit cost rates for fuel are assumed to be the same for all operators. The overall reduction in unit rates accounts for a number of factors, for example, lower overheads and lower employee costs due to them not having defined benefit pension schemes.

Cost growth and indexation

41.1.9 The indexation values, and sources, applied to operating cost activities (and the GMCA's costs) are set out in Table 44:

Table 44: Indexation Values

INDEX	AVERAGE % GROWTH PER ANNUM	SOURCE
RPI	3.0%	(CEBR October 2018)
Fuel	RPI + 1.1%	(WebTAG 2018)
Non-fuel	RPI - 0.6%	(WebTAG 2018)
Earnings	RPI - 0.4%	(CEBR October 2018)
Wages uplift	0.4%	Uplift allowance
Depreciation	RPI + 0.1%	Blend

Source: *Monthly CEBR Forecast Indicators* (CEBR, 2018)

41.1.10 The sources identified do not all provide indexation values over the full duration of the appraisal period to 2051, and where this is the case, an average of the preceding values are used as the forward forecast.

41.1.11 The application of indexation to depreciation is to reflect an approximation for the increase in depreciation for future replacement capital expenditure for a given fleet size; the depreciation growth rate is based on a blend of the RPI, fuel and non-fuel indices.

41.1.12 Operating costs are forecast to grow on a 'per kilometre' basis at an average rate of approximately RPI+0.5% per annum over the appraisal period. This cost growth reflects:

i. the weighted impact of applying the indices above to the unit cost categories;

ii. the impact of forecast congestion and the resulting additional operating time and resources which increases costs on a per kilometre basis; and

iii. the overall network is forecast to contract in size by approximately one third under all bus reform options by the end of the appraisal period. Additionally some cost categories (such as overheads) are assumed to be fixed or semi variable costs and therefore in a declining market costs on a per kilometre basis reflect an increasing proportion of fixed costs.

41.1.13 The rate of growth in fuel costs and employment costs are key assumptions in forecasting cost growth and operating expenditure as these cost categories represent the majority (greater than 70%) of operating costs in the base year.

41.1.14 Fuel costs, gross of BSOG, are indexed by WebTAG's central diesel projection which equates to an average nominal growth rate of approximately 4.1% per annum over the appraisal period (approximately RPI+1.1% per annum).

41.1.15 Fuel cost growth also does not assume any improvements in the fuel efficiency of buses over time whilst the modelling of bus demand does assume some improvements to the fuel efficiency of cars, resulting in a reduction in bus demand. This is considered conservative in terms of the resulting and opposing impact of these assumptions on bus operating costs and bus demand.

41.1.16 Sensitivities are reported for high and low fuel growth scenarios to illustrate the impact of variations in fuel costs. Changes in fuel costs would not solely impact bus operating costs but also impact on broader transport demand and the relative attractiveness of different modes, for example if bus fuel costs increased it would be expected there would be a similar increase for car fuel costs which would positively impact bus demand. The sensitivity tests therefore report the combined bus operating cost and bus demand impact of changes in fuel costs.

41.1.17 Unit wages and employment costs are indexed by RPI which equates to an average nominal growth rate of approximately three percent per annum over the appraisal period.

41.1.18 The primary source for wage indexation is the Centre for Economics and Business Research's national forecasts for earnings growth. CEBR's earnings growth forecast is above the Consumer Prices Index (CPI) and below the Retail Prices Index (RPI). Earnings is conceptually a slightly different measure to wages as, for example, earnings would be impacted by any changes in working hours whilst wages is a per unit or per hour measure; the additional uplift of approximately 0.4% over the CEBR earnings forecast provides an allowance for any differences between wages and earnings.

41.1.19 In practice wages and employment cost growth is not a fixed assumption and is likely to be dependent on a number of factors including broader economic growth and labour market characteristics in Greater Manchester; the extent of productivity growth in the bus industry; wage bargaining; and competition and commercial incentives.

41.1.20 A sensitivity test is reported based on the Office for Budget Responsibility's (OBR) national forecast trends to illustrate the impact of higher wage growth. The OBR's earnings forecast varies over time with lower growth in the short to medium and higher growth in the longer-term of approximately RPI+1% per annum; the long-term forecast reflects national planning assumptions of productivity growth.

42 Franchising Financial Case

42.1 Income

42.1.1 Under franchising, all sources of income would be reinvested into an integrated transport network. The franchising authority, under the proposed commercial specification, would tender gross cost franchise contracts and assume revenue risk and therefore in the financial model farebox revenue forecasts are received by the GMCA when franchising commences. Figure 8 illustrates the structure and this reallocation of existing funding flows under franchising; and the rationalisation and simplification of the funding flows under franchising.

Farebox Revenue

42.1.2 The DRM forecasts for demand and revenue under franchising are driven from the Do Minimum forecasts using the same exogenous inputs as previously summarised.

42.1.3 The franchising option includes a number of interventions and measures that would impact bus demand and revenues, the effects of which are modelled in the franchising forecasts and thus lead to changes in demand and revenues relative to the Do Minimum. As described in the Economic Case, these are:

i. Network review: cost neutral changes to the network that maximise the efficiency and coverage of the network within the given resources of the network and which increase demand and revenue; and

ii. Fares impacts: under franchising, period product fares are proposed to harmonise at a common level, removing any differential in ticket price between individual operator own tickets and System One bus tickets. The price level for the harmonised fares was selected to be the level of the lowest major operator fares. Currently, First and Stagecoach daily and weekly standard ticket fares are the same price, whilst a First monthly ticket is slightly cheaper, hence ticket prices were assumed to be harmonised at the level of First's standard fares.

Although these changes are calculated based on current ticket prices, the changes are not applied until the assumed introduction of franchised services in 2021/22. For the intervening years, the standard RPI+1.4% assumption is applied to fares. The modelled fares assumptions result in an increase in demand with reduced revenue of approximately 1.2% compared to the Do Minimum;

iii. Interoperability journey time improvements: reflects the ability for passengers to use their period tickets on any bus stopping on their route and across the Greater Manchester bus network which would improve passenger wait times on corridors with more than one operator and would improve customer choice for passengers who currently purchase operator own products; and

iv. Service quality / soft factors: measures that centre on informing people about available public transport services and providing a more desirable travel experience. The interventions modelled in the demand and revenue forecasts for franchising are:

- roll out of Wi-Fi on all non-school vehicles;
- introduction of additional ticket inspectors;
- additional driver training;
- investment in customer service regime; and
- service branding.

42.1.4 The revenue impact of the franchising interventions are presented in Chart 30 illustrating the forecast differences between the Do Minimum and franchising.

42.1.5 Real farebox revenues under franchising are forecast to decline in overall terms from the base year over the appraisal period however relative to the Do Minimum, the franchising interventions result in a recurring uplift to farebox revenues resulting from additional trips of approximately £4.5 to £5.1 million per annum in 2016/17 prices. The uplift equates to an approximately 3% increase in revenue over the Do Minimum forecasts, the absolute value of the revenue uplift varies according to the underlying modelled reduction in Do Minimum demand.

42.1.6 This modelled value of revenue uplift reflects a 'steady state' position. However, the demand and revenue modelling allows for assumed timeframes to deliver each intervention and the forecast demand and revenue effects to be realised; the full steady state value of revenue impacts is attained during financial year 2025/26.

42.1.7 The additional forecast farebox revenue is thus a key source of incremental income under franchising which partly offsets the incremental costs modelled as subsequently set out in the franchising costs section.

Public Sector Funding

42.1.8 As set out under the Income – All Options section, it is assumed the same level of ongoing public sector funding (which under the Do Minimum funds concessionary reimbursements and tendered services) is available which the franchising authority would use to fund franchising contract payments.

42.1.9 It should be noted that under franchising, the obligation to carry ENCTS pass holders free of charge would remain, as would the obligation to reimburse operators for statutory and local concessionary trips made under a service permit scheme. However, as a consequence of the franchising authority assuming revenue risk on franchised services, the requirement to reimburse operators for concessionary trips on these services would not apply. ENCTS trips would still be monitored and calculations of the cost of provision performed on existing 'no better, no worse' principles, in order to inform appropriate funding values and mechanisms in relation to the baseline funding.

42.1.10 As previously noted, the modelled franchising interventions increase demand, including concessionary trips, and there is no requirement to directly reimburse external operators for these additional trips on franchised services. Using the method previously described to forecast concessionary reimbursement, if the equivalent level of additional concessionary trips occurred under the Do Minimum, there would be an additional reimbursement cost and funding requirement of approximately £96 million in nominal terms over the appraisal period. Under franchising, this requirement is therefore 'internalised' and budgets and funding requirements would be set by reference to total operating costs and total sources of income.

42.1.11 It is assumed that existing central government BSOG funding will remain over the appraisal period (as is assumed for all bus reform options) and will be used to fund franchising contract payments. It is assumed the value of BSOG is maintained in cash terms (i.e. this amounts to a substantial real terms decline over the appraisal period). A sensitivity is reported to illustrate the additional funding that would accrue if BSOG indexed by RPI and was maintained in real terms.

Allocation of income and operating costs during transition

42.1.12 The franchising proposals would be implemented on a phased basis during a transition period. During this period, the GMCA starts to receive farebox revenue and make franchise payments for those segments of the market that have been franchised whilst simultaneously other segments of the market reflect the Do Minimum. The phasing of baseline receipts and payments is consistent with the assumed programme and implementation plan.

42.1.13 The phasing is expressed as average (over the course of a financial year) percentage shares of cost and revenue responsibility, calculated from estimated Peak Vehicle Requirement (PVR) for costs and a 'bottom up' weighted estimation from detailed income sources for each tranche of the network. These weighted percentages are as follows:

i. Year 1 (FY2021/22): 10.5% (PVR/Costs), 9.2% (Income);

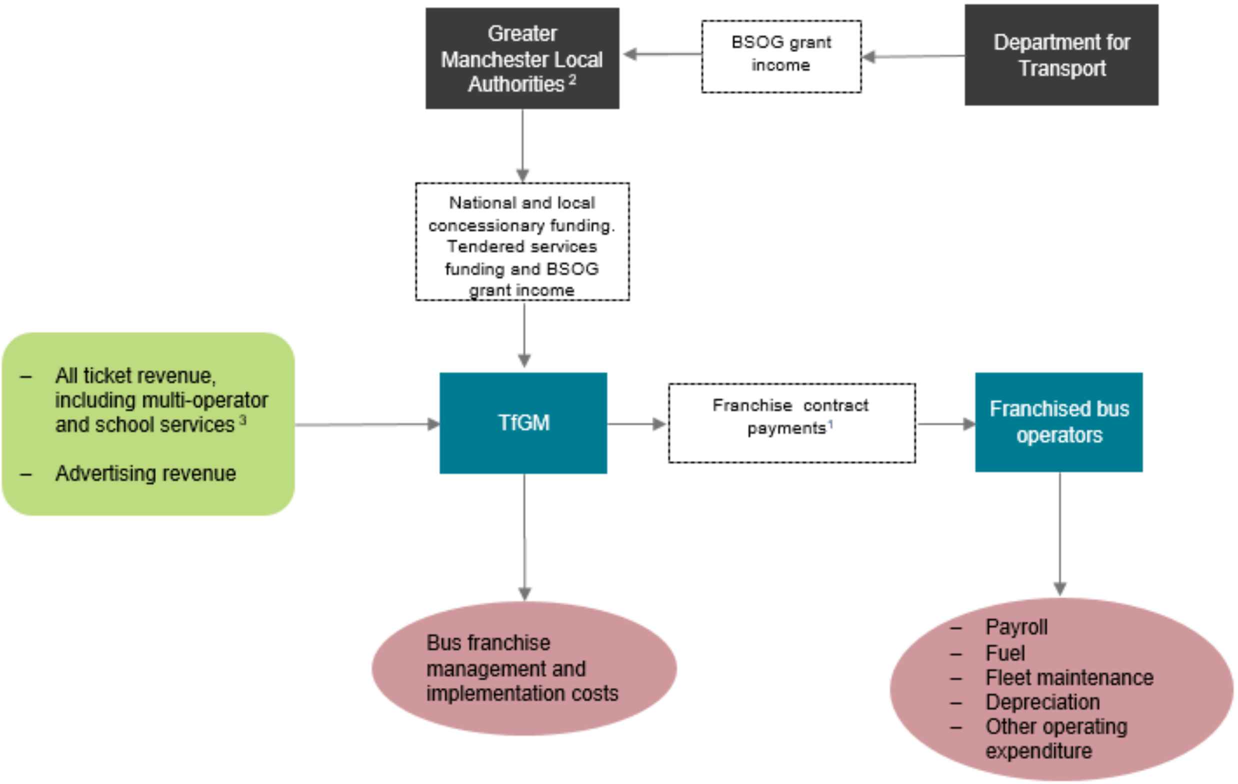
ii. Year 2 (FY2022/23): 37.9% (PVR/Costs), 34.6% (Income); and

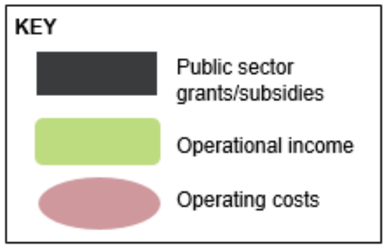
iii. Year 3 (FY2023/24): 76.3% (PVR/Costs), 74.4% (Income).

42.1.14 The different allocation factors and assumptions for income and operating costs results in a more conservative assumption compared to applying the same method to both income and operating costs as they result in a higher allocation of costs in each year compared to revenue over the transition period.

42.1.15 From the end of financial year 2023/24, franchising applies to the whole of the Greater Manchester bus network and all commercial and non-commercial revenue is received by the GMCA. On these assumptions, financial year 2024/25 would therefore be the first full financial year of franchised services and therefore subsequent summaries of income and costs over a modelled 'transition' period, and associated funding requirements, are reported up to and including 2024/25.

Figure 8: Overview of a Franchised Bus Industry in Greater Manchester

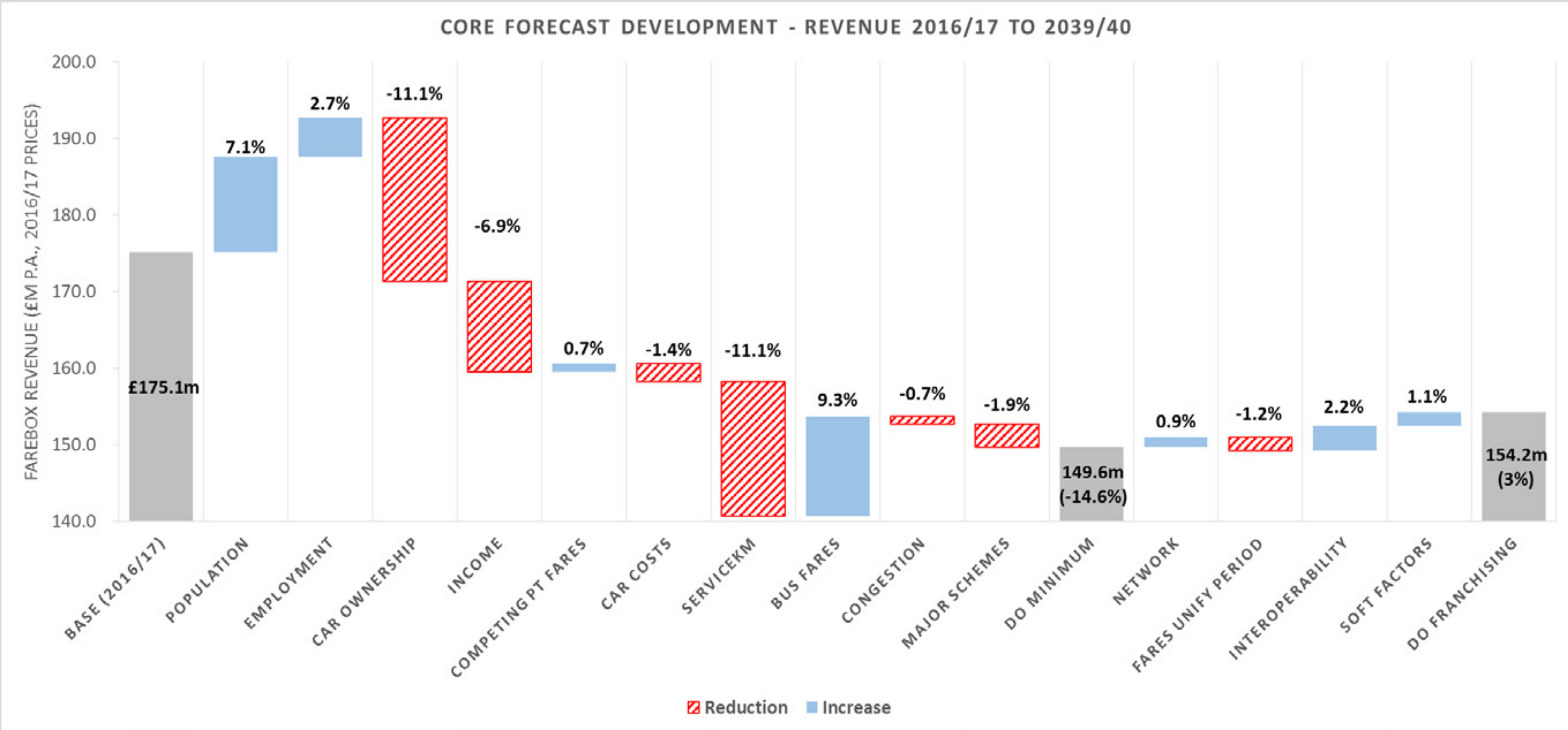




Notes

1. The franchise payment from TfGM to the bus operators is equal to operating costs plus margin
2. Greater Manchester Local Authorities includes both Greater Manchester Combined Authority and the ten district authorities in Greater Manchester
3. All operational income is shown as flowing directly to TfGM. However, dependant on the agreed payment mechanism, this may flow through the franchised bus operators to TfGM

Chart 30: Franchising Forecast Development



42.2 Franchising Costs

42.2.1 This section describes costs specific to franchising that are incremental or vary from the Do Minimum. Section 42.1.13 describes the assumptions developed to apportion both underlying income and underlying operating costs during the transition period. Broadly, the underlying operating cost assumptions, overall network reduction trend, unit cost rates and indexation growth for franchising are the same as the assumptions and values described for the Do Minimum.

42.2.2 This equivalence reflects that cost characteristics under franchising are expected to be materially similar and employ to a large degree the same resources as under the Do Minimum.

42.2.3 For example, existing employees and associated employment costs as the largest element of the operating cost base, would be protected by TUPE if franchising were implemented; similarly statutory pension protection ensures transferring employees would be provided with pension arrangements that are broadly comparable to existing arrangements. Subsequent sections on capital expenditure explain the assumptions on fleet provision and seeking to maintain a fleet specification and average fleet age that is comparable to the Do Minimum.

42.2.4 This section therefore sets out key costs and assumptions that are specific to franchising or vary from the Do Minimum cost assumptions. These franchising specific costs and assumptions include:

i. the assumed financial return for operators under franchising;

ii. costs of providing financial security arrangements;

iii. costs of bidding by successful operators;

iv. consideration of statutory pension protection;

v. transition costs in the period up to approximately 2024/25 when it is assumed the network would be fully franchised;

vi. the ongoing costs of management, net of any changes in the scope of activity undertaken by franchisees;

vii. systems and on bus equipment costs;

viii. costs supporting service quality interventions, such as branding, Wi-Fi and CCTV;

ix. quantified risk allowances; and

x. the subsequent section on capital costs explains cost assumptions for depot provision and associated financing costs.

EBIT margin

42.2.5 In order to determine an appropriate operator EBIT margin under franchising for the purposes of financial modelling, TfGM carried out a review of profitability within the bus industry and consideration of other reports and sources pertaining to bus market returns and profitability. Further information is provided in the *Financial Case Supporting Paper* (TfGM, 2019c).

42.2.6 This assessment has included preparation of a benchmarking report by TfGM's advisors considering the outturn margins earned by operators in the London franchised bus network, based on publicly available data. (*Operator Profit Margin Report* (EY, 2018)).

42.2.7 The London market is considered the most appropriate benchmark as there is a similar regulatory regime, a commercial model that is well understood and broadly comparable from a risk perspective to the franchising commercial proposals and there is available benchmark data.

42.2.8 Analysis undertaken in the benchmarking report indicates that under franchising, average EBIT margins in the range of 6%-9% would be a sustainable financial return for operators based on the franchising specification and proposed risk allocation. The weighted average EBIT margin for London operators over a five year reference period was calculated as 6.4% and, as a further adjustment, operators who made operating losses in at least three years over the reference period were excluded, resulting in a comparable benchmark estimate of a 7.1% EBIT margin.

42.2.9 The financial model applies a long-term average EBIT margin of 7.5%, which equates to a 'mark up' on operating costs of approximately 8.1%. The EBIT margin assumption of 7.5% is within the 6%-9% benchmark range and above the benchmark point estimate of 7.1%. This additional margin allowance of 0.4% is considered sufficient to account for any potential differences between the London market and Greater Manchester and takes into consideration the commercial proposition for franchising and the impact on the required EBIT margin of factors such as the franchising authority assuming revenue risk. (*Financial Case Supporting Paper* (TfGM, 2019c)). Sensitivities at 6% and 9% EBIT margin have also been modelled reflecting the range set out in the benchmarking report.

Financial security and bid costs

42.2.10 The commercial proposals include the provision of security and guarantee arrangements for large franchises in the event a franchised operator defaulted or terminated its franchise contract. The financial security proposals would act as incentives for franchisees to meet their contractual and service standard obligations, lessen the likelihood of any network disruption from the unplanned withdrawal of a franchised operator and provide financial recourse for the franchising authority.

42.2.11 The proposed requirements for large franchises include a third party Performance Bond which would cover re-tendering costs, and costs to mobilise an interim operator in the event a franchised operator terminated its contract. The financial model allows for an additional mark-up on operating costs of 0.16% per annum based on a cost estimate for an assumed bond size of £3.5 million relative to a £20 million annual service fee (this being an approximate large franchise service fee and bond size required to cover the identified costs). The mark-up estimate is applied to total network operating costs which is considered conservative as the security and guarantee arrangements are not proposed for small franchises and school resource contracts.

42.2.12 Costs will be incurred by both tendering operators in preparing bids for franchise contracts and by TfGM in managing the procurement process and evaluating bids on behalf of the GMCA. TfGM's costs are included within the overall proposals for staffing and resources from the Management Case and summarised subsequently. Prospective operators' costs of bidding (whether successful or unsuccessful) are not anticipated to be directly recoverable, however recognising that successful operators may seek to recover these costs through their service fee or margin, the financial model includes an additional mark-up allowance of 0.25% per annum on total operating costs under franchising.

Pension protection

42.2.13 The Bus Services Act and associated regulations provides pension protection to transferring employees under franchising, or potentially under an Ambitious Partnership scheme, who must be provided with "broadly comparable" pension arrangements.

42.2.14 The base year unit cost rate assumptions implicitly includes allowance employer pension costs accounted for in 2016/17 and these rates are applied equally across all modelled options. The use of these cost rates based on current pension arrangements is therefore consistent with maintaining the same or broadly comparable pension provision going forwards.

42.2.15 The 2016/17 base year costs are also likely to be conservative from a pensions perspective as TfGM understands the two largest Greater Manchester operators both subsequently closed their group own defined benefit schemes to future accrual and any resulting cost savings are not reflected in the forecast periods.

42.2.16 Furthermore for franchising specifically, the government's response to the consultation on the Bus Services Act guidance and regulations makes clear the intention that franchising authorities will not be expected to make arrangements to address pension deficits that have arisen before franchising is introduced; therefore any past service or deficit recovery costs accounted for in 2016/17 should not be borne under franchising.

42.2.17 In addition to the ongoing pension costs captured in the unit rates, the QRA for franchising includes further risk allowances relating to:

i. TfGM understands a small number of employees currently accrue benefits through operator own defined benefit schemes which may be more complex to replicate under franchising compared to a defined contribution scheme or the Local Government Pension Scheme; an estimate of additional contribution costs is provided in the event it were necessary to provide pensions benefits through a higher cost rather than broadly comparable scheme; and

ii. the Local Government Pension Scheme may require security or guarantees to allow franchisees as admitted bodies and therefore an allowance is included for an estimated risk transfer in relation to the GMCA, as a Scheme Employer, acting as a guarantor.

42.2.18 Under partnerships, the extent of any employee transfers is considered to be much more limited and so the QRA for partnerships does not reflect these allowances.

GMCA transitional costs

42.2.19 The transition period would follow any mayoral decision and would require the GMCA to commence with procurements, contract awards, mobilisation of operators and resources, and customer service improvements over the phased roll out of franchised services.

42.2.20 Table 45 provides a summary of the nominal transition costs that will be incurred.

Table 45: Transition costs

FRANCHISING - NOMINAL NET INCOME AND COSTS:	FY 19/20 £ms	FY 20/21 £ms	FY 21/22 £ms	FY 22/23 £ms	FY 23/24 £ms	FY 24/25 £ms	TOTAL £ms
Operating Account							
Operating surplus / (deficit)	**-**	**(0.0)**	**(2.8)**	**(5.6)**	**5.0**	**15.2**	**11.8**
Quantified Risk							
P80 Quantified Risk Allowance	**(0.9)**	**(5.5)**	**(7.4)**	**(5.5)**	**(8.4)**	**(8.5)**	**(36.2)**
Assets							
Depot repayment and financing costs net of rental income	**-**	**(0.0)**	**(0.4)**	**(1.1)**	**(3.3)**	**(4.4)**	**(9.2)**
Implementation and technology							
Transition resource costs	(2.0)	(8.0)	(5.9)	(4.1)	(0.6)	-	(20.6)
Incremental resources (Staff, IS and other)	-	(1.5)	(4.8)	(6.7)	(6.9)	(5.7)	(25.6)
Information systems	(0.7)	(8.0)	(7.3)	(1.2)	(1.1)	(1.3)	(19.6)
On bus equipment and branding- Wi-Fi, driver radio, telematics, CCTV	-	-	(2.3)	(2.1)	(3.4)	0.1	(7.7)
Electronic Ticket Machines and AVL (ITS)	-	-	(5.2)	(4.4)	(6.3)	1.0	(14.9)
Subtotal: Implementation costs	**(2.7)**	**(17.5)**	**(25.5)**	**(18.5)**	**(18.3)**	**(5.9)**	**(88.4)**
NET FUNDING REQUIREMENT	**(3.6)**	**(23.0)**	**(36.1)**	**(30.7)**	**(25.0)**	**(3.6)**	**(122.0)**

42.2.21 The operating account line shows the forecasted surplus or deficit for the franchising of the network, the phasing of which is set out in section 42.1.13 Income includes public sector funding (BSOG and funding from the statutory contribution), farebox revenues and commercial income; whilst the operating costs are estimated based on the estimated supply volumes as set out in the Economic Case with indexation, cost mark ups and margin added.

42.2.22 During the transition period further costs to the GMCA will be required to implement franchising. These are described below:

i. the depot costs for the initial assumed costs of provision and improvements are assumed to be financed by borrowings resulting in ongoing financing and repayment costs. Additionally as depots are assumed to be purchased in advance of the franchises being let it is assumed the depots are rented back to operators ahead of the assumed operational usage, and the revenue received is deducted from the finance costs in the table above. See Section 42.3 for further details on the depot costs;

ii. transition resources are short-term resources required during the period of franchising the network. These resources are a mixture of staff and contractors / consultants and the costs are to prepare, procure and implement the franchised model. See Section 47.3 in the Management Case for further details;

iii. incremental resources are in relation to on-going staff costs to manage the franchised contracts which includes an allowance for on costs at 30%. Non staff costs for surveys, marketing and training are also included here. See Section 46.4 for further details on incremental resources in the Management Case;

iv. new information systems will be required to manage the network and contracts, the costs during transition and for the development and implementation of these new systems. See section 46.6 for further details in the Management Case;

v. the on bus equipment and branding costs relate to:

- Wi-Fi – currently 70% of fleet have Wi-Fi on board, under franchising, coverage would extend to all routes excluding school services;
- Driver communications – costs to ensure there is a single digital radio solution under franchising;
- Driving standards monitoring – currently c70% of fleet have driving standards monitoring, these costs are to increase coverage to all fleet;
- CCTV – currently c95% of fleet have CCTV, under franchising, coverage would increase to 100%; and
- Branding – initial re-branding exercise in the first three years to ensure there is single branding across all fleet.

vi. currently there is a mix of electronic ticket machines and automatic vehicle locations, the costs included are to ensure there is a single solution across all operators.

GMCA management costs

42.2.23 In addition to transition costs, the management of franchising will require incremental on-going costs. Some of these costs may be ‘transferred’ from operators when, under franchising, operators cease to undertake certain functions as they are taken on by the GMCA or TfGM on its behalf. Others relate to new functions that will be carried out by the GMCA and TfGM, such as the procurement activity associated with a franchised network model. Operators will also have to incur some additional costs, including bidding for tenders and complying with the standards set out in the contractual specification but, in a number of areas, their activities and associated costs will reduce as the functions are transferred (for example, sales and marketing, driver training, customer service regime and revenue protection).

42.2.24 The financial model includes the management cost categories which will be incurred by the GMCA, and which are reflective of inputs generated from the Management Case in assessing the target operating model, and associated competencies and capability requirements, to manage a franchise network.

42.2.25 A summary of the forecast transition and ongoing incremental headcount and other costs that will / would be incurred by the GMCA (and/or TfGM on its behalf) is included in Table 46.

Table 46: Transition and Incremental Costs

TRANSITION AND TARGET OPERATING MODEL SUMMARISED COSTS (2016/17 PRICES PRE-ON COST, INDEXATION)		
Transition costs January 2020–March 2024	**Peak Headcount**	**Total cost (£m)**
IS transition costs – core bus	20	10.9
IS transition costs – support	5	3.4
Transition		
Operational continuity, PMO, project management, modelling, assets, specification, procurement, operating model, internal TfGM resources, advisory, business change and recruitment costs.	56	16.3
Total	**81**	**30.6**
Ongoing annual operating cost for bus franchising - BUS FUNCTION – in 2024/25	**Headcount**	**Cost (£m per annum)**
Incremental headcount	9	0.4
Incremental operating costs (non-people and non-IS)	-	0.3
Incremental IS Opex	-	0.5
Total	**9**	**1.2**
Ongoing annual operating cost for bus Franchising - OTHER TfGM FUNCTIONS – in 2024/25	**No.**	**Cost (£m per annum)**
Incremental headcount (net of operator duplicated functions)	48	1.3
Incremental operating costs (non-people and non-IS)	-	0.5
Incremental IS Opex cost	-	0.3
Total	**57**	**2.1**

42.2.26 In relation to employed headcount costs, the above summary reflects base salary cost. In addition, an assumed allowance for on costs of 30% of base salary are applied in the financial model to account for costs of employers' National Insurance contributions, employer pension contributions and the Apprenticeship Levy.

42.3 Depots, bus fleet and financing costs

42.3.1 Bus fleets and depots are the material capital requirements for bus operations. As outlined in the Commercial Case at Section 26.1, TfGM has considered how these assets should be managed and provided under franchising.

42.3.2 The proposed fleet specification and average age of fleet under franchising are comparable to the Do Minimum. Given bus fleets are relatively fungible and given the procurement options available in the market, franchisees will be free to select the most suitable option for sourcing the required fleet (subject to meeting the specification requirements and any obligations to take fleet under the Residual Value mechanism set out below).

42.3.3 Under this model franchised operators would therefore incur any capital expenditure related to fleet and this is modelled as an ongoing depreciation or amortised cost which will be reflected in franchise bids and contract payments. The depreciation rate and cost is the same as the Do Minimum reflecting the specification and fleet age assumptions.

42.3.4 The Commercial Case also sets out how a substantial mixed age fleet could be provided including through a Residual Value mechanism which would allow existing fleet operating across Greater Manchester to transfer to franchised operators, backed by the Residual Value guarantee.

42.3.5 Depots in contrast will have a fixed location, with the choice of that location having a bearing on the efficient running of bus services. As the Commercial Case sets out, a bus operator that owns strategically located depots would have a significant advantage over its competitors and, in some cases, the ability to distort competition. In the interest of maximising competition for, and hence minimising the cost of, franchises, a model in which the GMCA provides strategic depots is the preferred approach.

42.3.6 As well as reducing barriers to entry, this approach would also reduce the capital employed relating to depot ownership for the franchisee, and hence the absolute return required by the franchisee.

42.3.7 In order to inform cost assumptions, an indicative valuation exercise has been undertaken in relation to ten existing strategic depot sites. These costs, plus an uplift to allow for costs associated with any CPO process that may be required in order to acquire some of the existing strategic depots, have been included in the financial model. This results in a cost assumption of £58.1 million in nominal terms for acquisition. Costs for associated Stamp Duty Land Tax at five percent are included, as is an allowance for depot plant and equipment. The capital costs related to depot and plant and equipment provision are all assumed to be incremental; this is considered conservative as no reduction is made to operating costs to account for any depreciation or capital ownership costs that operators incur under the Do Minimum. Risk in relation to depots has also been assessed as part of the overarching risk assessment described further in the Economic Case in Section 20.

42.3.8 An assessment has also been undertaken of any improvements and refurbishment works following acquisition required to bring the assets up to the condition that would be expected by a contracted commercial operator.

42.3.9 The initial improvements cost estimate of £8 million is assumed to be all incremental to the Do Minimum, whilst 50% of the refurbishment cost assessment is included in the Financial Case as assumed incremental costs. The costing work undertaken did not assume that any level of investment from existing operators would take place. Given that the depots are currently occupied by incumbent commercial operators, TfGM has assumed that some investment would take place and, as such, it is deemed appropriate to include 50% of the refurbishment cost as incremental costs under franchising.

42.3.10 In addition to acquisition and refurbishment costs, TfGM's technical advisors have provided estimates of lifecycle costs to operate, maintain and renew depots. Operation and maintenance costs are implicitly assumed to be part of existing operators' cost base included in the Do Minimum. In relation to renewal costs, the franchising cost assumptions again includes 50% of the renewal assessment as an incremental cost based on the same rationale for refurbishment costs described above; this results in a specific whole life incremental renewal cost of £7.7 million pre-indexation under franchising.

42.3.11 The capital cost envelope, split between the initial acquisition costs and improvement and refurbishment costs is summarised in Table 47 (note this summarises the initial costs, the renewal costs described are longer-term and not included below):

Table 47: Depot Capital Costs

NOMINAL DEPOT - CAPITAL COSTS	£M	DESCRIPTION OF BASIS
Depot base cost	58.1	Cost of acquiring the depots
Stamp Duty Land Tax (SDLT)	2.9	Estimated SDLT due based on the cost above
Plant and equipment	6.1	Plant and equipment purchase on acquisition
Quantified Risk Assessment	0.6	Outputs of Risk Model at P80
Initial acquisition costs	**67.6**	**Sub-total**
Initial improvements and refurbishment	18.1	Initial improvements and 0-5 year refurbishment costs
Improvements/refurbishment costs	**18.1**	**Sub-total**
TOTAL ACQUISITION AND REFURBISHMENT	**85.7**	

42.3.12 As these costs are capital in nature and would be incurred 'up front' by the franchising authority, the financing strategy seeks to match these costs to the longer-term revenue funding streams of the franchised network, through drawing down prudential borrowings and servicing and repaying the debt over the longer-term.

42.3.13 It is assumed for financial modelling purposes that the initial depot costs are incurred between April 2021 and April 2023, ahead of assumed operational usage dates, and financing costs are incurred from the purchase date. During this period of ownership before franchised services commence it is assumed that the depots are rented back to operators; resulting in £1.3 million of rental income, pre-indexation, in the Franchising Scheme.

42.3.14 The quantum and structure of the prudential borrowings is set out in further detail in Table 48. The drawdown requirements reflect the nominal capital costs related to depot provision (£85.7 million in total).

42.3.15 Interest rate assumptions are based on Public Works Loan Board (PWLB) rates from February 2019 for New Fixed Loan Annuities over a 30-year term (2.57% fixed), plus a further allowance of 0.5% to manage interest rate risk up to the future draw down date, resulting in a borrowing cost assumption of 3.07%. The GMCA can also benefit from PWLB's 'Certainty Rate' which, subject to meeting any requirements, currently offers a further 0.2% reduction in interest costs compared to PWLB's published rates which inform the base assumption in the financial model.

42.3.16 The 30-year borrowing term applied to each borrowing tranche reflects an overall assumed average life for the costs incurred to acquire or provide depots. Plant and equipment, for example, is a shorter life asset; however, elements of the depot cost will relate to longer life assets such as land and building structures.

Table 48: Prudential Borrowings

ASSET	LOAN TYPE	INTEREST TYPE	DRAWDOWN AMOUNT (£m)	DRAWDOWN DATE	REPAYMENT DATE	TOTAL INTEREST PAYABLE (£m)	TERM (YEARS)
Depot base cost	Annuity	Fixed	13.1	01/04/2021	31/03/2051	(7.1)	30
Depot base cost	Annuity	Fixed	10.1	01/04/2022	31/03/2052	(5.5)	30
Depot base cost	Annuity	Fixed	34.9	01/04/2023	31/03/2053	(18.7)	30
SDLT 3	Annuity	Fixed	1.7	01/04/2023	31/03/2053	(0.9)	30
SDLT 2	Annuity	Fixed	0.5	01/04/2022	31/03/2052	(0.3)	30
SDLT 1	Annuity	Fixed	0.6	01/04/2021	31/03/2051	(0.4)	30
QRA - capital risk	Annuity	Fixed	0.2	01/04/2020	31/03/2050	(0.1)	30
QRA - capital risk	Annuity	Fixed	0.2	01/04/2021	31/03/2051	(0.1)	30
QRA - capital risk	Annuity	Fixed	0.2	01/04/2022	31/03/2052	(0.1)	30
Plant and equipment	Annuity	Fixed	1.8	01/04/2022	31/03/2052	(1.0)	30
Plant and equipment	Annuity	Fixed	1.2	01/04/2021	31/03/2051	(0.6)	30
Plant and equipment	Annuity	Fixed	3.1	01/04/2023	31/03/2053	(1.7)	30
0–5 year improvements	Annuity	Fixed	0.6	01/04/2021	31/03/2051	(0.4)	30
0–5 year improvements	Annuity	Fixed	0.7	01/04/2022	31/03/2052	(0.4)	30
0–5 year improvements	Annuity	Fixed	7.5	01/04/2023	31/03/2053	(4.0)	30
0–5 year improvements	Annuity	Fixed	3.6	01/04/2024	31/03/2054	(2.0)	30
0–5 year improvements	Annuity	Fixed	1.9	01/04/2025	31/03/2055	(1.0)	30
0–5 year improvements	Annuity	Fixed	1.9	01/04/2026	31/03/2056	(1.0)	30
0–5 year improvements	Annuity	Fixed	1.9	01/04/2027	31/03/2057	(1.0)	30
		Total	**85.7**			**(46.3)**	

42.3.17 Arrangement fee costs of 35p/£1,000 of fixed rate debt drawn down are also included in costs, in line with PWLB *Circular 159* from May 2018.

42.3.18 The financing assumptions and requirements set out are effectively assessed on a ‘standalone’ basis (for example, borrowings are assumed to be drawn down at the point of incurring expenditure). In practice however, any financing requirements for bus reform would be integrated into GMCA’s and TfGM’s overall programme of capital expenditure and financing and could thus benefit from factors such as any existing fixed rate borrowing arrangements and the timing of external financing requirements and incurring associated interest costs. Any financial benefits derived from this are not included in the financial model.

42.4 Quantified Risk

42.4.1 A Monte Carlo simulation was performed to create a distribution of the likely risk cost. The output of the simulation demonstrates the required provision to cover risks at different certainty or percentile levels.

42.4.2 For the Financial Case, the 80th percentile (P80) risk output was adopted which represents an estimate of the required risk provision to cover costs in 80% of scenarios. The 80th percentile risk level is consistent with the approach adopted to establish budgets and funding for other major TfGM projects and a sensitivity test at the 85th percentile is subsequently reported (see section 42.5.7). Section 20 of the Economic Case summarises the QRA method and further detail is provided in Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d), including a description of categories of risk.

42.4.3 The cumulative value of risk at the P80 level applied in the financial model in real and nominal terms is set out in Table 49.

Table 49: Franchising QRA Risk Results

RISK/CONTINGENCY VALUES – P80	CUMULATIVE VALUE TO 2051 (2016/17 PRICES)	NOMINAL CUMULATIVE VALUE TO 2051
Franchising		
	£m	**£m**
QRA – Quantified Risk	64.6	107.5
QRA – Revenue	24.5	44.6
QRA – System One	64.1	119.9
Sub-total Resource	**153.2**	**272.0**

42.4.4 The combined value of quantified risk is approximately 2.4% as a proportion of total transition, operating, management and capital costs over the life of appraisal period.

42.4.5 This is a relatively low percentage of overall costs (and lower as a proportion of total cashflows, including revenues) compared to a capital infrastructure scheme and reflects that franchising is predominantly an ongoing revenue scheme where the majority of income and expenditure cash flows are existing and would be transferred to the franchising authority rather than incremental; however during the assumed franchising transition and implementation period up to approximately 2024/25 the quantified risk is a higher proportion of costs at approximately 4.7%. This reflects both the risk profile being weighted more towards the transition period and the phased roll out of franchising during this period resulting in a lower value of operating costs.

Key financial risks

42.4.6 Franchising offers control of fares, services and integration of the bus network with other modes but also imports material strategic, operational and financial risks and opportunities compared to other options. A qualitative summary of key financial risks under franchising is set out in this section. This should also be considered in conjunction with the subsequent sensitivity tests which illustrate the financial impact of changes in key variables and assumptions.

42.4.7 The majority of ongoing income and funding to meet the franchised network operating costs is from passenger farebox revenues which are inherently variable. In this regard the farebox revenue projections under all options forecast a real terms decline in revenue; the QRA includes allowance for revenue risks (such as poorly executed network design); and guarantees and performance bonds are proposed for large franchises to mitigate the risk of an unplanned withdrawal of franchised services. The sensitivity tests also illustrate the impact of changes in exogenous factors such as population growth on the authority's financial position.

42.4.8 Ongoing funding from local public sector sources is also significant. Risks to the availability and level of this funding are mitigated through the provision of a statutory contribution under the GMCA Functions Order 2019 which provides long-term commitment and certainty over the majority of the baseline funding. The growth forecasts above the baseline and planning assumptions related to this funding have been previously set out in this Case and anticipated funding sources are to a large degree within the control of local decision makers.

42.4.9 BSOG funding of approximately £16.1 million per annum is provided from Central Government and, whilst it is devolved to Greater Manchester, the ongoing level of funding is not in the control of local decision makers. As noted, the financial model assumes BSOG is retained over the appraisal period at current levels; this results in a real terms decline in the value of this funding over the appraisal period. In addition, the QRA includes risk in the event there was an unforeseen reduction in the value of BSOG and allows the franchising authority a period of time to implement mitigating actions.

42.4.10 The costs and availability of fleet and depots in particular are key transition, programme and financial risks. The fleet specification and average fleet age assumptions are comparable to the Do Minimum and the Commercial Case sets out how a substantial mixed age fleet could be delivered, including through a Residual Value mechanism to transfer existing fleet in Greater Manchester to franchised operators.

42.4.11 In the event an equivalent mixed age fleet were not available and prospective operators bid on the basis of new fleet, or an increased proportion of new fleet, then capital costs would increase; however there would also likely be offsetting passenger benefits associated with new fleet (such as reliability and service quality) and lifecycle cost benefits (such as reduced maintenance and increased fuel efficiency).

42.4.12 The central assumption for depots is that it would be desirable for the franchising authority to control strategic depots and this would be achieved through a negotiated settlement to acquire or control existing strategic depots. As noted the costing assumptions are based on a valuation of existing depots that are conservatively assumed to be incremental costs. In the event a negotiated settlement for existing depots was not agreed, the Commercial Case sets out alternative options for depot provision including identification of new build sites, provision of temporary facilities, letting of franchises in the transition phase without the provision of a depot or as a last resort the potential to pursue a Compulsory Purchase Order.

42.5 Financial Outputs and Results

42.5.1 This section sets out the central modelled financial outputs for franchising and the resulting funding requirements. Figure 9 reports a summarised output of the financial model over the full appraisal period to 2050/51 as the net nominal annual and cumulative financial position for the franchising authority, prior to the application of additional funding sources.

42.5.2 The net position reflects the year on year forecasts of income and operating costs, the modelled impact of interventions from fares, network, interoperability and service quality on farebox revenue, incremental scheme costs, quantified risk and financing costs based on the assumptions and values outlined.

42.5.3 The year by year income and expenditure forecast is included in the *Financial Case Supporting Paper* (TfGM, 2019c).

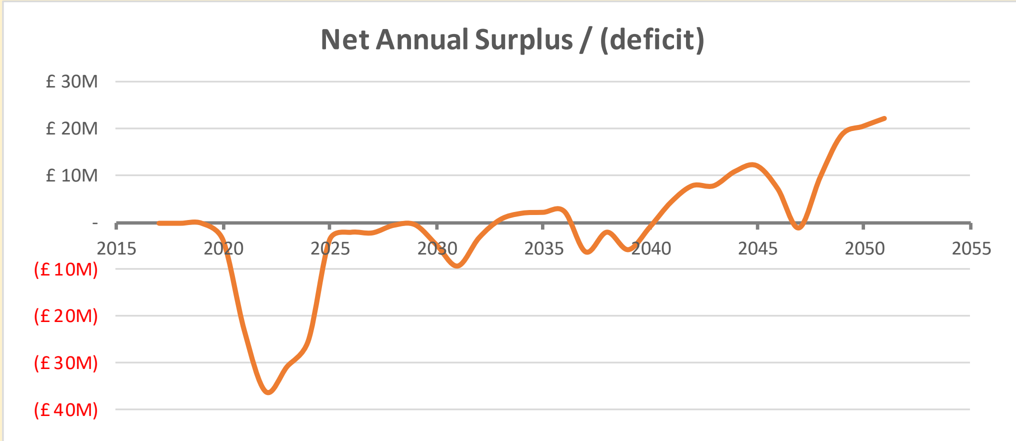
Figure 9: Bus Franchising Financial Model Dashboard

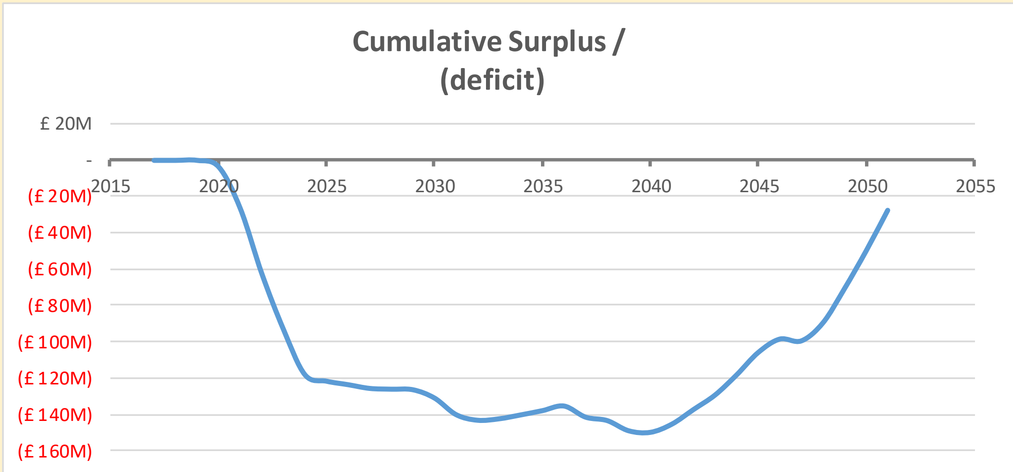
Franchising Financial Dashboard

Run ID	971F

Overall surplus /(deficit) excluding capital financing	£ 11.6 M
Overall surplus / (deficit) including capital financing	(£ 27.6 M)

TfGM Cumulative Break Even Year	N/A - Net Funding
Maximum Annual Deficit	(£ 36.0 M)
Final Year Surplus (pa)	£ 22.5 M
Base year 2016 /17 EBIT margin (Do Minimum)	5.3%
First year of fully franchised network	31/03/2025
Franchising EBIT margin	7.5%





42.5.4 The overall forecast net deficit, including capital financing and quantified risk, is approximately £27.6 million. However as reported in the net annual position graph, the distribution of income, costs and the funding requirement is not uniform over the appraisal period: the initial transition years up to 2024/25 reporting a cumulative net funding requirement of approximately £122 million (which includes risk allowance of £36.2 million over the period) whilst the position across later years reports a cumulative net surplus of approximately £94.4 million.

42.5.5 In summary the funding requirement up to 2024/25 principally reflects:

i. the non-recurring resource costs specific to transition;

ii. the value and weighting of quantified risk in the transition period;

iii. incremental costs and financing associated with depot provision;

iv. investment in management and on-bus systems; and

v. forecast revenue growth from franchising interventions accrues during the transition period with the full steady state value attained during financial year 2025/26.

42.5.6 The financial model includes cash flows related to bus services only; the economic appraisal includes assumed revenue abstraction from Metrolink to bus as a result of the franchising interventions which result in an increase in modelled bus demand.

42.5.7 The abstraction estimate is an average of approximately £2.1 million per annum in 2016/17 prices over the appraisal period and does not take into account wider strategies to proactively manage demand across the two modes more effectively. Metrolink revenues are committed to the Greater Manchester Transport Fund and to the extent there is any risk of reduction in these revenues, the reserves available supporting the Greater Manchester Transport Fund are adequate to manage this risk and maintain funding for capital expenditure commitments.

42.6 Value Added Tax, Working Capital and Accounting Analysis

42.6.1 This section provides an analysis of VAT treatment, working capital management and accounting implications; these are considered for the Franchising Scheme in particular, reflecting that there would be significant changes in financial responsibilities whilst under partnership options it is considered the financial responsibilities would be materially similar to the Do Minimum.

Value Added Tax

42.6.2 Under franchising, the proposal is that TfGM would be responsible for payment of contractual service fees for franchised operators on behalf of the GMCA. TfGM is VAT registered and if VAT is levied by franchised operators on service fees, TfGM is eligible to recover VAT charged on eligible services from HMRC. VAT charged on service fees is anticipated to be fully recoverable as farebox revenue is anticipated to remain a zero rated activity with no material changes anticipated in relation to any VAT exempt business activities.

Working capital

42.6.3 Working capital requirements would reflect any short-term timing differences between income and expenditure cash flows (including the timing of payment and recovery of VAT) which are not captured at the annual forecasting level in the financial model. The precise quantum of working capital requirements would principally depend on any timing differences between payment of service fees and receipt of farebox revenues. However, any working capital requirements are considered manageable, based on the following factors and financial management approach if franchising were implemented:

i. in the event of a mayoral decision to proceed with franchising, there would necessarily be a development, procurement and mobilisation period of more than one year which would therefore allow a planning period to reserve any working capital requirements;

ii. the franchising proposals are based on a phased roll out of contracts across Greater Manchester with a consequent phased build-up of income and expenditure flows;

iii. TfGM has managed working capital requirements on a multi-billion transport infrastructure programme (principally the Greater Manchester Transport Fund) which is considered to have inherently more variable cashflows compared to ongoing farebox revenues and service fees; and

iv. GMCA typically retains cash and cash equivalents which would be available to support working capital requirements. GMCA’s cash and cash equivalents reported over the last three financial years are £180.2 million (draft 2018/19); £356.7 million (2017/18) and £119.2 million (2016/17).

Accounting treatment

42.6.4 The financial model identifies capital and revenue based cash flows and this section analyses any key identified differences between a cash and accounting basis, based on current proposals and IFRS based code, the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The requirements of the Code and accounting framework are subject to change.

42.6.5 It is assumed that TfGM would be instructed by GMCA to be the franchising delivery body and that TfGM would account for the majority of income and costs within their financial statements, although certain specific activities, such as borrowings, would be undertaken by the GMCA.

42.6.6 The Commercial Case outlines a proposed Residual Value mechanism that would designate all suitable buses as 'primary franchise assets' and make them available to all bidders on equal terms at the beginning of each franchise competition. This mechanism would be backed by the GMCA guaranteeing the future value of vehicles throughout their useful economic life, subject to operators maintaining RV fleet to an acceptable standard. It is considered this would be a balance sheet disclosure as a contingent liability as a possible, but not probable, liability.

42.6.7 The Financial Case and *Pension Impacts Supporting Paper* (TfGM, 2019i) notes that if current employees who are active members of the LGPS transfer to franchised operators, the most practicable route to provide broadly comparable pensions would likely be for franchisees to become admitted bodies in the LGPS.

42.6.8 If the administering authority requires financial security, the preferred approach would be that the GMCA or TfGM, as a current scheme employer, would provide a guarantee to achieve the most efficient funding cost and minimise barriers to entry. The provision of a guarantee is considered likely to be a balance sheet disclosure item whilst the franchisee would be the designated employer for the term of the contract and account for the ongoing pension costs and obligations over the franchise term.

42.6.9 The financial model assumes any upfront capital costs for depot provision would be financed by borrowings and provides for the ongoing interest and debt repayment costs as debt annuities. Local Authorities (in this case the GMCA) are required to make 'prudent provision' for debt repayment through a Minimum Revenue Provision (MRP) charged to the revenue account.

42.6.10 Statutory guidance[18] on the calculation and provision of MRP includes a number of options, one of which is the "annuity method". The annuity method for MRP approximates to the modelled cash flow debt annuity basis, the cash flow basis provides for slightly accelerated debt repayment compared to accounting based MRP provision; this is because MRP provision is not required to be charged until the financial year following the one in which the asset becomes operational whereas cashflow repayment is incurred at the point debt is drawn down.

42.6.11 Revenue grants received via the GMCA Functions Order and DfT (BSOG) would be accounted for as they are received. These are currently paid on a monthly basis and no changes are expected, therefore there the accounting and cash basis would be the same.

42.6.12 The main difference in the accounting and cash basis is anticipated to be in relation to capital grants. Accounting standards require TfGM to recognise capital grants in the comprehensive income and expenditure statement (CIES) when received if these do not have conditions which may give rise to repayment. Any capital grants received from the GMCA fall within this category and after recognition in the CIES will be transferred from the general reserve to the capital adjustment account. The reserve is used to fund the future costs of depreciation on the assets delivered by the programme.

42.7 Sensitivities

42.7.1 Sensitivity testing allows an option evaluator to test the financial impact of a change in a given variable. There are areas of uncertainty in long-term forecasts and exogenous factors (for example population and employment) that are outside the control of the franchising authority and that can impact the affordability of the scheme or require a mitigating response.

42.7.2 A number of sensitivity tests around the central case (see Economic Case Section 15.5 for more detail) have been carried out in the wider modelling framework and applied in the financial model. Given that under franchising, all sources of income would be reinvested, and the majority of income and expenditure cash flows are existing and transferred to the franchising authority, the sensitivity testing demonstrates that the long-term affordability is sensitive to unmitigated changes in a number of factors. The impacts of a particular sensitivity are reported by reference to the positive or adverse change in cashflow compared to the central case and the resulting whole life overall surplus or deficit.

[18] Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003

42.7.3 The results of the sensitivity tests are summarised in Table 50. Sensitivity test results are also reported in Section 15.5 of the Economic Case. The tests with the greatest impacts on affordability are the ST15 and ST5 tests – the first of which relates to an increase in the rate of wage growth, and the second being the impact if Greater Manchester made significant investment in cycling and active travel in line with its vision and without similar investment or policies to support bus services.

Table 50: Sensitivity Testing

SENSITIVITY TEST DESCRIPTION	OVERALL SURPLUS /(DEFICIT) to 2051 £ millions	OVERALL SURPLUS CHANGE FROM CENTRAL CASE £ millions
Central case	(27.6)	-
ST1 – Lower population and employment growth	(166.5)	(138.9)
ST2 – Higher population and employment growth	303.5	331.1
ST3 – Lower fuel cost increases	(217.3)	(189.8)
ST4 – Higher fuel cost increases	122.9	150.5
ST5 – Active travel investment	(961.4)	(933.8)
ST6 – Lower fare elasticity	138.1	165.7
ST7 – Higher fare elasticity	(187.9)	(160.3)
ST8 – Lower GJT elasticity	(10.2)	17.4
ST9 – Higher GJT elasticity	(44.9)	(17.3)
ST10 – Weaker GMPTM demand response	(44.7)	(17.1)
ST11 – Stronger GMPTM demand response	(10.4)	17.2
ST12 – Lower real annum fare increases +0.5% p.a.	(368.9)	(341.3)
ST13 – Lower real annum fare increases +1.0% p.a.	(179.9)	(152.4)
ST14 – Lower car ownership and income elasticities	453.9	481.5
ST15 – Wage increases + OBR real growth forecast	(1,031.1)	(1,003.5)
ST16 – BSOG settlement indexes with RPI	371.5	399.1
ST17 – Franchise EBIT margin – 9.0%	(223.0)	(195.5)
ST18 – Franchise EBIT margin – 6.0%	161.7	189.2
ST19 - Interoperability – low	(86.2)	(58.6)
ST20 - Interoperability – high	34.6	62.1
ST21 - Soft factors	(91.9)	(64.4)
ST24 - P85 Quantified risk valuation	(176.6)	(149.1)

42.7.4 A qualitative explanation of the rationale behind the sensitivity tests that are not already defined in the Section 15.5 of the Economic Case is provided below:

i. employment costs incurred by franchisees are the largest component of the total cost base and thus affordability is sensitive to the rate of growth in labour costs. The central case projection is wage growth equivalent to RPI over the longer-term, a sensitivity where there is real wage growth in line with that implied by forecasts from the Office for Budget Responsibility is conducted (ST15);

ii. commercial and tendered BSOG of approximately £16 million per annum (2016/17) currently supports the Greater Manchester bus market and the central case assumes that the value of BSOG declines in real terms. Given the long-term nature of the franchising proposals, a sensitivity where the real value of annual BSOG is assumed to be maintained by indexing at RPI in the central case is presented (ST16);

iii. the average return bid by operators as part of franchising procurement(s), represented by an EBIT margin, is a key assumption in the Financial Case, given its impact on service fees/costs. A sensitivity (ST17) is presented where the EBIT margin is varied upwards from the central case assumption of 7.5% to 9%, and another test with the EBIT margin is varied downwards from 7.5% to 6% (ST18). The high and low sensitivity values are selected by reference to the range advised in the benchmarking report; and

iv. the P80 risk contingency within the financial modelling is designed to be sufficient to cover the value of risks that may occur in 80% of scenarios. A sensitivity test (ST24) is presented with the risk contingency varying from P80 to P85.

42.7.5 While future trends are uncertain, and the introduction of franchising would lead to an overall improvement in patronage relative to the Do Minimum, the sensitivities set out show that the affordability of franchising is sensitive to changes such as higher than expected increases in costs, particularly wages, and also reductions in patronage which could arise from exogenous factors outside the GMCA's control.

42.7.6 TfGM, on behalf of the GMCA, would retain the ability to alter the service between franchises, and through contract variation, during franchise contracts, adapting the cost of the network. Thus, while it would be undesirable under franchising (or any market condition) to make cuts, this means that the GMCA would retain the ability to make sure that the service provided was affordable. This is explored further in the Management Case in Section 46.9.

42.8 Funding Sources and Conclusion

42.8.1 This section sets out the sources and estimated values of available funding that could meet the additional funding requirements reported under the central case franchising outputs.

42.8.2 The franchising outputs report an overall funding requirement over the appraisal period of approximately £27.6 million, with a higher transitional requirement of approximately £122 million. As forecasting uncertainty would be expected to increase over longer time horizons, the funding sources seeks to identify a range of existing, available, funding mechanisms that could fully fund the initial transition period modelled requirement of £122 million without reliance on any future modelled surpluses.

42.8.3 There are three agencies or "pillars" that already provide existing funding for bus services and could provide additional funding for bus reform namely:

i. The Local Authorities of Greater Manchester who currently provide bus services funding through a statutory contribution to the Mayor of £86.7 million per annum and contribute, as part of the Greater Manchester Transport Fund arrangements, ring fenced levy funding for transport infrastructure, including for bus;

ii. The Mayor of Greater Manchester; the Mayor's 2019/20 budget report acknowledges that "whichever form bus reform takes, additional finance will be required to improve bus services across Greater Manchester….. The Mayoral precept will be used to invest in bus reform.."; and

iii. Central government who currently provide funding subsidy in the form of BSOG which has been devolved to Greater Manchester and who set the terms of the ENCTS which is the largest element of concessionary reimbursement in Greater Manchester.

42.8.4 In the event of a mayoral decision to implement franchising, and with any necessary approvals or governance depending on the particular funding sources applied, Table 51 summarises additional capital and revenue based funding sources which are subsequently described, the responsible agencies, and an estimate of the value that could be allocated to fund the franchising transition period up to 2024/25.

42.8.5 The modelled funding requirement is a mixture of capital and revenue costs, including assumed interest and repayment costs for the provision of depots. Approximately £42 million of the transitional funding requirement, representing the modelled costs for information systems, on bus equipment, electronic ticketing machines and automatic vehicle locators, are assigned as capital costs; the quantified risk assessment is assumed to be predominantly revenue based though the actual classification will depend on the form of risks which materialise.

42.8.6 Capital based funding sources could be allocated to meet the overall funding requirement in a number of ways including; allocation to the assigned capital costs; reducing borrowings and associated repayment costs assumed for depots; or GMCA retains sufficient financial flexibility to substitute between capital and revenue sources in its overall budgets.

Table 51: Funding sources

SOURCE	PILLAR / AGENCY	CAPITAL / REVENUE	ESTIMATED VALUE UP TO 2024/25
'Earn back' (revenue)	Mayoral	Revenue	£48 million
'Earn back' (capital)	Mayoral	Capital	£30 million
2019/20 precept (£3) allocated to bus reform	Mayoral	Revenue	£11 million
Unallocated capital funding	Various	Capital	£30 million
Integrated Transport Block (ITB) from 2021/22	LAs/GMCA	Capital	£64 million
Local authority contributions	LAs/GMCA	Revenue	£30 to £50 million
CUMULATIVE VALUE PRIOR TO CENTRAL GOVERNMENT or ADDITIONAL PRECEPT	-	-	**£213 - £233 million**
Value of Mayoral Precept		Revenue	£1 precept raises £0.75m

42.8.7 'Earn back funding' was devolved to GMCA and subsequently to the Mayor as part of GM's devolution deal. The total quantum of 'earn back' is £30 million per annum for 30 years (a total of £900 million nominal) paid by central government as a mixture of capital and revenue funding and is subject to five yearly 'gateway' reviews with the next allocation of funding starting from April 2021 (with this due to be confirmed by March 2020). The value assessed of £48 million of revenue and £30 million of capital represents an assessment of the uncommitted value, after allocation of costs already committed to be funded by 'earn back'.

42.8.8 The 2019/20 mayoral budget raised £2.25 million, as part of a multi-year strategy, for non-recurring bus reform expenditure which could be allocated to franchising implementation on an ongoing basis from 2020/21.

42.8.9 Unallocated capital funding represents an estimate of a capital allocation for bus reform from existing sources, including potentially any unspent contingencies from existing capital budgets.

42.8.10 Integrated Transport Block (ITB) funding is central government funding that Greater Manchester has previously prioritised for major infrastructure spending through the Greater Manchester Transport Fund. The commitment of this funding to the GMTF is up to 2020/21 and thereafter this funding can be prioritised and allocated to other programmes. The estimate of £64 million represents the maximum uncommitted value of approximately £16 million per annum over four years.

42.8.11 Local authority contributions represents an estimated range from current and future uncommitted sources including existing reserves, anticipated savings from Greater Manchester levies related to waste and recycling contracts and business rates pooling and retention.

42.8.12 The funding sources identified are credible existing funding mechanisms and sources with a potential total value of £213 million to £233 million up to 2024/25, which is prior to the application of any incremental funding arrangements secured with central government or the value of any additional mayoral precept for this purpose.

42.8.13 The assessed value of these sources over the transition period exceeds the modelled franchising transition requirement of £122 million and thus the Franchising Scheme can be considered feasible and affordable. Any deficits forecast in future years after the initial transition are relatively minor and would be straightforward for GMCA to be able to cover, particularly since there will also be years where there is a surplus forecast.

43 Partnerships Financial Case

43.1.1 The Partnerships Financial Case relates to the Operator Proposed Partnership and the Ambitious Partnership. Details of the different partnerships are included in section 13.3.

43.1.2 Both partnership financial models have been developed as follows:

i. commences with a transition period until full partnership commences;

ii. a transition phase from 2020-2022 during which the assumed incremental headcount is at its highest; and

iii. partnership is assumed to be fully implemented in 2022/23.

43.2 Income

43.2.1 Under both Partnership options, the GMCA's income sources are forecast to remain the same as the Do Minimum. Figure 6 sets out the cashflows under the Do Minimum option and both partnership options.

Farebox income

43.2.2 Farebox income for operators is forecast using the same methodology as the Do Minimum and the assumption is bus operators predominantly retain farebox revenue risk both through revenues for their own fare products and revenues from multi-operator ticketing (System One products).

43.2.3 The majority of tendered, non-commercial, services are let on a minimum subsidy basis with operators retaining control of farebox and fares. However, the GMCA currently assumes some revenue risk as a result of funding certain non-commercial services on a gross cost contract basis. The GMCA receives farebox revenues on these services (principally school services c£3m) and an allocation of multi-operator farebox revenue. The GMCA sets the fares on these services.

43.2.4 Other than the services let by the GMCA, changes in farebox revenues are assumed to accrue to bus operators.

Operator Proposed Partnership

43.2.5 The Operator Proposed Partnership option includes interventions that would impact bus demand and revenues, the effects of which are modelled in the partnership forecasts and thus lead to changes in demand and revenues relative to the Do Minimum. As described in the Economic Case, these are:

i. Network review: No changes are proposed to the network under this partnership scheme;

ii. Fare impacts: under the Operator Proposed Partnership bus operators have agreed to a two year fare freeze (2021/22 and 2022/23) on System One Fares. Although this results in an increased number of passengers, the increase is not sufficient to cover the lost revenue from the fare freeze; and

iii. Service quality / soft factors: to improve the passenger travel experience the following measures have been agreed will be put in place to make bus travel more desirable:

- roll out of Wi-Fi on all vehicles; and
- improved driver training.

43.2.6 The net impact of the fare changes and service quality / soft factors up to 2039/40 is a 0.1% reduction in revenues for the Operator Proposed Partnership. This is due to the lost revenues from the fare reduction being greater than the impact of increased passenger trips (1.7%) from the reduced fares and soft factors. The results of this change are shown in Chart 31 31.

Ambitious Partnership

43.2.7 In addition to the changes stated above for the Operator Proposed Partnership the Ambitious Partnership includes additional interventions that impacts bus demand and revenues, these are:

i. Network: a review was undertaken of the current network and the planned changes under franchising to identify which of these changes could potentially be implemented through an Ambitious Partnership route. The Ambitious Partnership network changes deliver just under a quarter of the user economic benefits delivered under franchising. These changes to the network will increase demand and revenue; and

ii. Interoperability benefits: as in franchising this reflects the ability for passengers to use their period tickets on any bus stopping on their route which would improve passenger wait times and customer choice. However under the Ambitious Partnership, this is only modelled on two corridors and is not network wide.

43.2.8 The net impact on revenue from the changes implemented under Operator Proposed Partnership and the additional interventions under the Ambitious Partnership up to 2039/40 is a net increase of 0.3% in revenue and a 2.1% increase in passenger trips. The results of this change are shown in Chart 32.

Chart 31: Operator Proposed Partnership Forecast Development

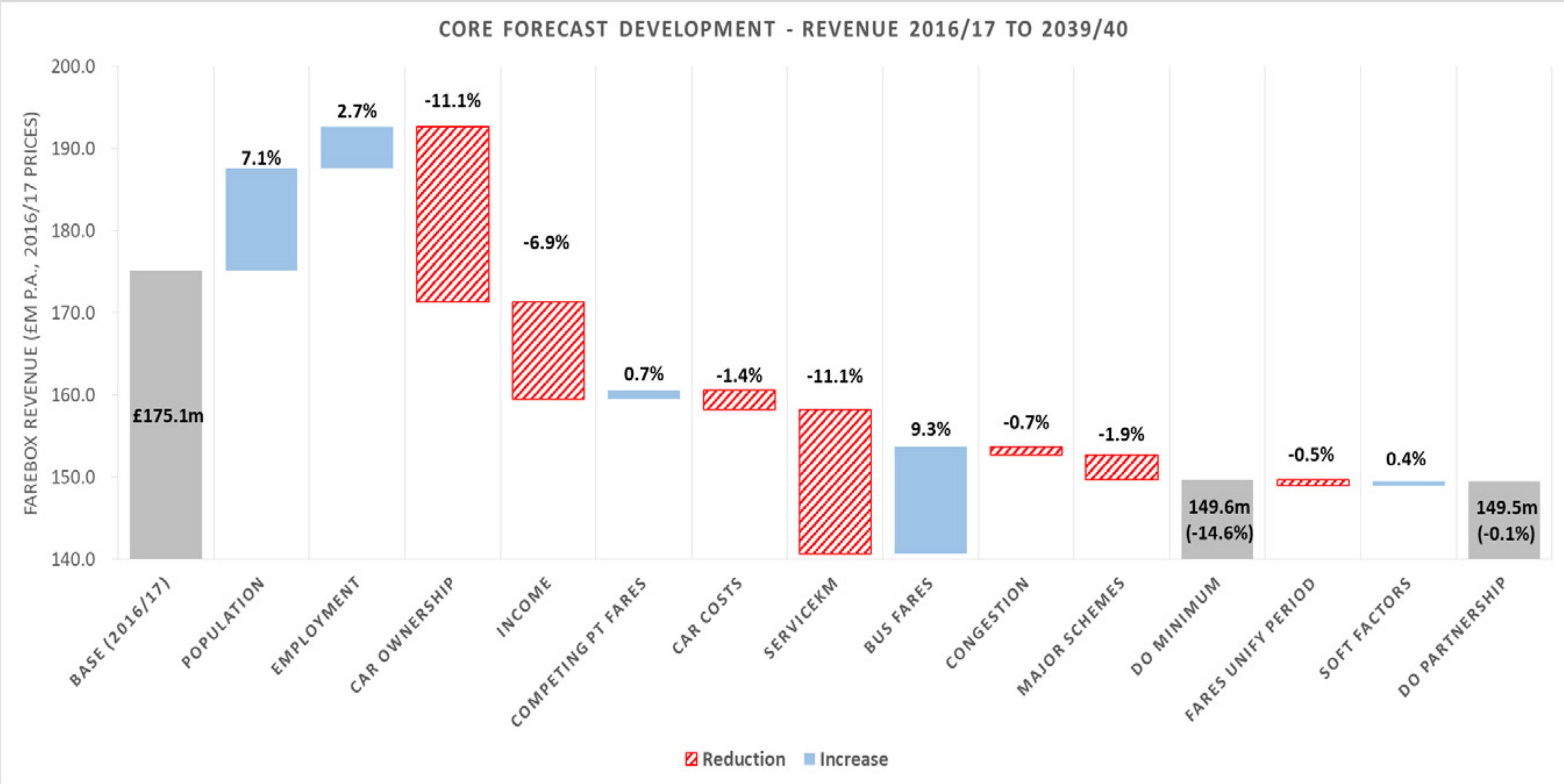
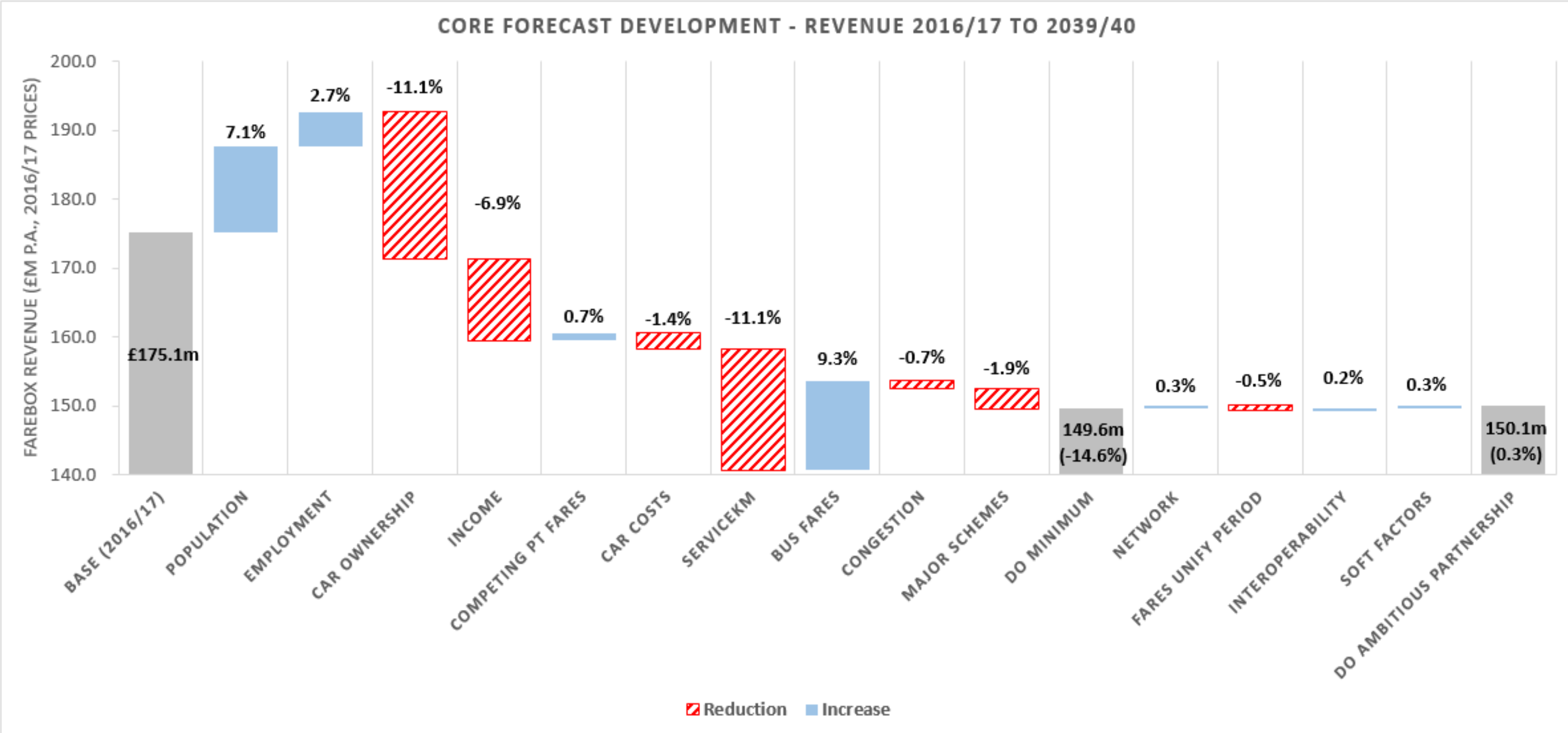


Chart 32: Ambitious Partnership Forecast Development



Public sector funding

43.2.9 For both partnership options it is assumed the **same** level of ongoing public sector funding as the Do Minimum is made available, see section 40 Income – All Options.

43.2.10 Existing funding for local and statutory concessions and subsidised services would remain in place through the 'Statutory Contribution' which is the funding provided to the GMCA for bus related activities. It is assumed this funding will continue at the same level as the Do Minimum. This is based on the expected number of journeys based on the Do Minimum case and is also the same level of funding as assumed under franchising. It should be noted that the GMCA would still be obliged to reimburse operators for the statutory and local concessionary scheme based on the number of trips forecast under the partnership options, see the operating cost section for further information on the reimbursement due to operators.

43.2.11 Although the funding flows are anticipated to remain the same as in the Do Minimum, the difference is that TfGM, the GMCA and the operators would have extended responsibilities, to ensure that the benefits of partnership, as set out in the Strategic Case and the Economic Case, are realised.

43.3 Operating costs

43.3.1 This section describes how ongoing expenditure forecasts vary from the Do Minimum option as described in Section 41.

43.3.2 The same unit cost rates will be used as described in Section 41.1.6 and again the same indexation rates used. The forecast supply volumes are taken from the DRM output from the economic model for Operator Proposed Partnership and the Ambitious Partnership and are used to estimate the operators' costs.

43.3.3 Additional costs will be incurred under both partnership options for:

i. GMCA/TfGM transition and management costs;

ii. driver training;

iii. quantified risk allowances; and

iv. increased concessionary reimbursements above the forecasted position in the Do Minimum option.

GMCA transition and management costs

43.3.4 During the transition period (2019/20 to 2022/23), total transition and management costs of £8.4 million are forecast for Operator Proposed Partnership and £10.3 million for the Ambitious Partnership.

43.3.5 The incremental increase headcount for staff and advisor costs is higher during the transition period to prepare and implement the new partnership scheme. The additional costs are required to ensure sufficient resources are available to set up a meaningful and sustainable partnership. Due to the competing commercial interests of the operators and TfGM's lack of control, this will be a complex process to establish either on the operator proposed or the Ambitious Partnership and will need to be sufficiently resourced.

43.3.6 The resources in the transition period include stakeholder management, analysis and development of the network, customer and congestion proposals, legal advice and programme management support. For the GMCA to successfully fulfil its obligations, it would need to expand both its and TfGM's capability and capacity, costs for this change are included within the transitional period.

43.3.7 For the Ambitious Partnership, additional resources will be required to support the development and marketing of the network to implement the planned changes under this partnership option.

43.3.8 The transition costs for both partnership options include costs for new Information Systems in relation to network planning and business intelligence. TfGM do not currently have a network planning system and would therefore require a new system to manage the network as a whole. A business intelligence system is also required to analyse data provided to the partnership from operators and also from the network system to allow integration of the data to enable more informed decisions to be made under either partnership option.

43.3.9 The Operator Proposed Partnership would impose incremental annual on-going costs after the transition period between £1.4 million and £3.2 million during the model period, this is on average £2.1 million a year. The increase in costs is predominately related to indexation. The GMCA would have extended responsibilities, to ensure that the benefits of partnership are realised. The additional costs are required for management of the partnership, network planning, analysts and on-going operational costs for the two new information systems.

43.3.10 The Ambitious Partnership, would impose incremental annual on-going costs after the transition period between £1.6 million and £3.5 million during the model period, this is on averages at £2.3 million a year. The increase in costs is predominately related to indexation. Under the Ambitious Partnership further resources are required due to the additional network activity taking place.

Driver training

43.3.11 Further to these costs, TfGM have included annual costs to improve driver training to realise the service quality benefits included within the revenue forecast under both partnership options. The same cost and benefit has been applied in both partnership options.

43.3.12 A summary of the additional costs to TfGM during the transition period and also what the annual incremental costs are to TfGM (assuming these would be incurred on behalf of the GMCA) for both partnership options is included in Table 52.

Table 52: TfGM Partnership Costs

	Operator Proposed Partnership		Ambitious Partnership	
PARTNERSHIP - Costs (TfGM Headcount costs exclude on-costs, all costs are real)	**Headcount**	**£ millions**	**Headcount**	**£ Millions**
Transition January 2020 - March 2023				
IS Transition Costs	3	1.0	3	1.0
Transition Resources				
-Consultation, PMO, Operating Model, Modelling, advisory, other costs	14	1.9	15	2.3
Total Transition Costs	**17**	**2.9**	**18**	**3.3**
Operating Costs (Annual) 2022/23 onwards				
Incremental Head Count	6	0.3	8	0.4
Incremental Operating Costs		0.7		0.7
Incremental IS Opex		0.1		0.1
Total Operating Model Costs	**6**	**1.1**	**8**	**1.2**

Concessionary reimbursement

43.3.13 As previously noted, all bus reform options include the same level of assumed ongoing funding for concessions and tendered services, which under the Do Minimum results in a balanced budget. However there is a different demand under partnerships compared to the Do Minimum and any reimbursement for additional concessionary trips is reflected as an incremental reimbursement cost and funding requirement in the model outputs.

43.3.14 Under partnership options, the proposed improvements to the network and service as set out in the income section has resulted in an increased number of concessionary trips compared to the Do Minimum. Under the Operator Proposed Partnership, an additional 15.7 million concessionary trips are forecast over the appraisal period and an additional 19.0 million concessionary trips are forecast under the Ambitious Partnership. Under both partnerships options, the GMCA would be legally obliged to reimburse the operators on a 'no better, no worse' basis and due to the increased number of trips this would result in an increased reimbursement to operators.

43.3.15 The additional reimbursement costs to the GMCA for concessionary reimbursement based on the number of trips during the period modelled is £30.7 million in the Operator Proposed Partnership, and £37.8 million in the Ambitious Partnership.

Other

43.3.16 Under both Partnership options the operators will have incremental costs for additional Wi-Fi provision and for re-branding of fleet. The Partnership option assumes the operators will fund these incremental costs.

43.3.17 The financial model includes cash flows related to bus services only; the economic appraisal includes assumed revenue abstraction from Metrolink to bus as a result of the partnership interventions which result in an increase in modelled bus demand.

43.3.18 The abstraction estimate is an average of approximately £0.5 million per annum in 2016/17 prices over the appraisal period for the Operator Proposed Partnership and £0.6 million for the Ambitious Partnership. This does not take into account wider strategies to proactively manage demand across the two modes more effectively. Metrolink revenues are committed to the Greater Manchester Transport Fund and to the extent there is any risk of reduction in these revenues, the reserves available supporting the Greater Manchester Transport Fund are adequate to manage this risk and maintain funding for capital expenditure commitments.

43.4 Risk

43.4.1 As explained in Section 42.4, the same methodology and risk evaluation was performed as described in the franchising case. Further detail on the Quantified Risk Assessment method is provided in Section 2 of the *Risk and Optimism Bias Supporting Paper* (TfGM, 2019d).

43.4.2 The cumulative value of risk applied in the financial model in real and nominal terms is set out in Table 53.

Table 53: Partnership QRA Risk Results

RISK/CONTINGENCY VALUES – P80	CUMULATIVE VALUE TO 2051 (2016/17 PRICES)	NOMINAL CUMULATIVE VALUE TO 2051
Operator Proposed Partnership		
	£m	**£m**
QRA – Resource	3.2	4.0
TOTAL	**3.2**	**4.0**
Ambitious Partnership		
	£m	**£m**
QRA – Resource	4.2	5.1
TOTAL	**4.2**	**5.1**

43.4.3 By way of benchmark, the combined value of risk and contingency is approximately six percent as a proportion of total transition, operating and management costs for the Operator Proposed Partnership and seven percent for the Ambitious Partnership.

Key financial risks

43.4.4 Both partnership options are lower risk than franchising, as the operators retain the risks for farebox revenues and operating costs. A qualitative summary of key financial risks under partnership is set out in this section.

43.4.5 On-going income from local public sector sources is a significant funding source to the GMCA but has not been quantified in the risk allowance. As stated within the franchising case, this risk is mitigated due to the GMCA Functions Order 2019 which provide long-term commitment and surety over the majority of the baseline funding.

43.4.6 Of the total BSOG funding of approximately £16.1 million, only £3 million is received by the GMCA and is used to for tendered services. The financial model assumes BSOG is retained over the appraisal period at current levels; this results in a real terms decline in the value of this funding over the appraisal period. The remaining £13.1 million of funding is received by the operators as a fuel reimbursement from DfT via GMCA. This is a national scheme and if the funding was to be reduced or withdrawn there would be implications wider than Greater Manchester. This would however be a risk to operators as would lead to increased operational costs and is not a direct risk to GMCA.

43.4.7 Risk allowance has been included for the transition period and is in relation to the availability of resources required to implement the partnership. Due to the changes in capability requirements, a further risk is included that TfGM does not implement the required organisational change needed for the GMCA to meet its responsibilities within the required budget and agreed timescales.

43.5 Model Results

43.5.1 Figure 10 reports a summarised output of the financial model for the Operator Proposed Partnership and Figure 11 shows the output for the Ambitious Partnership. This is before applying any funding sources.

43.5.2 The net position reflects the year on year forecasts of income and operating costs to the GMCA, the modelled impact of interventions from incremental scheme costs, concessionary reimbursement and financing costs based on the assumptions and values outlined.

43.5.3 The year by year income and expenditure forecast for both partnership options are included in the *Financial Case Supporting Paper* (TfGM, 2019c).

Figure 10: Operator Proposed Partnership Results

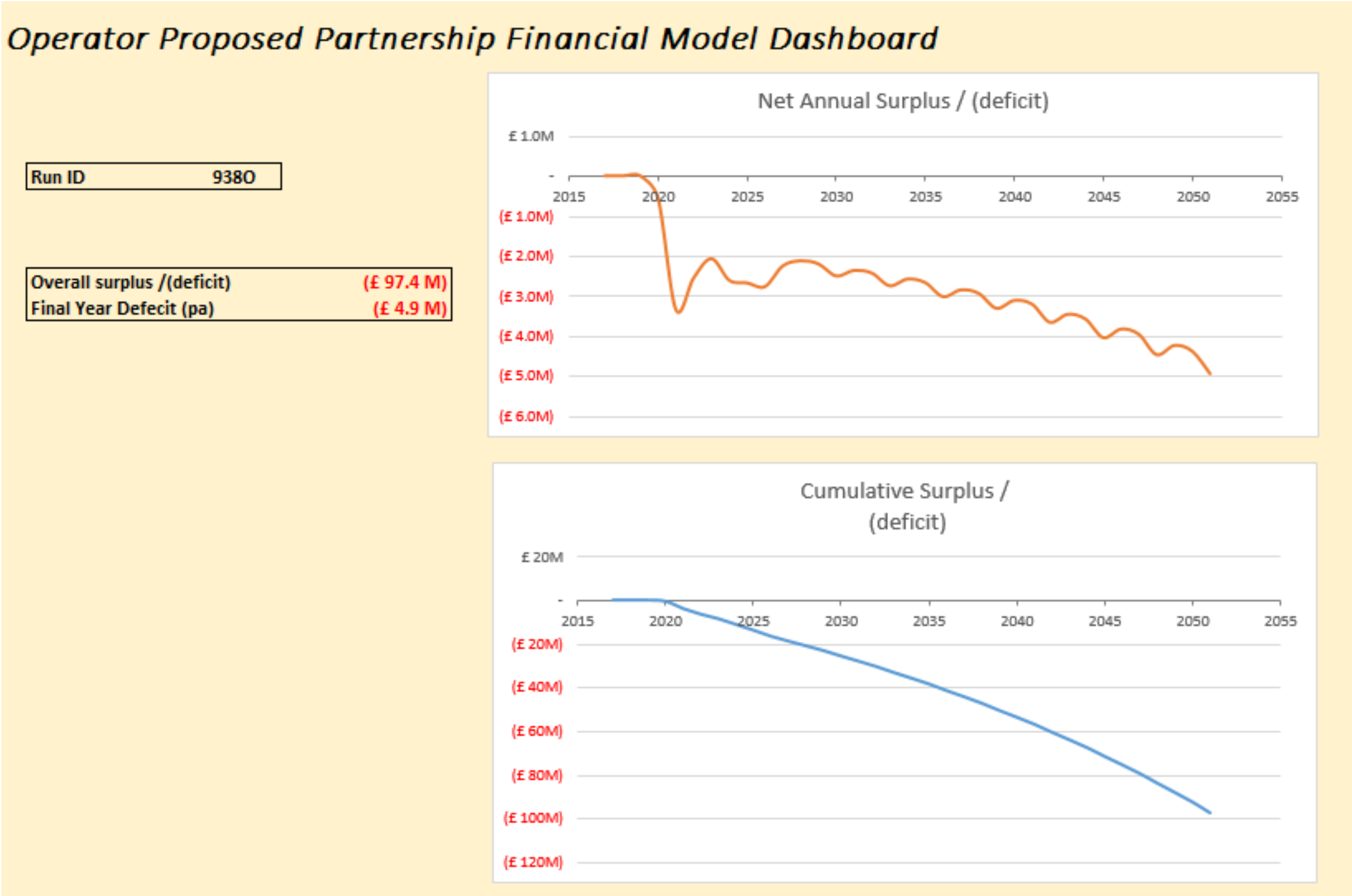
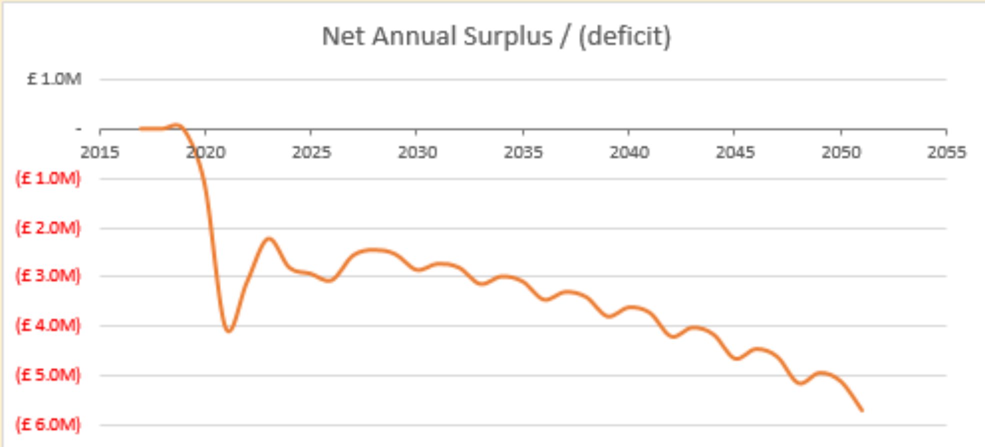


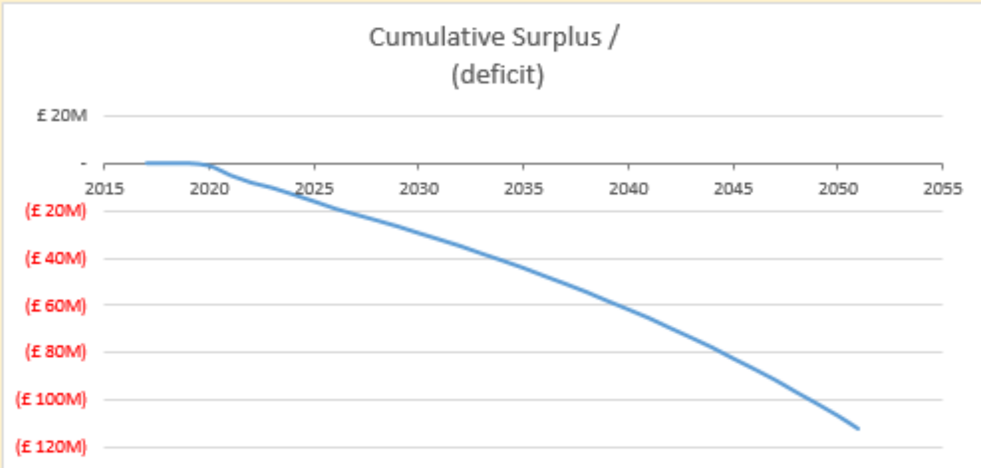
Figure 11: Ambitious Partnership Results

Ambitious Partnership Financial Model Dashboard

Run ID	938O

Overall surplus /(deficit)	(£ 112.5 M)
Final Year Defecit (pa)	(£ 5.7 M)





43.6 Sensitivities

43.6.1 As set out in section 42.7, there remains a number of areas of uncertainty in the forecasts and there are inherently exogenous factors (for example population and employment) that are outside the control of TfGM and GMCA that can impact the affordability of the scheme. Sensitivity testing allows an option evaluator to test the impact of a change in a given variable on the affordability of the partnership scheme.

43.6.2 The sensitivity presented here pivot from the results for the Franchising Scheme and the main partnership proposal, the Operator Proposed Partnership. Further sensitivities for the Ambitious Partnership are not presented because the results for that option do not vary significantly from the Operator Proposed Partnership, and it is this partnership that currently represents a viable alternative to the Franchising Scheme.

43.6.3 A number of sensitivity tests around the central case (see Economic Case Section 15.5 for more detail) have been carried out in the wider modelling framework and applied in the financial model. In the case of Partnership, a number of these factors (e.g. if there is lower population growth than forecast which reduces patronage) are mainly faced by operators and do not directly influence the ability of the GMCA to afford the scheme. Therefore, sensitivity tests are not reported on all of the factors outlined in the Economic Case.

43.6.4 The incremental costs associated with partnership are predominantly headcount related. A sensitivity test (ST24) is presented showing the impact of moving from a P80 to P85 risk contingency value, given that the QRA includes risks surrounding head count costs during transition being higher than anticipated.

43.6.5 The results of this test are summarised in Table 54. This results in an adverse change in the overall result compared to the central case. This would require additional funding above what is already reported as being required.

Table 54: Sensitivity Testing

SENSITIVITY TEST DESCRIPTION	OVERALL SURPLUS /(DEFICIT) to 2051 £ millions	OVERALL SURPLUS CHANGE FROM CENTRAL CASE £ millions
ST24 - P85 Quantified risk valuation	(97.7)	(0.3)

43.6.6 The mitigating responses would include reduction of controllable/discretionary costs. Priorities and decision-making associated with such responses would be made through accountable Greater Manchester/mayoral governance. Inevitably, these types of response would enable the GMCA to maintain the affordability of partnership, but result in a worse outcome than anticipated. This is explored further in the Management Case in Section 46.7.

43.7 Funding and Conclusion

Transitional funding

43.7.1 Whilst there is a similar funding requirement under both partnership options, the distribution of funding requirement and risk profile is different compared to franchising. The partnership funding requirement is a more consistent steady state annual requirement reflecting incremental ongoing costs and risks, compared to franchising which has higher short-term transitional costs and funding requirement.

43.7.2 The Financial Case reports that the net deficit over the full modelled period would be £97.4 million for the central Operator Proposed Partnership and £112.5 million for the central Ambitious Partnership.

43.7.3 As set out in section 42.8, a number of funding mechanisms have been identified that could potentially fund franchising and therefore in turn could be used to fund either partnership option. The funding mechanisms identified are predominantly for the period up to 2024/25, however the forecast funding requirement for the partnership options principally reflects an ongoing annual revenue funding requirement and therefore the identified revenues sources such as the mayoral precept and revenue 'earn back' would be credible funding sources.

43.7.4 The partnership options only contain a small amount of capital spend on Information Systems and therefore the capital sources identified within the funding sources exceed the funding requirements.

43.7.5 There would be a need to continue to fund partnerships after the modelled period, therefore a permanent funding source would be required.

43.8 Financial Case Partnership Conclusion

43.8.1 The Financial Case considers the affordability of the Partnership option in the context of the identified funding streams.

43.8.2 As explained in Section 43.3, partnership would impose incremental costs on the GMCA and TfGM associated with the transition to and ongoing management of the partnership. The GMCA would have extended responsibilities, to ensure that the benefits of partnership are realised. For the GMCA to successfully fulfil its obligations, it would need to expand both its capability and capacity. The extent of change in TfGM and the GMCA will be driven by the extent and ambition of the partnership. The Management Case sets out that level of staffing that TfGM would require during transition to partnership and to manage it on an ongoing basis.

43.8.3 The Financial Case reports that the net deficit over the full modelled period would be £97.4 million for the Operator Proposed Partnership and £112.5 million for the Ambitious Partnership. Additional funding would need to be allocated to either partnership option to achieve the benefits set out. A permanent cash injection is however required as funding would still be required after the period modelled, as the GMCA do not receive any additional income from either Partnership option.

43.8.4 The forecast funding requirement for the partnership options principally reflects an ongoing annual revenue funding requirement and therefore the previously identified revenues sources such as the mayoral precept and revenue 'earn back' would be credible funding sources.

43.8.5 The value of these sources means either partnership scheme can be considered feasible and affordable provided that there is confidence that funding of the required value from these sources could be allocated to fund partnership.

43.9 Funding powers and approval – all options

43.9.1 This section describes the available powers and approval procedures in respect of securing the various identified sources of finance and funding. In principle these powers and procedures would apply to all bus reform options, depending upon the allocation of funding sources.

Financing

43.9.2 The financial modelling assumes borrowings are undertaken for 'up front' capital expenditure in relation to depot provision under franchising.

43.9.3 The GMCA has borrowing powers and, as part of the 2016 Autumn Statement, Government announced that it would give mayoral combined authorities powers to borrow for their new functions, subject to agreeing a borrowing cap with HM Treasury.

43.9.4 GMCA's current long-term external borrowing cap limits are £2.52 billion as at 31 March 2020 and £2.54 billion as at 31 March 2021. Determination of future borrowing limits is subject to review at least every 5 years; GMCA's current projections for external debt are well within the current identified limits and could accommodate additional borrowings of the forecast value.

43.9.5 The GMCA has regular, periodic, treasury management and monitoring reporting to the GMCA's full Authority meeting and Audit Committee, in accordance with CIPFA's Code of Practice for Treasury Management and Prudential Codes. The GMCA, via this governance, could approve such additional borrowings and delegate to the GMCA's Treasurer the taking of all action required on borrowings.

Funding

43.9.6 The identified funding sources include a mixture of Mayoral sources ('earn back' and precept) and Local Authority / GMCA sources (additional contributions, unallocated capital and Integrated Transport Block).

43.9.7 'Earn back' funding was devolved to GMCA and subsequently to the Mayor as part of Greater Manchester's devolution deal. As 'earn back' is Mayoral funding (and bus services are a Mayoral function) the Mayor can budget for allocation of this funding; the Mayor also has precept allocation and raising powers through the Mayor's General Budget and Precept proposals which are approved by GMCA (subject to a veto requiring a two thirds majority).

43.9.8 Existing Local Authority contributions for bus services are principally funded through the 'statutory contribution' provided by the Local Authorities. Under the GMCA Functions Order, the value of the statutory contribution could be increased in relevant periods with unanimous agreement by the members of the GMCA appointed by the constituent councils.

43.9.9 For GMCA specific funding sources, such as unallocated capital, the GMCA has powers to make grants and additional capital expenditure could be approved by the full GMCA.

The Management Case

44 Overview

44.1.1 Under a franchise model, the GMCA takes on significantly more risk than under a partnership and it is assumed that under any franchised model, TfGM would be responsible for managing the franchise on behalf of the GMCA. The scale of change upon TfGM's operating model under franchising would therefore be significantly greater than with a partnership. This Management Case is therefore split into two parts; the first covering a franchised model of bus service operation (Section 45 to Section 50), the second covering a partnership model (Section 51 to Section 56). There would be no change to the current GMCA or TfGM operating models associated with the do-minimum scenario.

45 Part 1 - Franchising

45.1 Introduction

45.1.1 The Management Case sets out how the GMCA would transition to and manage franchised operations. Included are the following:

i. **The Future Operating Model for Bus Franchising** sets out how the GMCA would effectively and efficiently manage a franchised operation where it would be accountable for the whole customer journey and experience and the revenue risk. This includes an assessment of the requirement for a future operating model, a description of the model, the arrangements that TfGM would put in place to manage and mitigate risks in relation to franchising, and details of plans for consultation (Section 46);

ii. **Implementation and Transition** sets out how the GMCA would implement the Franchising Scheme, including how TfGM would evolve its existing operating model to manage franchise operations, how it would ensure strong programme management and governance, and how the GMCA would manage and monitor the benefits of franchising (Section 47);

iii. **Managing Transition and Mobilisation Risk** sets out key transition, operational continuity and mobilisation risks along with the GMCA's mitigation approach to each (Section 48); and

iv. **'Phase 2' Interventions** sets out the impact of the 'Phase 2' interventions, as defined in the Strategic Case and the Economic Case, upon the future operating model for franchising (Section 49).

v. **Conclusion** summarises the Management Case for the proposed franchise option and confirms the GMCA's ability to manage the transition to an operation of franchising. (Section 50)

46 The Future Operating Model for Bus Franchising

46.1 Introduction

46.1.1 This section sets out the plan for developing and implementing the future operating model for managing franchised operations and covers the following:

i. Requirement for a future operating model (Section 46.2);
ii. Future operating model capabilities (Section 46.3);
iii. Future operating model structure and people resources (Section 46.4);
iv. Future operating model processes (Section 46.5);
v. Future operating model systems (Section 46.6);
vi. Ongoing risk management during franchising (Section 46.6.3);
vii. Plan for consulting on the scheme (Section 46.8); and
viii. Network changes (Section 46.9).

46.2 Requirement for a Future Operating Model

46.2.1 An operating model is the operational design that enables an organisation to deliver its strategic objectives through the delivery of the necessary capabilities and the associated people, processes and systems.

46.2.2 Under a franchised model of bus service operation, the GMCA would need to assume new and considerably extended responsibilities, and would likely delegate some or the majority of those new responsibilities to TfGM, to achieve the Vision for Bus set out in the *Transport Strategy 2040* and ensure that the key benefits of franchising, as set out in the Strategic Case and the Economic Case, are realised.

46.2.3 Section 0 of the Commercial Case describes the GMCA's and operators' role in the existing deregulated market, described in terms of responsibilities and risks. This is significantly different to that in a franchised bus services market which is described in Sections 25.3 and 25.4 of the Commercial Case. Three of the core elements and how they would change under franchising are summarised below:

i. *Network control and contract management*: Under franchising GMCA would tender the whole network, compared to around 15% of the network currently.

ii. *Revenue risk*: Under franchising all contracts would be let on a gross cost basis with the GMCA taking full revenue risk, compared to the GMCA currently taking revenue risk only on school services.

iii. *Customer*: Under franchising the GMCA would be accountable for the customer journey experience across all franchised services with operator performance being managed by an operational and quality performance regime, whereas currently TfGM is the customer champion working to influence commercial operators performance on behalf of the GMCA and with a limited performance management role (on the subsidised tendered services only).

46.2.4 For the GMCA to successfully fulfil its obligations in managing a franchised model of bus service operation, it would need to substantially expand TfGM's capabilities and capacity.

46.2.5 Therefore, under franchising a future operating model would need to be developed to enable the delivery of the required capabilities and the associated people, processes and systems. Elements of the future operating model will already be in place or can be adapted from current arrangements. For example, TfGM has experience of letting franchise contracts in Metrolink and in managing the procurement and contract management of the supported network (those services that are not run commercially by the bus operators) on behalf of the GMCA. It would therefore be able to expand its capability to take account of new responsibilities. However other aspects do not currently exist (as there is currently no business requirement) and so would need to be established.

46.2.6 It is therefore recognised that, under franchising, while TfGM would have some of the core capabilities required, significant organisational change would be necessary to manage franchised operations on behalf of the GMCA, and that therefore there is a need to:

i. Build upon existing capabilities, people, processes and systems.
ii. Develop and implement new capabilities, people, processes and systems.
iii. Introduce and embed new capabilities, people, processes and systems.

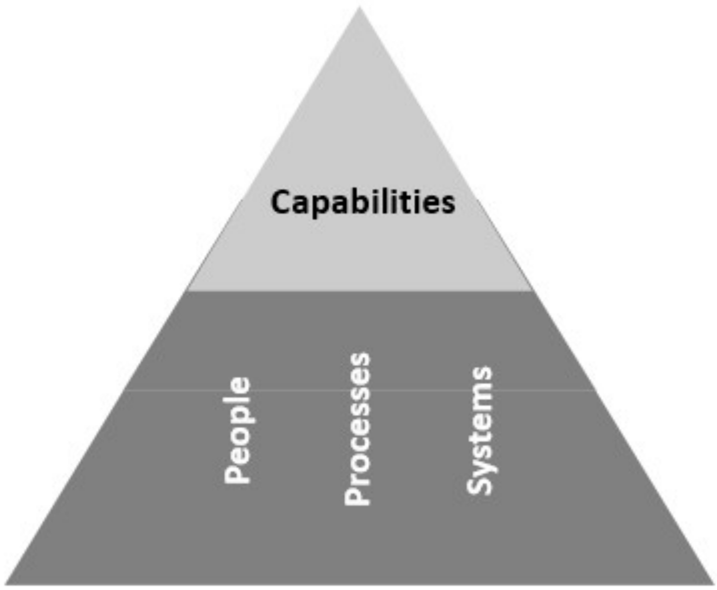
46.2.7 A number of new or significantly enhanced capabilities would be required to deliver the desired objectives, outputs and outcomes. These capabilities will drive the people (skills and resources), processes, systems and data which would form the future operating model.

46.2.8 The GMCA recognises that the above changes do not just affect TfGM's Bus Services Team but will impact across the whole organisation.

46.2.9 The operating model set out in this chapter is also designed to manage risks. This includes managing new risks transferred to the GMCA as a result of adopting franchising, over the long-term and building on the current capability within the organisation through a change programme to be able to manage the appropriate contracts. Robust risk management processes would be put in place (with oversight from the TfGM Portfolio Office Risk Management Team) to ensure that the sustainability of the franchised environment is not compromised, and also that risks are managed throughout the transition phase to successfully migrate from a deregulated environment to an established franchised network.

46.2.10 Figure 12 illustrates the key components of the future operating model. The capabilities required to deliver franchise operations would be determined and fulfilled through people, processes and systems. This and the following sections describe the required capabilities and the associated operating model (people, processes and systems) for franchised operations.

Figure 12: The Development of the Future Operating Model



46.2.11 The future operating model demonstrates how the GMCA would manage franchised bus service operations and the associated opportunities and risks. The detailed design and implementation of the future operating model would commence upon a mayoral decision, and key resources, processes and systems to manage franchising will be in place prior to the award of the first franchise contract.

46.2.12 Under a franchised operation, the GMCA would have to procure operators to operate a GM wide bus network and would be responsible for planning, designing and specifying the bus network as part of a cohesive transport system for the city region. Ensuring that the bus network is complementary to the wider transport network is a more complex task than that undertaken by the existing commercial operators, who design and manage their networks largely independently. Commercial considerations would form a key part of the GMCA's network development processes, however, the GMCA would also need to balance stakeholder priorities and the overall strategic objectives in developing the network.

46.3 Future Operating Model Capabilities

46.3.1 The GMCA would be required to build on existing capabilities, develop new capabilities and dramatically revise its operating model. The capabilities required to deliver bus franchising are categorised as either direct franchise management capabilities or supporting capabilities which would be provided by various functions, likely within TfGM.

46.3.2 The high-level capabilities required by the GMCA to manage a franchised model of bus service operations are shown in Table 55. These capabilities need to be considered in the context of the broader operational model. The GMCA and TfGM already have some of these capabilities, however they will undoubtedly require further development due to the increased complexity and risk associated with managing franchising.

Table 55: Capabilities for Bus Franchising

AREA	CAPABILITY The ability to:	Status
Strategy	Forecast future requirements. Influence rather than merely react to external change. Inform long-term interventions.	Existing
Commercial Development and Network Design	Develop commercial strategies and optimise network design to improve the customer experience while meeting commercial and economic objectives. Seek opportunities to drive new customer demand. Maximise overall value from the public transport network. Inform short- and medium-term interventions.	New
Procurement	Optimise value for money from developing and implementing the rolling bus franchise procurement process.	Existing
Contract Management and Service Performance	Manage the performance of the franchise bus operators in line with the defined operational and quality requirements defined in the Franchise Agreements.	Enhanced
Operations	Manage the day-to-day operation, including liaison with other modes (internal). Manage disruption and recovery to minimise the impact on the customer. Implement a regime of revenue protection.	Enhanced
Customer	Engage with customers, day-to-day interactions, and customer service improvements. Inform short and medium-term interventions. Collect and utilise insight to develop measures to enhance the customer experience.	Enhanced
Sales and Marketing	Use sales and marketing to help drive demand, in line with forecasts. Support wider commercial opportunities, including maximisation of advertising opportunities.	Enhanced
Assets, Infrastructure and Systems	Provide and manage assets, infrastructure and systems to deliver objectives and maximise value within the operational context.	Existing
Stakeholder	Manage the relationship and communications with all stakeholders in respect to bus.	Existing
Finance	Provide the appropriate level of financial control and statutory accounting. Account for the collection of revenues and make payments to the operators in line with the Franchise Agreement.	Enhanced
Risk and Assurance	Ensure that GMCA and TfGM risk is effectively managed.	Enhanced
HR	Develop workforce strategies for the wider Greater Manchester bus sector.	Enhanced
Strategic Investment	Consider opportunities for investment to drive demand, improve performance and optimise commercial and economic returns.	Existing
Innovation	Drive continuous improvement through innovation.	Enhanced

46.4 Future Operating Model Structure and People Resources

46.4.1 As detailed in the *Management Case Franchising Supporting Paper* (TfGM, 2019j), TfGM has developed an outline future operating model for bus franchising for the GMCA.

46.4.2 There are two key activity streams within the operating model:

i. *core activities:* those required to directly manage a franchised bus operation; and

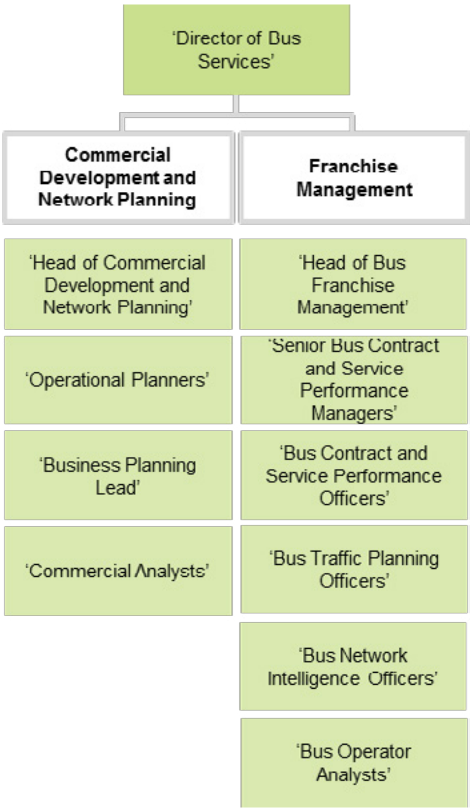
ii. *support activities:* those required to support bus franchising.

46.4.3 The team structure for each of the *core activities* and *support activities* has been developed through benchmarking with other public sector franchise authorities, seeking input from bus industry professionals and building upon TfGM's experience of managing Metrolink and the existing subsidised networks.

Core activities

46.4.4 The core activities would form part of the operations functional area. The GMCA activities required for the direct management of franchises include Commercial Development and Network Planning, and Franchise Management. This structure is summarised in Figure 13, with further details available in the *Management Case Franchising Supporting Paper* (TfGM, 2019j). The scale of the franchise managed operations requires a senior "Director of Bus Services" role with two core teams. The Commercial Development and Network planning team will be responsible for planning the network to meet strategic/ economic aspirations within the available funding constraints. The Franchise Management Team are responsible for ensuring that the franchise operator's operational performance complies with the contract specification.

Figure 13: Core Activities Team



46.4.5 The Franchise Management Team would contract manage the individual Franchise Contracts. This team would provide the link between the franchise operator and other TfGM functions, such as finance and legal.

46.4.6 The Franchise Management Team would manage performance risk. They would have day-to-day oversight of compliance by both parties (Franchise Operators and TfGM), supported through systems and processes to identify and manage any emerging issues which may ultimately impact on customer satisfaction and consequentially on demand, revenue and reputation.

46.4.7 The Franchise Management Team would fulfil a critical role in mitigating the GMCA and TfGM's risks and ensuring franchise commitments are delivered.

46.4.8 The Franchise Management Team would provide the interface between the Franchise Operator and the rest of the GMCA, TfGM and its stakeholders. Their oversight and management of bus franchises would be supported by effective contract management and detailed reports from the operator; the requirements for which will be set out in the Franchise Agreement documentation.

46.4.9 During the life of the Franchise Agreements, day-to-day operational decision-making would be undertaken by the Franchise Management Team, overseen by the '*Head of Bus Franchise Management*'. The Franchise Management Team would administer the Franchise Agreements, ensuring that both parties comply with their contractual obligations, liaising directly with the operators and other functional areas within TfGM as and when required.

46.4.10 From time to time, it would be necessary to execute variations, waivers and other amendments to the Franchise Agreements. These mechanisms may result in changes to the franchise cost and deliverables, and therefore the scale and timing of expected benefits. These decisions, depending upon the scale of change may require additional oversight to consider the overall impact to the GMCA's strategic objectives, and would be considered by TfGM's Senior Leadership Team.

46.4.11 Key objectives and activities of the Franchise Management Team would include:

i. ensuring Franchise Operators operate services according to contractual requirements;

ii. ensuring TfGM (on behalf of the GMCA) complies with its obligations as party to the Franchise Agreements;

iii. quickly identifying any areas of concern or deterioration in performance through the use of leading indicators, and taking appropriate remedial action before they become significant for the franchise, TfGM, the GMCA or the customer;

iv. working collaboratively with the Franchise Operators to drive continuous improvement and innovation;

v. monitoring and managing contract variations;

vi. holding regular performance review meetings with the Franchise Operators to review performance statistics, identifying areas for improvement and agreeing actions to deliver improvement;

vii. monitoring the financial and operational performance of the Franchise Operators under the Franchise Agreement KPIs;

viii. planning future franchise services, routes and fleet requirements, and managing their implementation. This is a key interface area with the Commercial Development and Network Planning Team; and

ix. this team would provide the link between the Franchise Operator and other TfGM functions, such as Finance.

46.4.12 Under franchising the GMCA become responsible for the planning and specifying of the whole GM bus network. Under a franchising scenario TfGM would directly control (on behalf of the GMCA) two of the three main public transport modes, bus and tram. This allows the GMCA to develop a much more integrated approach to network planning.

46.4.13 The key objectives and activities of the Commercial Development and Network Planning Team would include:

i. producing high-level integrated network designs;

ii. producing detailed design and specifications of services;

iii. defining service performance requirements;

iv. seeking opportunities to enhance customer and GMCA benefits (including through the use of customer insight surveys / focus groups etc.);

v. working closely with TfGM Transport Strategy to exploit potential longer-term network opportunities;

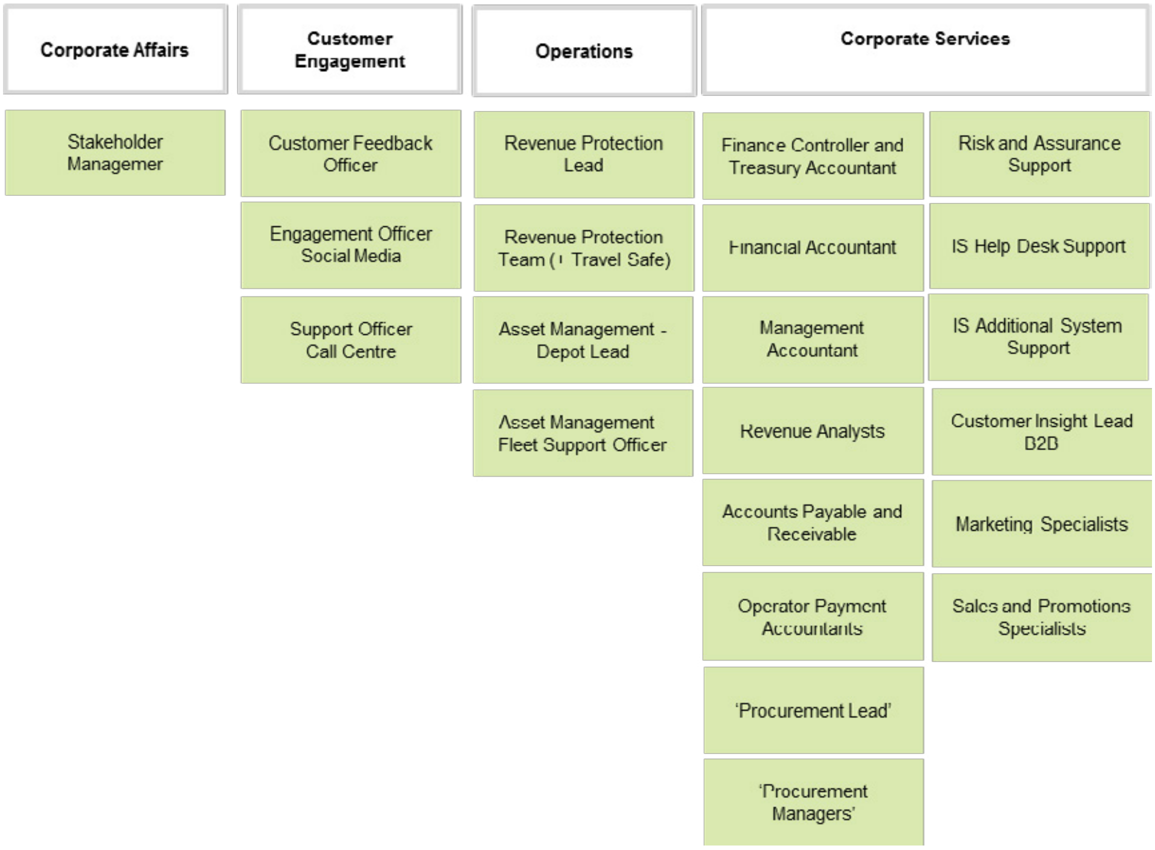
vi. working with Procurement to evaluate tender responses against the specification; and

vii. supporting Sales and Marketing to exploit commercial opportunities (including potential joint marketing approaches with Metrolink and Active Travel).

Support activities

46.4.14 The supporting activities would be performed by existing functions within TfGM but with new or enhanced capabilities. The activities include operational management, asset management and strategy, stakeholder management, customer, finance, legal, risk and assurance, IT support, procurement and sales and marketing. This structure is shown in Figure 14, with further details available in the *Management Case Franchising Supporting Paper* (TfGM, 2019j). Figure 14 only shows where additional or new resource is required. Departments in the existing organisation which require no additional resource but do require capability change are not shown in Figure 14 but will form part of the change management activity discussed in Section 47.

Figure 14: Supporting Activities by Functional Area



46.4.15 The following requirements of bus franchising would need to be undertaken by supporting activities or with their significant input:

- Corporate Affairs – ongoing stakeholder engagement including consultation;

- Customer – Customer engagement and contact and lost property
- Procurement – procurement of franchise contracts;
- Operations – liaison with other modes, revenue protection; asset management.
- Finance – invoicing processes, payment to franchisees, budgeting and forecasting of revenues; and
- Commercial Services – sales and marketing
- IS – franchise data receipt and storage and systems support

46.4.16 In addition, all requirements associated with the new General Data Protection Regulations (including any requirements for Data Protection Impact Assessments) will be delivered by the supporting activities, with support from the Core Activities team and the GDPR Manager.

46.4.17 Analysis indicates a total additional head count of 102 people would be required to manage bus franchising. However, 20 of the existing roles within TfGM would change significantly and/ or would over time no longer be required and 25 roles within the existing Bus Operators would likely TUPE to TfGM. The net increase in head count in GM bus operations (TfGM and Operators) is therefore (102-20-25) 57. Table 56 summarises the incremental headcount from 2023 (after the roll out of the franchises). Supporting information is detailed in the *Management Case Franchising Supporting Paper* (TfGM, 2019j) the costs are discussed in Table 46 Transition and Incremental Costs in the Financial Case.

Table 56: Ongoing Operation Resource and Headcount (2023 onwards)

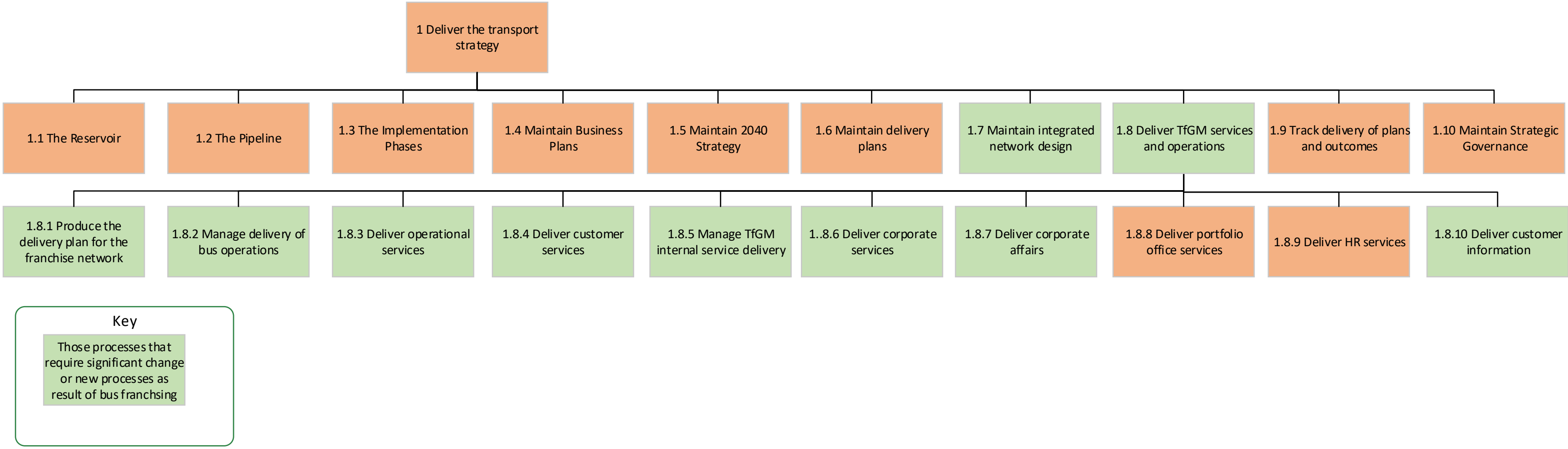
ONGOING ANNUAL OPERATING COST FOR BUS FRANCHISING	INCREMENTAL HEADCOUNT
Core Franchising activities additional headcount	**29**
Total supporting activities headcount	**73**
Total Headcount	**102**
Roles within existing organisation	(20)
Roles which TUPE from operators	(25)
Net Incremental Head Count	**57**

46.5 Future Operating Model Processes

46.5.1 The high level processes required to support a franchise operation were derived from the capabilities identified in Table 55. Following the identification of the required processes, these were developed in conjunction with internal stakeholders and external advisors with experience of managing bus operations.

46.5.2 Detailed in Figure 15 below is the bus franchising high level process hierarchy. Those processes highlighted in green are the ones which will require significant change or new processes as a result of franchising. A combination of the process hierarchy and the capabilities have been used to inform the scope of the people resource requirements discussed in Section 46.4 Operating model structure and people resources and Future Operating Model Systems in Section 46.6 IS Systems End State.

Figure 15: Bus Reform High Level Process Hierarchy



46.6 Future Operating Model Systems

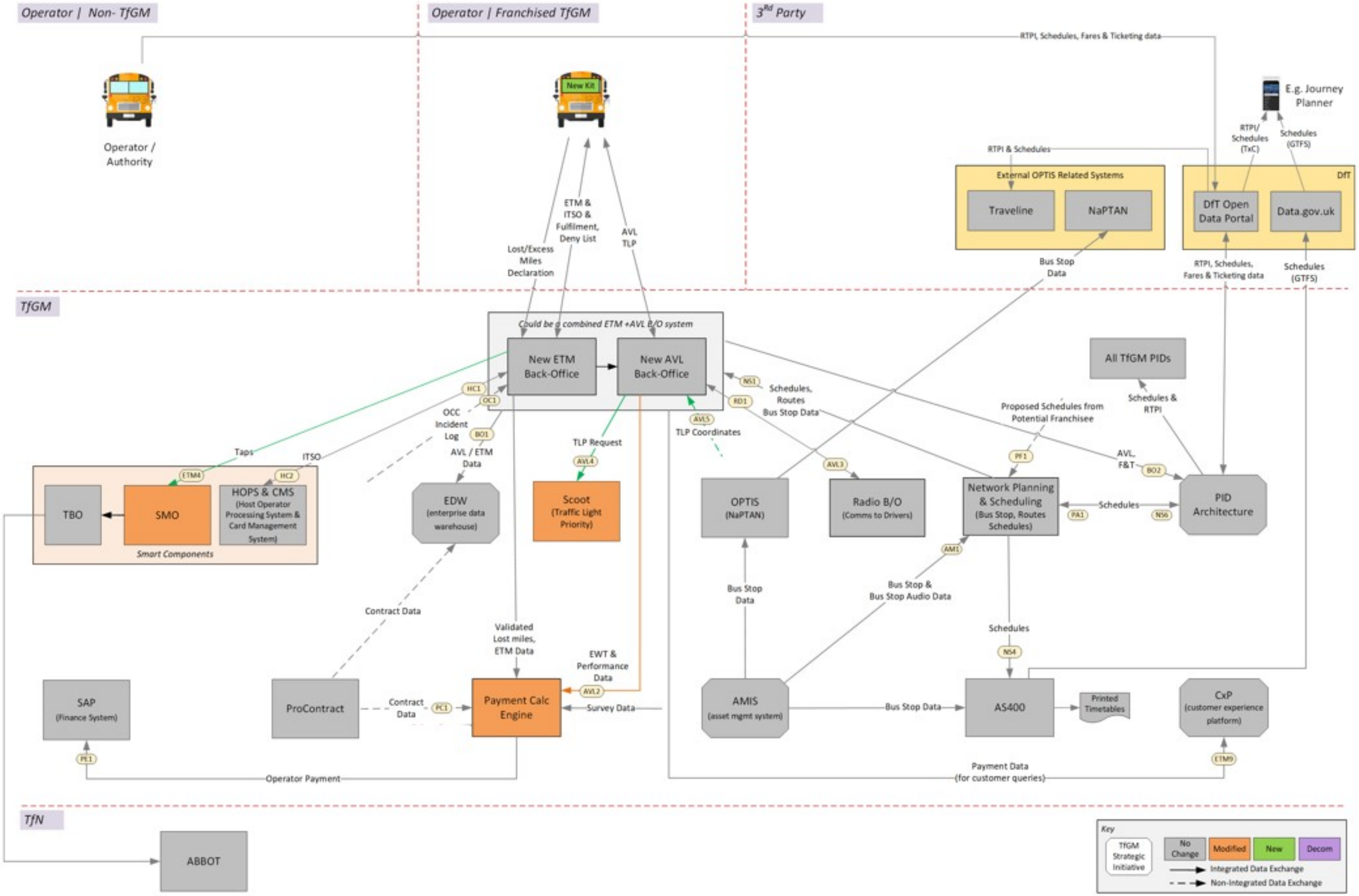
46.6.1 The key system capability requirements to support the management of bus franchising are summarised below in Table 57, further detail is provided in the *Management Case Franchising Supporting Paper* (TfGM, 2019j).

Table 57: TfGM System Capabilities for Bus Franchising Summary

CAPABILITY	ACTIVITY
Operational planning	– Undertake a multimodal approach to plan the bus network – Produce route specifications and outline timetables in a format that can be exchanged with operators – Validate operator timetable and schedule submission – Undertake service timetable conflict management on the network infrastructure – Propose minor variations and undertake edits as required – Use electronic data to load onto other TfGM systems requiring timetable data for downstream processes for contract management and the provision of travel information
Procurement	– Manage the franchise procurement process – Manage the bid evaluation process and outputs – Manage the procurement and contract documentation
Online retail platforms to sell Smart tickets	– Retail bus products through existing TfGM channels – Retail bus products through digital channels – Fulfil and validate bus products for travel on agreed services – Deliver products through partners – Track revenue receipts for bus products – Offer a variety of payment mechanisms
Franchise management	– Support the management of the contract in line with the contract specification including: – Management of the contract documentation, operation of the contract governance regime and monitoring the delivery of the contract against the specification – Service delivery monitoring including contract compliance and collection and analysis of data on mileage operated, patronage and product usage – Compliance with the contract plan and the business plan for the franchise, which would include monitoring of demand and revenue and the contract key performance indicators
Customer contact	– Support additional contact as TfGM takes on accountability for all bus and Metrolink customer journeys – Manage lost property customer contact (supported by operators for property retrieval) – Manage the customer experience
Performance management	– Monitor the operator performance against the agreed service performance regime – Monitor punctuality and reliability of services and other factors such as customer satisfaction, vehicle compliance – Respond to issues outside of the operator's control, where a relaxation in the performance regime might apply – Produce performance statistics and dashboards
Asset management	– Hold and maintain records of all physical assets – Manage asset maintenance, renewal and disposal functions in line with the TfGM asset management strategy (as approved by GMCA) – Maintain the network database and infrastructure for operating bus services in Greater Manchester
Business intelligence	– Utilise data from multiple sources to assess the performance of franchises and to support the identification of route and service improvements – Highlight the area where road network performance may be impacting bus punctuality and reliability – Produce business intelligence to inform decision-making – Provide data to support benefits realisation – Provide data to inform network modelling and operational planning – Provide data for KPIs and performance dashboards for key users and stakeholders – Provide data to support investment decisions
Finance management	– Provide the management and financial accounting activities to support bus franchising – Calculate operator payments in line with operator performance against the contract – Manage account adjustments and disputed payments – Manage the treasury function for bus – Reconcile retail/sales data with revenue collections – Provide demand and revenue modelling – Support budget management – Undertake revenue apportionment and allocation to bus franchises at a granular level

46.6.2 Figure 16 Franchised Architecture show the systems architecture and demonstrate the scale of change to implement franchising. The proposed architecture has been used to support in the development of the systems costs.

Figure 16: Franchised Architecture



46.6.3 The approach adopted in developing the cost and implementation plan for the required systems has considered, in order of preference for ease of implementation and to minimise cost:

i. Reuse – reuse existing systems;
ii. Modify – reuse existing systems with modifications;
iii. New – replace an existing system with a new system to meet bus reforms requirements where appropriate this should be a COTS (Commercial off the Shelf) with minimum or no modifications; and
iv. Bespoke New Build – where no existing systems exist.

46.6.4 The forecast costs for the systems are £14.3 million (excluding contingency) (see Table 46 in the Financial Case), which comprises £4.5 million for systems investment and £9.8 million for development and delivery. It is recognised that not all the systems implementation will have been completed for the commencement of operation for the first tranche of franchising. Interim solutions will be implemented until the full system roll out has been achieved.

46.7 Ongoing Risk Management During Franchising

46.7.1 This section sets the arrangements that TfGM would put in place to manage and mitigate risks in relation to franchising.

Key risks

46.7.2 Section 32 of the Commercial Case summarised key commercial risks, their impact and key mitigation and management. These risks include the following:

i. Residual Value Risk (fleet) - risk that part of the fleet is no longer required.
ii. the GMCA is challenged over the approach and implementation of procurement.
iii. insufficient bidders attracted to bid for franchises.

46.7.3 In addition, the following section sets out how demand and revenue risk would be managed.

Demand and revenue risk

46.7.4 Under franchising the GMCA would take on revenue risk associated with the running of the bus services. Broadly, there are two main types of risks being faced in relation to revenue:

i. 'Influence-able' or endogenous type risks that the GMCA could reasonably control and mitigate (such as poorly executed network design); and

ii. exogenous type risks such as adverse changes in population growth.

46.7.5 The GMCA has specific mitigations in place to manage the influence-able type - these are outlined in Appendix A: Risk registers for Franchising, Partnership and Do Minimum (refer to the risks with 'yes' noted in the column titled 'revenue impact'). Although exogenous type factors such as population growth or levels of employment cannot be managed by the GMCA, strategic decisions would need to be taken under franchising to manage these risks and their impact.

46.7.6 While the GMCA has limited ability to mitigate the impact of external factors on demand and supply, they will be monitored by Transport Strategy and modelled by the Bus Franchising Commercial Development and Network Planning team. This information will assist the GMCA in making any in-life contract variations or changes to the specification for the next procurement.

Policy

46.7.7 TfGM's Risk Management Policy and Strategy describes TfGM's approach to minimising threats and maximising opportunities through identifying, analysing and managing risks. The strategy sets out best practice, principally based on guidance and standards in the *International Standard in Risk Management – ISO: 31000* (International Organisation for Standardisation, 2018), *The Orange Book: Management of Risk* and *Management of Risk: Guidance for Practitioners* issued by HM Treasury (HM Treasury, 2013).

Principles

46.7.8 The core principles of this corporate policy are:

i. *Transparency*: TfGM and the GMCA will be open in its approach to managing risks. TfGM will consult regularly with the GMCA its stakeholders. It will be accountable to external review and respond to suggested improvements;

ii. *Co-ordination*: TfGM will be consistent in its assessment and management of risks. Across the organisation, risks that are cross-cutting in nature will be identified and risk owners empowered to manage them. TfGM will collaborate with the GMCA, delivery partners and contractors to share best practice and learn;

iii. *Publicly credible*: TfGM will seek to gain public trust in its areas of responsibility by following and communicating a precautionary approach; and

iv. *Effectiveness*: TfGM will adopt a robust approach to risk management that can stand audit scrutiny, build on best practice and protect the interests of GMCA and TfGM stakeholders. It will be accountable to internal and external review and responsive to suggested improvements.

Organisational approach

46.7.9 The organisational approach to risk is designed to ensure risk is effectively managed across all levels of the organisation. Risks are identified and information captured in the appropriate register.

46.7.10 Figure 17 outlines the levels and illustrates the risk flows between the respective registers.

Figure 17: TfGM Risk Management Strategy

46.7.11 TfGM's approach enables both a top down and bottom-up view and focuses on mitigating risks to the achievement of objectives. Risks can be escalated upwards from project to programme registers, to functional registers and to the TfGM strategic risk register. The focus is to manage potential Business Plan Commitments (BPC), such as bus reform, that in turn seek to achieve TfGM's seven strategic objectives.

Implementation of approach

46.7.12 In line with TfGM's Risk Management Policy and Strategy, the risks associated with franchising are identified on a risk register (the risk register is split into sub-sections for the Do Minimum Option, franchising and partnership options). The risk registers are contained in Appendix A: Risk registers for franchising, partnership and Do Minimum.

46.7.13 The main method for identification of risks during the preparation of the Assessment has been through workshops held with stakeholders to capture input and themes from all areas of the organisation. For each risk, its impact and corresponding mitigations were identified, with these being monitored and updated over time to manage and reduce the likelihood and/or impact of each risk. All risks were assigned a risk owner who regularly updated the risks and led on the developing the detailed mitigations and quantification of the impact value. The risk register was then reviewed regularly during the production of the Assessment through a series of further workshops, which has allowed development, review and challenge of the register.

46.7.14 In the event of a mayoral decision to proceed with the option of franchising, the franchising risk register would become a live document as a 'Programme Risk Register' to support what would be a significant business change activity.

46.8 Plan for Consulting on the Scheme

46.8.1 Paragraph 1.90 of the Guidance says that any consultation document should include "a description of the authority's or authorities' plans for ongoing engagement throughout the life of the Franchising Scheme to seek views on how well the scheme is working".

46.8.2 The outputs from the performance regime and additional survey activity would provide a range of data on performance and user experience. Whilst this would therefore provide an ongoing mechanism that could support any assessment of how well the scheme is working, it is proposed that this is supplemented with a consolidated, wider reaching consultation exercise which would satisfy the requirement of section 123A(9) of the 2000 Act.

46.8.3 It is proposed that the timing of this consultation would take place after all the first franchised contracts have expired, and then at such other times throughout the life of the Franchising Scheme as the GMCA may require. TfGM believes that it would be reasonable for the GMCA to begin consulting such organisations after all the franchise contracts that where entered into by the GMCA during transition had expired, as opposed to during that transition process, because the Franchising Scheme will effectively only be working as a steady state model when all of these contracts have expired. The current proposals assume that few changes will be made to the network upon any implementation of the proposed scheme so the views of the public would be unlikely to assist the GMCA in helping it to transition from a deregulated market to the proposed Franchising Scheme.

46.8.4 This would allow the GMCA to obtain views on how well the scheme was working after transition so that any changes and improvements can be made in the steady state and beyond. This also means that any changes and improvements can be made to the area as a whole, as opposed to any proposed sub-area that will assist the GMCA only during transition. After this, the GMCA would consult throughout the life of the Franchising Scheme in an attempt to inform an ongoing level of continuous improvement, and it is important that the GMCA retains flexibility in being able to consult representatives as and when it sees fit.

46.8.5 It should also be noted that the above does not prevent the GMCA from actively engaging users and obtaining feedback on how the scheme was working during transition, if it did see fit, to ensure changes or improvements could be made to before any outstanding sub-areas became operational. This however is not proposed to require a formal consultation as required and set out above.

46.8.6 In terms of how long such consultation would last for, it is anticipated that this would be run as a more structured consultation, running for a period of up to 12 weeks. This would depend on the focus and timing of the consultation and would be considered alongside the relevant Cabinet Office Consultation Principles at the time. This is in addition to the ongoing mechanisms available for users (and non-users) to engage with the GMCA and provide feedback.

46.8.7 The GMCA are required by the 2000 Act to consult user organisations (the requirement in section 123A being more specific than that in section 123F). However, organisations "representative of users of local services" in Greater Manchester are few in number and may not be necessarily resourced to 'represent' the diverse views of very significant numbers of people. In addition to this, new representative groups may be formed in the future. The elected members have a significant role in this process to represent the views and protect the interests of passengers. With all these considerations in mind, the GMCA would not be able to specify in its scheme which exact organisations it plans on consulting. Instead the GMCA will specify that it will consult such organisations that it considers to represent users of local services. This gives the GMCA some level of flexibility in being able to consider views from a wider audience, whilst also allowing such organisations to be formed in the future. This is also consistent with section 123A(9) itself which allows an authority to engage with such groups *"as they think fit"*, therefore showing how this type of consultation needs to be flexible to allow it to be meaningful.

46.8.8 Although there is no legal requirement to go further, there may be benefits in seeking the views of a wider range of stakeholders, so where appropriate the GMCA may consider extending the consultation to include passengers, bus operators and trade unions, local authorities, business, elected representatives, the traffic commissioner, the police, the Competition and Markets Authority, and representatives of disabled people (e.g. TfGM Disability Design Reference Group) or those with protected characteristics.

46.8.9 Consulting on how well the Franchising Scheme is working would result in a consultation document being produced. The consultation document would report on how the scheme is working, in the opinion of representatives of bus users. This will include objective measures, such as patronage and punctuality figures, as well as measures of opinion, such as passenger satisfaction.

46.8.10 This information would be collated using the Performance Regime and additional survey activity outputs and supplemented with a set of questions which may focus on, but not be limited to:

- the bus network;
- the punctuality and reliability of services;
- vehicle emissions;
- fares and ticketing;
- passenger information;
- the quality of the fleet;
- the safety and cleanliness of services;
- the service provided by drivers;
- integration with other modes;
- the state of the bus market in Greater Manchester; and
- the cost and affordability of the scheme

46.8.11 The consultation document and response form would be available on the GMCA and TfGM websites and also at all of the ten Greater Manchester Local Authorities websites. The GMCA would ensure the consultation is accessible to all, for example by providing information in a wide range of formats. The GMCA would ensure people know where to go if they want more information and would meet with key stakeholders on request. The GMCA may discuss with bus passenger representatives ways in which this approach could be augmented with a limited number of well-targeted public events and focus groups. The GMCA also may engage with external third parties to provide support with analysing the results and to provide a level of quality assurance.

46.8.12 The GMCA would analyse all responses (potentially with external support as outlined above) and publish a report summarising the findings. The GMCA would consider all feedback in determining any changes the GMCA need to introduce to the impending round of franchise procurements; setting out what the GMCA have decided to do and why as a result of the formal consultation process.

46.9 Network Changes

46.9.1 This section summarises how the GMCA could make changes to the network after and should any decision be made to proceed with franchising. Under the proposed scheme, TfGM has proposed the services which the GMCA would franchise. This means a list of routes has been provided in the proposed Franchising Scheme, which can be found in Annex 1 and Annex 2 of *The Greater Manchester Franchising Scheme for Buses* (TfGM, 2019n).

46.9.2 Section 123M of the 2000 Act sets out the process that the GMCA must follow if it wanted to vary its Franchising Scheme. This includes publishing a notice of its intended variation and specifying when the changes will take effect (that must be not less than 6 months after notice of the decision is published). The other requirements depend on what is being changed, as set out between subsections 123M(8) and (9). The latter sub-section is not likely to apply as the GMCA would not be adding any areas to its proposed scheme because it is already intended to apply to the entirety of Greater Manchester.

46.9.3 Subsection 123M(8) requires any variation to be subject to a consultation as prescribed by section 123E of the 2000 Act. This means that if the GMCA wanted to add new services to its scheme which were not captured within the list of routes at Annex 1 of the proposed scheme or the list of schools identified in Annex 2 of the proposed scheme, then it would need to follow this process before introducing those new services. The length of that consultation would depend on what was being changed and any variations to the scheme may also mean the GMCA would have to make some changes to the franchise contracts, for example to make sure that extended routes are captured by an existing franchise contract.

46.9.4 In contrast to the above, there are changes that the GMCA could make without formally varying the proposed scheme. For example, if it wanted to add new services which would operate on the routes identified, for example if it wanted to add a night or express service, then it could make contractual changes within the franchise agreement to change how the services operated and what measures of performance operators had to comply with. In addition to this, the GMCA could make minor changes to the franchised services without those changes constituting a formal variation to the scheme. For example, the GMCA could decide to change at what time a particular service operates, or the specific stopping points. Information on network changes under a partnership is contained in Section 13.3.3 of the Economic Case.

47 Implementation and Transition

47.1 Introduction

47.1.1 Section 46 described the future operating model to manage franchising and the associated risks and opportunities. This section focuses upon the implementation and transition. This sections details the management of change within the GMCA, which will mainly be within TfGM on the assumption that it is TfGM who would be managing the implementation and transition of any Franchising Scheme, as the bus market moves from a deregulated to franchised bus operation. This transition takes place over circa four years and this section describes how the GMCA will manage this period to minimise risk and impact upon bus customers. This section covers:

i. The Implementation Plan – this section sets out the programme of activity required to implement franchising, including the mobilisation of the transition team, the procurement and implementation of new systems capability, the establishing the future operating model and the mobilisation of franchises (Section 47.2);
ii. Organisational Change - this section sets out how TfGM will evolve its existing operating model to manage franchised operations (Section 47.3);
iii. Programme Management and Governance - this section sets out the establishment of governance arrangements that would be applied under franchising. (Section 47.4); and
iv. Benefits Management – this section set out how the GMCA would manage and monitor the benefits of franchising management (Section 47.5).

47.2 The Implementation Plan

47.2.1 The high level programme through to the completion of the mobilisation of the first round of franchises is shown in Figure 18. This shows a plan from TfGM's perspective, on the assumption that it will be TfGM who will be instructed on behalf of the GMCA to manage the implementation of the Franchising Scheme. The base line start date in Figure 18 is aligned to an assumed Mayoral decision on bus reform of the end of 2019 / early 2020, which has been set purely for illustrative purposes and is not predeterminative of when any such decision may take place. The planned implementation approach proposes for the roll out of franchising in three tranches. This approach allows:

i. a phased implementation of the future operating model;

ii. the gathering of learning from the previous tranche mobilisation helping to mitigate risk; and

iii. an increased likelihood of successful implementation.

47.2.2 The key elements of the programme included in the plan at Figure 18 are:

i. the procurement and mobilisation of small and large franchises which would commence following a mayoral decision to franchise. The procurement process for both small and large franchises which is set out in detail in the Commercial Case;

ii. the detailed design and implementation of the franchise operating model (people) resources; and

iii. the detailed design and implementation of the systems to support the management of franchising.

47.2.3 The implementation plan shows the roll out of the three franchise tranches with the first procurement commencing in Q4 19/20. The three franchise tranches mobilise in Q3 21/22, Q3 22/23 and Q1 23/24. As set out above, these dates are only included for illustrative purposes and it is assumed that they will be moved back depending on if and when any mayoral decision is taken.

47.2.4 The change implementation plan for people and systems is planned for between 2020 and 2023. The plan sets out the key implementation milestones, including:

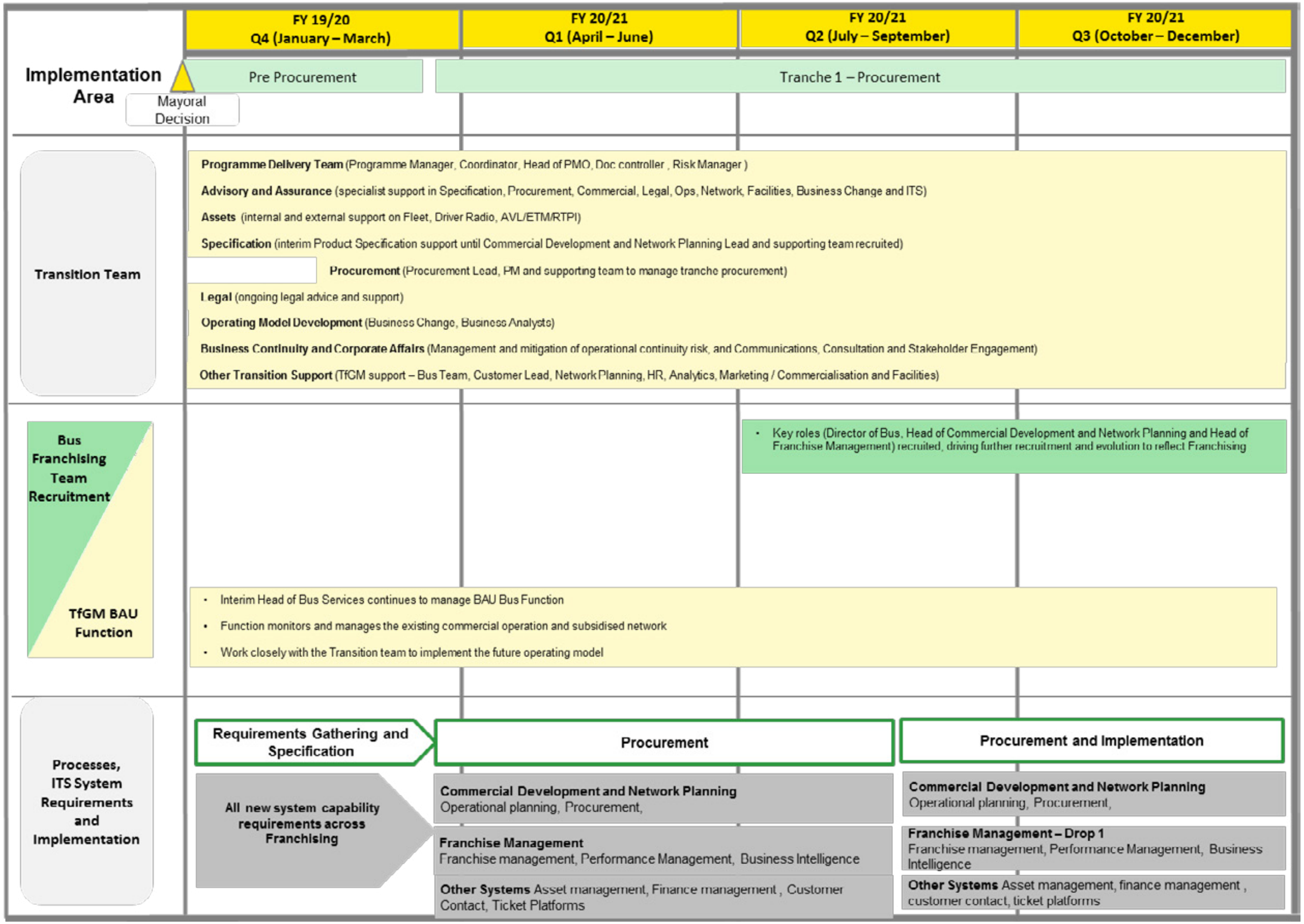
i. the high-level programme for the implementation of the bus franchising key systems projects;

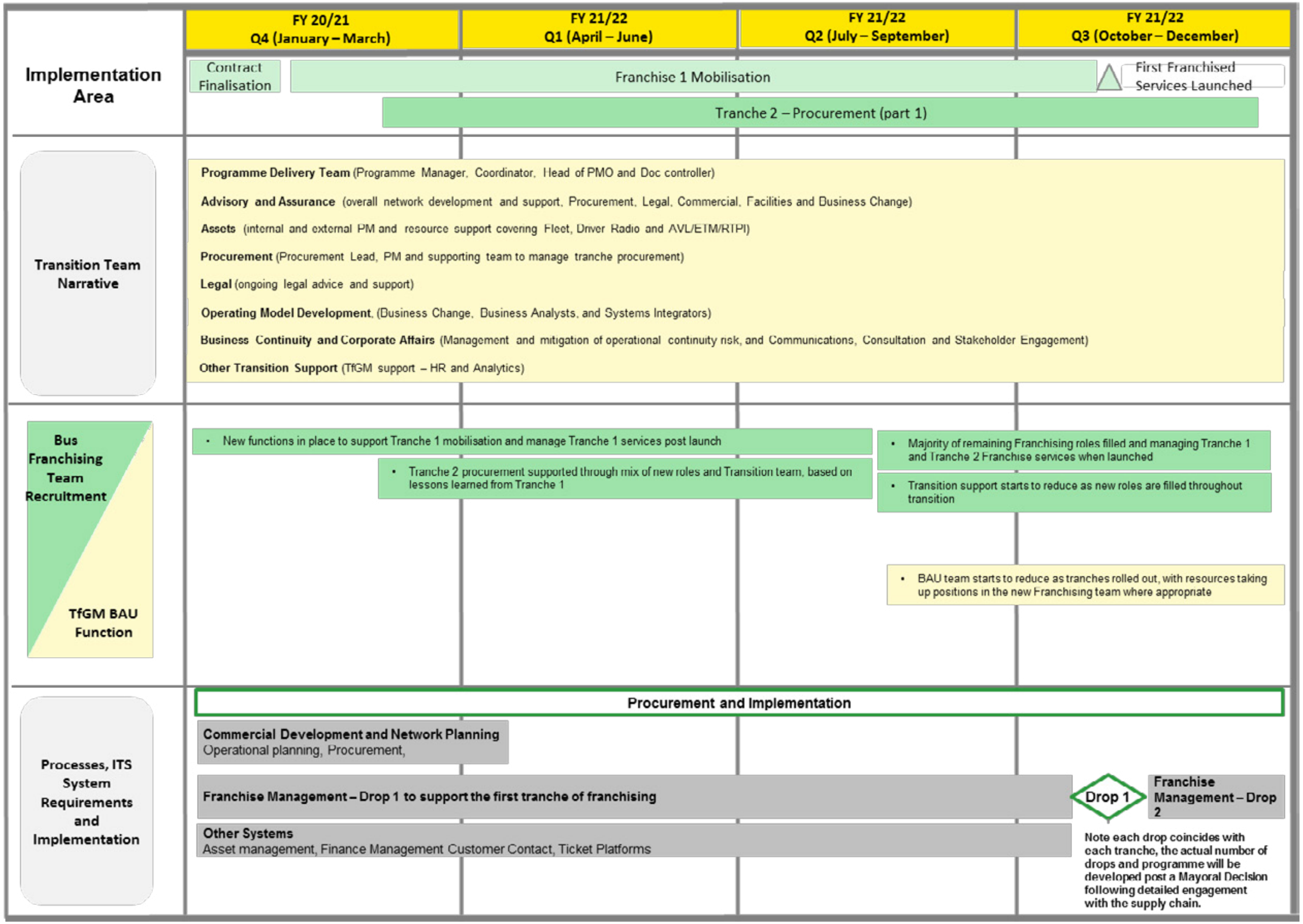
ii. the implementation of the bus franchising people resources and the subsequent reduction in existing BAU activities with the roll out of the franchised network; and

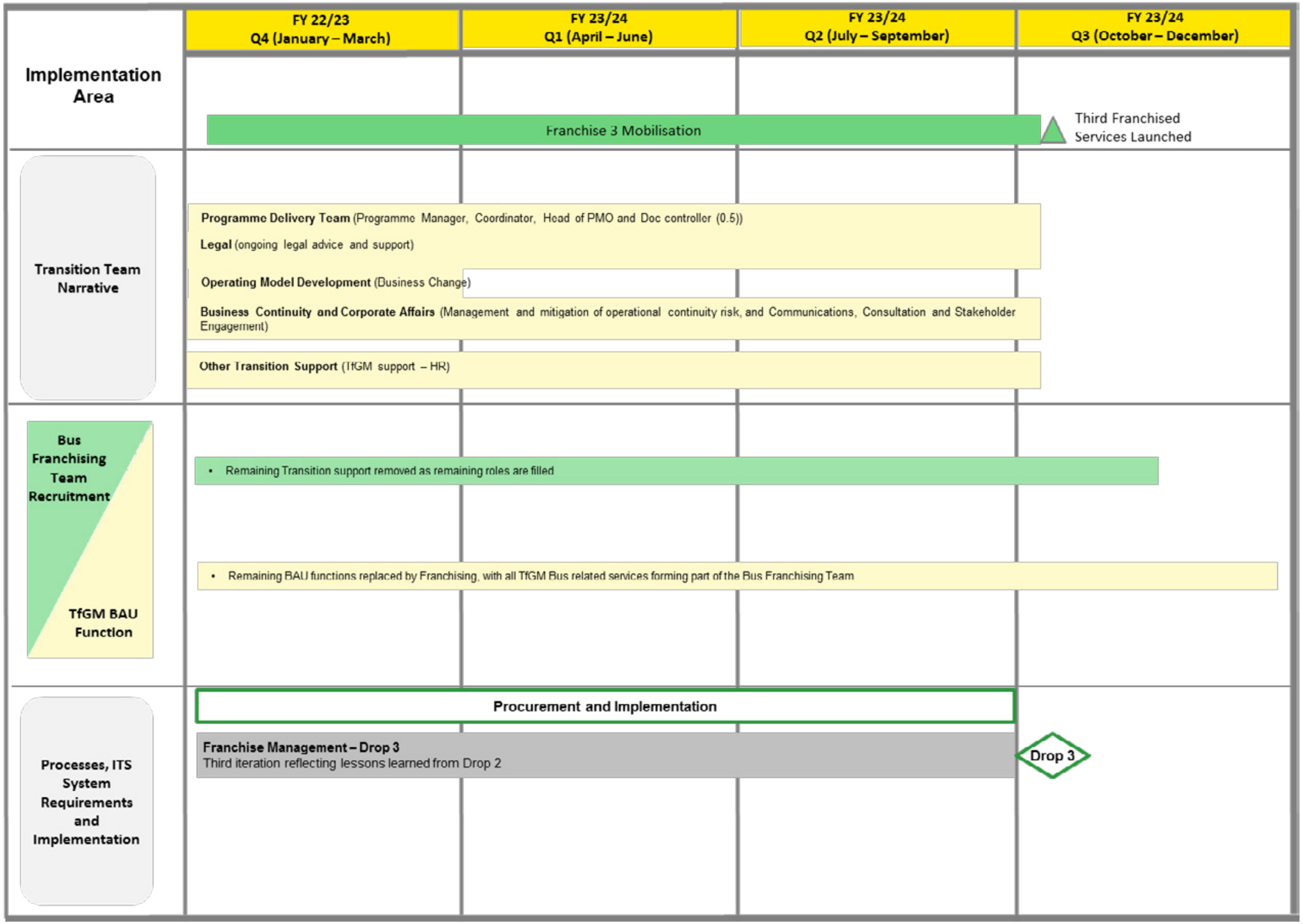
iii. the existing BAU function will continue to manage the subsidised network and monitor the existing commercial network, in particular for early warning signs of marginal service reduction or large scale cessation of services by one of more of the existing operators. This role is critical during transition, but will reduce towards the end of the transition period as the network transition to franchising.

47.2.5 Figure 18 below presents the high level implementation plan. This sets out a phased rollout plan for the future operating model that would be required in the event of a mayoral decision to implement franchising. The plan has been developed to manage key risks in respect of deliverability and customer offering, and does so in line with the procurement programme and franchise operations commencement dates presented in Section 27.3 of the Commercial Case. A transition team would deliver the implementation plan alongside a permanent team as described in Section 46.4.

Figure 18: TfGM Bus Franchising – High-Level Implementation Plan




Implementation Area
FY 20/21 Q4 (January – March)
FY 21/22 Q1 (April – June)
FY 21/22 Q2 (July – September)
FY 21/22 Q3 (October – December)
Contract Finalisation
Franchise 1 Mobilisation
First Franchised Services Launched
Tranche 2 – Procurement (part 1)
Transition Team Narrative
Programme Delivery Team (Programme Manager, Coordinator, Head of PMO and Doc controller)
Advisory and Assurance (overall network development and support, Procurement, Legal, Commercial, Facilities and Business Change)
Assets (internal and external PM and resource support covering Fleet, Driver Radio and AVL/ETM/RTPI)
Procurement (Procurement Lead, PM and supporting team to manage tranche procurement)
Legal (ongoing legal advice and support)
Operating Model Development, (Business Change, Business Analysts, and Systems Integrators)
Business Continuity and Corporate Affairs (Management and mitigation of operational continuity risk, and Communications, Consultation and Stakeholder Engagement)
Other Transition Support (TfGM support – HR and Analytics)
Bus Franchising Team Recruitment
TfGM BAU Function
New functions in place to support Tranche 1 mobilisation and manage Tranche 1 services post launch
Tranche 2 procurement supported through mix of new roles and Transition team, based on lessons learned from Tranche 1
Majority of remaining Franchising roles filled and managing Tranche 1 and Tranche 2 Franchise services when launched
Transition support starts to reduce as new roles are filled throughout transition
BAU team starts to reduce as tranches rolled out, with resources taking up positions in the new Franchising team where appropriate
Processes, ITS System Requirements and Implementation
Procurement and Implementation
Commercial Development and Network Planning
Operational planning, Procurement,
Franchise Management – Drop 1 to support the first tranche of franchising
Drop 1
Franchise Management – Drop 2
Other Systems
Asset management, Finance Management Customer Contact, Ticket Platforms
Note each drop coincides with each tranche, the actual number of drops and programme will be developed post a Mayoral Decision following detailed engagement with the supply chain.


Implementation Area
FY 22/23 Q4 (January – March)
FY 23/24 Q1 (April – June)
FY 23/24 Q2 (July – September)
FY 23/24 Q3 (October – December)
Franchise 3 Mobilisation
Third Franchised Services Launched
Transition Team Narrative
Programme Delivery Team (Programme Manager, Coordinator, Head of PMO and Doc controller (0.5))
Legal (ongoing legal advice and support)
Operating Model Development (Business Change)
Business Continuity and Corporate Affairs (Management and mitigation of operational continuity risk, and Communications, Consultation and Stakeholder Engagement)
Other Transition Support (TfGM support – HR)
Bus Franchising Team Recruitment
TfGM BAU Function
Remaining Transition support removed as remaining roles are filled
Remaining BAU functions replaced by Franchising, with all TfGM Bus related services forming part of the Bus Franchising Team
Processes, ITS System Requirements and Implementation
Procurement and Implementation
Franchise Management – Drop 3
Third iteration reflecting lessons learned from Drop 2
Drop 3

47.3 Organisational Change

47.3.1 This section describes the organisational change required across TfGM to integrate bus franchising with the wider organisation. Upon the mayoral decision, it is assumed that the GMCA would instruct TfGM to undertake the detailed design, development and implementation of the future operating model.

47.3.2 This section covers:

i. People Capabilities and Change Management – this describes the implementation of the new organisation with the associated change management activities;

ii. Systems Implementation – this describes the approach to system implementation;

iii. Transition Resource (2020-23) – this describes the transition resource required to manage the transition to a franchised operating model;

iv. Franchise Mobilisation process – this describes the approach and plan to mobilisation the franchises; and

People capabilities and change management

47.3.3 The implementation of the people capability for bus franchising (i.e. the required skills and behaviours to manage franchising see Table 55) across core and supporting franchise management activities would be phased and increased to align with the roll-out of each franchise tranche. TfGM would require consultants and contractors to support the development of the future operating model after the mayoral decision. However these roles within the Transition Team would be replaced with permanent positions as soon as is practical. This approach reduces the cost of implementation and enables the embedding of long-term organisational change. All recruitment activity would be undertaken in compliance with TfGM's human resources policies.

47.3.4 The resource requirements for the ongoing management of bus franchising are outlined in the *Management Case Franchising Supporting Paper* (TfGM, 2019j). The key first appointments would be the future '*Director of Bus Services*', '*Head of Franchise Management*' and '*Head of Commercial Development and Network Planning*'. The '*Head of Franchise Management*' and the '*Head of Commercial Development*' would report to the future '*Director of Bus Services*'.

47.3.5 The growth of the core team and the support activities will take place over a short period of time (three and a half years). TfGM will need to swiftly integrate these new activities and roles into the evolving organisation, which will create both change management risk and opportunities. The level of organisational change with franchising is significant and TfGM will adopt a best practice change management framework to support the process. A number of individuals in TfGM will be trained in the approach to ensure the successful implementation of the required organisational change.

47.3.6 To ensure TfGM has the required capabilities, roles within the organisation will be created, or changed. Some of the new roles will be resourced by existing staff (subject to suitability). A business change budget of £1.7 million has been identified. This budget will cover training and other business change activities providing the opportunity for existing staff to develop the required capabilities for the new or changed roles.

47.3.7 Bus franchising would require significant change to the existing operations. The development and implementation of the future operating model would be underpinned by an organisational design and change programme to ensure that TfGM has:

i. the right capacity, capabilities and behaviours to support bus franchising;

ii. the correct structures to manage bus franchising; and

iii. the right governance mechanisms to manage bus franchising.

47.3.8 The change management activities are key to the successful implementation of the future operating model to manage franchising.

47.3.9 Assuming a mayoral decision to proceed with franchising the GMCA will be expected to instruct TfGM to:

i. establish a Transformation Programme and prioritise existing activities to support the level of change required for bus franchising;

ii. appoint the appropriate the change leadership with the supporting resources to manage the change activities;

iii. develop and roll out an extensive communications plan outlining the timescales and impact of change upon the organisation;

iv. develop an engagement plan creating opportunities for TfGM employees to participate in the development of and shape the future operating model. Provide TfGM employees with the opportunity to develop the capabilities to apply for and if successful undertake the new and changing roles;

v. create a network of change champions to support the embedding of the new capabilities;

vi. develop and implement a training programme (capabilities and technical) to support the individual and team development; and

vii. develop and implement an operational readiness plan to make sure the people, processes, technology and infrastructure are in place and ready prior to go live.

System implementation

47.3.10 The preferred approach to system investment would be driven by two key factors:

i. the timescales to implement system change; and

ii. an assessment of which option offers the best value (including an assessment of whether existing TfGM systems can offer the required capability – either with or without additional bolt on functionality – before any new systems are procured).

47.3.11 The system cost estimate is shown in Table 45 in the Commercial Case. Further details on all ITS (on bus IT) steady state and transitional requirements are included within the Commercial Case of this Assessment.

47.3.12 An indicative systems implementation Plan is summarised at Figure 18. Assuming a mayoral decision to franchise, detailed design, procurement and planning activities would commence. This will include detailed engagement with the supply chain to confirm costs and delivery timescales.

Transition resources (2020-2023)

47.3.13 There would be a transition to the operating model for ongoing operations, between 2020 and 2023. This transitional model reflects additional costs and resources, including system investments, to introduce major changes to the Greater Manchester bus market and GMCA operations. The transition resources to implement the new operating model are summarised in Table 58. The peak transition to support Transition is circa 93. This resource is made up of a team of dedicated advisors and contractors, TfGM project management resource, IS implementation resources, existing TfGM resource and the long-term bus franchising resource brought in early to support transition activities (these costs are included in the future operating model costs but profiled during the transition period). The transition team costs are shown in Table 45 in the Financial Case.

Table 58: Transition Team (2020–2023)

TRANSITION Resources BUS FRANCHISING	Peak Resource
Transition activities additional headcount Programme Management Office Modelling Stakeholder Management Operational Continuity and Emergency Planning Assets Specification Procurement Operating Model Development People, Process and Systems Business Change Legal and Legal Advisors IS Development and Delivery Resources	**56**
Other Internal TfGM Support (existing resources providing advisory support)	
Other transition resources Specialist advisor support during transition Legal advice for franchise procurement Depot advisory costs	
Systems transition resources	**25**
Total Transition Resource (see Table 46 in the Financial Case)	**81**
Future Operating model resources brought in early (costs in the Operating model)	**12**
Total resource supporting transition	**93**

47.3.14 *Transition activities additional headcount:* these include a combination of staff, contractor and consultancy costs. A combination of contract and consultancy rates have been used due to the temporary and specialist nature of the resource required. Resource costs are as analysed in the *Management Case Franchising Supporting Paper* (TfGM, 2019j). As part of the transition, it is proposed that the recruitment of the incremental long-term resources to manage franchising commences well in advance of the commencement of franchising. This resource will form part of the transition team supporting in the development and implementation of the new operating model.

47.3.15 *Transition system resources*: these include the resources required for developing and procuring the required systems for bus franchising, based on the costs of enhancing existing systems where possible, and procuring new ones only when necessary. ETM/AVL, Wi-Fi, driver radio (and any associated operator back office systems) will be procured by TfGM on behalf of the GMCA to provide uniformity of systems, data and interfaces. These will be made available to operators, most likely at full lease cost. CCTV and driving standards monitoring will be provided by operators, subject to meeting the GMCA's minimum specification. Further information is provided within the Commercial Case of this Assessment. The ongoing system operating costs are included in the future operating model costs shown in Table 45 in the Financial

Case (see *Management Case Franchising Supporting Paper* (TfGM, 2019j) for supporting information and further detail).

47.3.16 *Other transition resource*: these include other transition resources such as legal, specialist advisory support and business change.

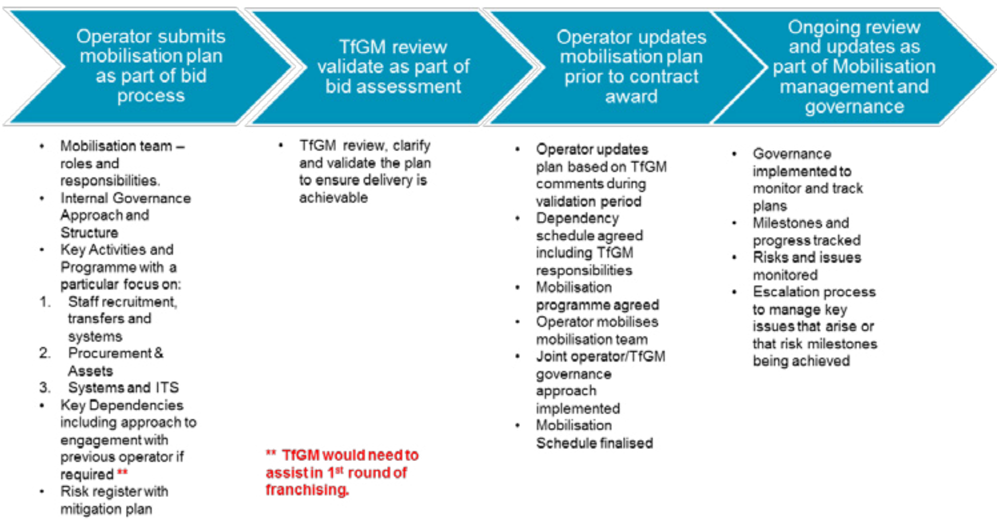
Franchise mobilisation process

47.3.17 The mobilisation of the franchises is a critical risk period in the transition from a deregulated to franchised operation. It is important that the GMCA carefully manage this activity, particularly during the first round of franchises, to ensure a smooth transition. It is essential that the customer experience is not adversely impacted during mobilisation of each tranche of the franchise. While mobilisation risk is with the operator, the reputational risk remains with the GMCA.

47.3.18 The GMCA would set out detailed requirements for operators in respect of their role during the mobilisation period. In addition, the GMCA would set out its own obligations during the mobilisation period and this would form the basis of an agreed dependency matrix included in the Mobilisation Plan.

47.3.19 The GMCA would instruct TfGM to implement a structured process to monitor progress on mobilisation which would include regular formal and informal engagement with the incoming operator. The process is summarised below in Figure 19.

Figure 19: Franchise mobilisation process



47.3.20 Following contract award, the Mobilisation Plan would then govern the mobilisation process. The plan would also enable TfGM to manage the obligations of the GMCA during the Mobilisation Plan in line with the dependency matrix. TfGM would commit dedicated resource to the mobilisation process. A summary of the role of TfGM in mobilisation includes:

i. Mobilisation Plan: review proposed changes to the Mobilisation Plan during the period and monitor progress against specific milestones set out in the plan;

ii. Depots: secure access to depot facilities and provide major depot equipment for the large franchises as required under the Franchise Agreement;

iii. TUPE: assist with the provision of TUPE related information from the incumbent operator to the incoming franchise operator;

iv. Staffing: monitor the recruitment processes for early warning of issues, particularly around drivers;

v. Handover of assets: secure franchise assets for first round of franchises;

vi. Resolving disputes: The formal dispute resolution procedures would be set out in the Franchise Agreement and would govern the mobilisation period. TfGM is seeking a collaborative approach with operators, fostered by regular, two-way communication;

vii. Communications plan: TfGM's Communication Team will prepare the initial draft of the communications plan and will seek input from operators and with incoming franchisees;

viii. Fares and ticketing: TfGM will need to verify it can receive operator revenue data and that the operator's fleet is fully equipped with functional ETMs that meet TfGM's specifications; and

ix. Project systems and interfaces: TfGM will be required to establish a number of interfaces between itself, the operator and third parties for the commencement of franchising.

47.4 Programme Management and Governance

Introduction

47.4.1 Strong governance of bus franchising is essential in building and maintaining stakeholder support and realising the benefits of franchising. This section describes the governance measures that would be applied to franchising.

TfGM programme and project management procedures

47.4.2 TfGM has a strong and diverse track record of managing major programmes, including various stages of construction of Metrolink, and manages the waste programme for Greater Manchester. The transition from a deregulated operating environment to a franchised operation is a complex programme of activities and projects with a significant number of interdependencies. It is essential that the programme is carefully managed to achieve the required timescales at the appropriate quality and to budget.

47.4.3 TfGM follows a standard framework of Programme Management Framework (ProgMP) shown in Figure 20. The framework is complimented by a detailed set of criteria and controls at each stage, which facilitates successful delivery of programmes. The TfGM Programme Management framework would be tailored to align with the Bus Reform programme to ensure robust controls are in place for managing key identified areas and risks which would pose significant challenges in the delivery of the programme. Examples of these are:

i. change management;

ii. mobilisation; and

iii. risk management.

47.4.4 TfGM will ensure that key decisions taken during the franchise procurement and management lifecycles are made at the appropriate forum.

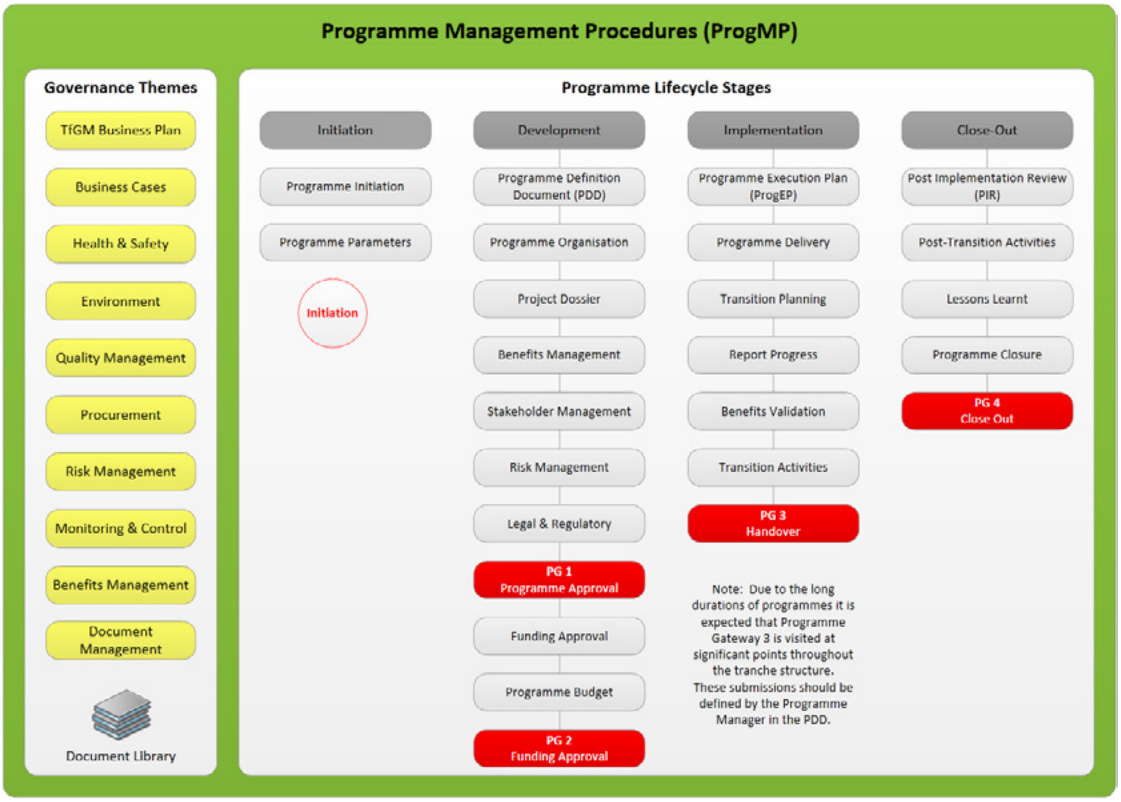
47.4.5 The TfGM Programme Management Framework MP provides a scalable approach, and has been tried and tested on a wide variety of TfGM and Local Authority schemes. TfGM is the GMCA's delivery agent for transport schemes and has recently delivered complex programmes working closely with the Local Authorities to meet common objectives. These include Greater Manchester Transport Fund (TIF1) (circa £1.5 billion) the Local Sustainable Transport Fund (LSTF) programme, the Growth Deal programmes (overall value c. £400 million), as well as large capital programmes and highway improvements such as the bus priority package (£122 million), a programme of Park and Ride projects, and many projects requiring the implementation of Information Systems (IS) infrastructure.

47.4.6 Effective governance will ensure TfGM can run a competitive process and reduce the risk of a legal challenge to the appointment of an operator.

47.4.7 The procurement process will be governed by the *UCR (Utilities Contracts Regulations) 2016*. The procurement will follow this legislation, ensuring legal compliance and reducing the risk of a challenge to the procurement outcome. Further details on the procurement approach are included within Section 27 of the Commercial Case.

47.4.8 TfGM requires a clear decision-making and approval process, balanced with a level of independent control in managing the franchises. TfGM will ensure that key decisions taken during the franchise procurement and management lifecycles are made at the appropriate forum.

Figure 20: Programme Management Procedures



47.5 Benefits Management

Introduction

47.5.1 The implementation of bus franchising will be a key contributor to achieving the Vision for Bus set out in the *Transport Strategy 2040*. A focus on delivering the benefits of franchising will be required as an ongoing activity, and will be particularly important as franchising is established. A number of processes will be established early in the transition phase to ensure the GMCA can adequately identify, track, and realise the maximum benefits of a franchised bus operation.

Benefits realisation metrics

47.5.2 Section 7 of the Strategic Case identifies a number of objectives that the GMCA would expect to achieve as a result of implementing franchising and which align with the wider ambitions of the *Transport Strategy 2040*. In addition, for each objective, Section 7 sets out the indicators that would be used to measure progress in achieving the objective. Benefits realisation is concerned with monitoring the achievement of the objectives and ensuring that they are realised as the project develops. As part of implementing franchising, TfGM would develop and agree a set of targets for the indicators set out in Section 7. These measures would be baselined in advance of franchising and then monitored after the implementation.

Active management of benefits in franchising

47.5.3 In addition to the performance regime, the GMCA would have a number of other mechanisms to inform whether the Bus Reform programme has been a success. These include:

i. Consultation – the outputs from the standard approach and process utilised when consulting on transport schemes;
ii. Requests for information and complaints – TfGM would become the point of contact for all information requests and complaints on behalf of the GMCA, which would provide an ongoing source of information; and
iii. A series of proactive activity (such as surveys) to ascertain views of users and non-users (in addition to the survey engagement already undertaken by TfGM).

Monitoring the metrics, reporting and responding to emerging trends

47.5.4 A continuous supply of data would be required to track performance against each metric as well as an exercise undertaken to establish a benchmark. TfGM will utilise data sources established to monitor revenue and service performance. As time goes on, objectives and associated metrics will be reviewed regularly (including as part of procurement rounds).

47.5.5 The Transition Team will establish a dashboard prior to the first round of franchise procurement. This dashboard will indicate performance against each metric, both as a monthly ‘snapshot’ and as a moving annual average. The Franchise Management Team will be responsible for populating the inputs (which will be aggregated across all franchises) to the required timescale. In some cases, figures will need to be combined with those generated elsewhere in the organisation (for example to calculate Public Transport mode share and modal shift).

47.5.6 It may be necessary for TfGM to take action where observed trends vary from those projected prior to the commencement of franchising. The Franchise Management Team will regularly review the benefits tracking metrics and, where necessary, suggest appropriate actions to respond to any changes. For example, in the event that observed bus patronage exceeds forecasts, additional capacity may be required. Alternatively, if passenger satisfaction falls, the underlying issues will be explored by the Franchise Management Team, and corrective action taken. Depending on the degree of divergence, this could be delivered through a variation to the Franchise Agreement or, preferably, through an amended specification for subsequent franchise rounds.

48 Managing Transition Operational Continuity and Mobilisation Risks

48.1 Introduction

48.1.1 Transition and the associated risks would commence following a mayoral decision to implement franchising. Transition will continue through to the completion of the mobilisation of the last tranche of the first round of franchising in 2023.

48.1.2 Transition risk is that risk associated with procuring franchising and establishing the future operating model. Operational continuity risks are the risks to the existing bus operations during the transition phase. The mobilisation risks are those specific risks following the award of a franchise contract and the commencement of the franchised operation. The three risks are all closely linked.

48.1.3 The key transition, operational continuity and mobilisation risks of the Franchising Scheme in the early years of the project are summarised in Table 59 along with the GMCA's mitigation approach to each. The risks are summarised into themes which encompass numerous detailed risks in the register. The key themes are:

i. Reputational and public relations risks prior to franchising being implemented;

ii. Implementation, complexity and cost;

iii. Systems Infrastructure (including ITS);

iv. TfGM organisational change and resources;

v. Pension risk;

vi. Operational continuity;

vii. Revenue protection;

viii. Provision of depots;

ix. Operator mobilisation;

x. Fleet;

xi. Procurement;

xii. Fares and ticketing; and

xiii. Performance regime

48.1.4 This section describes areas of risk management that are not covered elsewhere in the Management and Commercial Case and includes the GMCA's approach to:

i. Operational Continuity (Section 48.2); and

ii. Fares and Ticketing during Transition (Section 48.3).

48.2 Operational Continuity

48.2.1 Operational Continuity seeks to ensure that operations of the deregulated market (including the supported network) is not adversely impacted by a decision to implement a Franchising Scheme. During the transition phase, the existing market will inherently become less stable as franchises are awarded and mobilised and the remaining deregulated market is reduced.

48.2.2 It will be a period of uncertainty during which specific risks may arise which, if uncontrolled, could undermine the success of the process. Section 31 of the Commercial Case includes an analysis of the potential scenarios during this period and the likelihood of them occurring. The key risks relate to scenarios impacting commercial services. These are summarised below:

i. limited marginal service reduction, targeted at loss making commercial services. This could result in reduced scope of registered services or fewer registered services (or both), and would most likely be achieved through 'natural wastage' of staff and assets, and/or a decline in investment;

ii. sustained marginal service reduction, either over a prolonged period or through more aggressive reductions targeting marginally profitable commercial services. This would most likely be achieved through the same means as (i); and

iii. large-scale deregistration and cessation of services by one or more operators, either across the whole of Greater Manchester or in one or more discrete geographical areas.

The Commercial Case sets out why the last of these scenarios is the least likely to occur for a variety of reasons. Therefore, operational continuity planning focuses primarily on the first two scenarios although consideration has been given to the latter too.

48.2.3 In addition to the risks associated with commercial services there are also a number of other risks associated with this period such as:

i. a reduction in the quality of service (punctuality, cleanliness, driver behaviour etc.) offered to customers;

ii. a reduction in co-operation between the operators and the GMCA/TfGM; and

iii. Operators withdrawing from subsidised service contracts.

48.2.4 An effective and efficient transition from the current commercial environment will be critical to how franchising is perceived by passengers, staff and the wider market. Therefore upon a mayoral decision to pursue franchising, a dedicated team would be appointed and an Operational Continuity Plan would be implemented. The team would manage the plan and monitor the situation manage risks and implement mitigation measures. The overarching objective of this plan is to safeguard network patronage and revenue by minimising disruption to passengers.

48.2.5 These risk management measures, captured within the Operational Continuity Plan, would be owned by a dedicated operational continuity team within the Transition Team. Whilst individual tasks and processes within the plan would be allocated throughout the organisation, the operational continuity team would be accountable for its delivery.

48.2.6 The Operational Continuity Plan would be a 'live' document until the final tranche of franchises commences operation in 2023. In the steady state phase, operational continuity would be managed between the franchise operators and the Franchise Management Team, using appropriate clauses in the Franchise Agreement where required.

48.2.7 The Operational Continuity Plan would focus on the risks associated with commercial services as follows:

i. a complementary set of options available to TfGM to maintain provision of appropriate services via both existing and non-GM operators. These options focus on:

- the letting of short-term contracts on an emergency basis where required noting that operators are required to give 112 days notice prior to deregistering a service TfGM has experience of undertaking such procurements in its role managing the tendered service network in instances of operator failure. It has established procurement documentation including specifications and processes to let tenders;

- facilitating/funding training of staff (e.g. drivers) in advance of letting of short-term contracts in order to minimise disruption. TfGM would work with incumbent operators to facilitate ongoing driver training in the event that the uncertainty of whether operators would successfully win future franchise procurements led to a reduction in the normal levels of new driver training;
- engaging with operators on other mechanisms proposed by TfGM to minimise impact on existing operators during the transitional period. These include engagement in relation to residual value mechanisms for vehicles and depot transfers for strategic depots; and
- working with GMCA to support the implementation of appropriate contingency plans including the provision of short-term depot facilities, if required to support operators tendering for short-term contracts let on an emergency basis. This would complement broader transitional depot planning which is set out in more detail in the Commercial Case.

ii. ongoing assessment of market intelligence to understand operator intentions, monitoring of operator behaviour, and continual review of service registrations and deregistrations. The performance of the commercial network would continue to be monitored throughout the transition phase. This will enable the GMCA to fulfil its requirements under any remaining Partnership Schemes and monitor operator compliance with the Code of Conduct. Monitoring would also be required to provide early warning of emerging continuity risks; and

iii. preliminary discussions with operators, both existing Greater Manchester operators and other large UK operators, to assess their ability and willingness to operate new and/or additional bus services in the Greater Manchester market during the transitional period, and potentially at short notice, prior to the commencement of franchising. Clearly, prior to mayoral decision it would not be appropriate to enter into any call off contracts or similar, not least because it would not represent value for money to do so. However these discussions would allow the capacity and mechanism for interventions to ensure the Operational Continuity Plan is ready to implement at the point of any mayoral decision.

48.2.8 The risks around the subsidised network will also be captured in the Operational Continuity Plan as follows:

i. the volume of subsidised services will gradually reduce throughout transition as the network is franchised. However, residual subsidised contracts would continue to be carefully managed to ensure that capacity and quality of service is maintained before services transfer to large or small franchises. TfGM would ensure that the expiry dates of any subsidised service contracts let on behalf of the GMCA during the transition phase are co-terminus with franchise commencement where appropriate, and handover requirements specified where necessary.

48.2.9 Arrangements would be in place to mitigate against the risk of an operator withdrawing from a subsidised service, in the event that it becomes unviable following an alteration to its depot arrangements or existing services as a result of franchising. In this scenario, the GMCA would tender the services through an emergency contract, to ensure operational continuity, while the longer-term solution was put in place.

48.3 Fares and Ticketing During Transition

48.3.1 This section discusses options for the GMCA's fares and ticketing during the transition to a franchised model for provision of bus services. It covers:

i. the phased introduction of franchised services;

ii. introducing fares to the existing product mix; and

iii. the nature of fare arrangements during transition, including cross-boundary services and cross tranche services.

48.3.2 During the phased transition of the Greater Manchester bus network to a franchised model, it is important to ensure that the arrangements for fares are clearly defined and communicated. This is critical in order to minimise the impact of any changes on existing passengers travelling on the network.

48.3.3 Currently, the Greater Manchester bus network has numerous operators, with each operator offering a variety of ticket types (ranging from single trip to annual passes) at a range of prices. In addition to dedicated operator fares, passengers have the option to purchase System One interoperable bus tickets, and multi-modal fares (either System One or Plusbus) which allow passengers to travel on, for example, the train, Metrolink and bus using one ticket. As set out in the Strategic Case, the introduction of franchising would give the GMCA the opportunity to simplify the fares structure.

48.3.4 As franchising is phased in across the Greater Manchester bus network, other operators' commercial products will begin to be withdrawn as existing services move to being operated under a franchise, and fares will become progressively more widely available, ultimately resulting in the GMCA product mix being the only bus tickets on sale in Greater Manchester once the transition to franchising is complete. The 'steady state' for cross-boundary ticketing arrangements is set out in the Commercial Case at Section 33.

48.3.5 Consequently, as this transition progresses, most of the need for multi-operator bus tickets within the GM boundary would ultimately be removed. The need for multi-modal tickets would remain, facilitated by full GMCA control of bus and Metrolink fares. System One ticketing could be retained for this purpose, or alternatively replaced by negotiated agreements between the GMCA, TfGM, rail operators and cross-boundary service operators.

48.3.6 During the period over which franchising is introduced, franchised services would, from a customer perspective, effectively add a new operator into the current offerings available to passengers. In the short-term, this may have an impact for those passengers whose journey involves two buses currently run by one operator, but during transition may be run by different operators (one of which will effectively be the GMCA). This complexity would not affect the majority of passengers at any one time – as they would be travelling wholly within the franchised network or the remaining deregulated network, or wholly on a particular service. It could have an impact on passengers during transition in the gap (i.e. for around nine to twelve months) between the different tranches. As set out in the Strategic Case at Section 5.5, there is an extremely strong likelihood for this part of the network to be run by different operators in any case following the sale of the Queens Road depot to Go-Ahead and with further sales possible. TfGM would, reflect on the actual nature of the operator make-up and products available at the time of each tranche being operational and explore ways that any passenger dis-benefit might be appropriately minimised.

48.3.7 For example, if the current market structure remains, customers currently using particular operator products in an area, for example First and Arriva products in Bolton, will find these products are no longer for sale by the new franchisees when the initial round of franchises are let, and the tickets which replace them will cover a different 'set' of routes. This may cause a situation whereby the customer would have to purchase another new (operator-specific) ticket to complete their journey on a second bus, or pay a premium for a System One fare.

48.3.8 It is unclear at this stage the extent of this problem, particularly as it depends on the market structure at the time of transition. The data does not exist to estimate the number of passengers who take two-bus journeys and whose journey would be bisected. During transition therefore, depending on the circumstances at the time, the GMCA would adopt a number of mitigation strategies. These will aim to help passengers potentially experiencing some dis-benefit and also aim to be fair to an incumbent operator running services prior to the introduction of franchising.

48.3.9 During transition and as franchising becomes operational across Greater Manchester, some services run by incumbent operators may need to continue to run between sub-areas (or tranches), despite the fact that franchising may be operational in one sub area only. To allow these services to continue to run, the GMCA would exclude those existing services from its scheme during transition. This means that the operator would be able to continue to run those services, provided it registers the part of the service operating in the area where franchising is not yet operational with the traffic commissioner (and complies with the other appropriate registration requirements). Once franchised services begin to operate in that area, those excluded services would then not be able to run and would then be replaced by those franchised services.

48.3.10 During transition, normal cross-boundary services coming from outside of Greater Manchester will want to enter the scheme area as usual. If these services enter a sub-area where franchising is operational then they would need to apply for a service permit, as set out in Section 33 of Commercial Case. If however the service enters a sub-area before franchised services begin to operate, the prohibition in section 123J of the 2000 Act will not apply. This means that the operator will be able to run the service as normal until the first franchised service operates in that sub-area, in which case the operator of the cross-boundary service would have to apply for a service permit.

48.3.11 As set out in the draft Franchising Scheme, the GMCA is required to and will specify when franchising will be operational in each sub-area and therefore operators will know for how long they can continue to operate their existing services for before franchising becomes operational.

48.3.12 TfGM would look to agree interoperability of tickets on services that ran close to or overlapped franchised services, letting revenue stay where it fell. This would mean that those services that are likely to be used for onward journeys would be available to purchasers of tickets from either the franchised or non-franchised area. Such arrangements would need to be negotiated with operators and may require qualifying agreements on behalf of the GMCA in order to be put into effect.

48.3.13 If it appeared likely that there was going to be greater dis-benefit to passengers from transitional fare arrangements, other options would also be explored with the operators involved. These would include:

i. Add-on tickets: the GMCA could make available to purchasers of an incumbent ticket an 'add-on' ticket that allowed travel in the franchised area at a low cost. Passengers could access the area they previously were able to access and a very low additional cost;

ii. the use of a concessionary scheme for those that pre-registered that would allow cheaper travel in different areas; and

iii. the use of System One products giving access to the whole network with a system of reimbursement for those that used the products on buses from franchised areas and those from the operator that would previously have been running those buses.

48.3.14 The result would be that for passengers the potential dis-benefit would be largely eliminated in terms of both ease of use and also any financial penalty for the short period between franchises would be strongly reduced.

48.4 Key Transition and mobilisation risks

48.4.1 The transition and mobilisation risks associated with a Franchising Scheme are identified in the risk register at Appendix A. The risk register identifies risks, an estimate of their likelihood and impact, and actions to mitigate and manage each. The key transition and mobilisation risks are summarised in Table 59 below.

Table 59: Key Transition and Mobilisation Risks

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
Reputational and public relations risks prior to franchising being implemented		
Negative briefings reduce public confidence in the new arrangements. The GMCA may also be perceived to be in control of the whole bus network prior to the implementation of franchising. Additional publicity and communication risks may also arise (such as public confusion on what franchising means and how it is being implemented), causing disruption when services transition to franchising.	To mitigate these risks, a publicity and engagement plan would be in place to allow customers to see any planned changes in advance, and provide a mechanism to ask questions to GMCA/TfGM staff. Regular updates, via various media channels on the status and progress on the roll out of franchising would be made to customers, the general public and all other stakeholders. There would be focussed engagement with relevant MPs and stakeholder engagement approach led by the TfGM Stakeholder Manager to brief politicians and to minimise the risk of high expectations on what franchising can achieve by when and associated timescales for implementation. GMCA would take early control of customer contact to ensure that customer feedback and complaints are addressed through a single point of contact – this would be achieved through early recruitment of temporary resource following any mayoral decision to proceed with franchising, to be replaced over time with permanent additional resource required. This would be undertaken by TfGM on its behalf and also give the GMCA insight into emerging issues. It is intended to limit the amount of changes made on day one of franchising. However, particular consideration will be taken where changes are being made to the network as part of the introduction of franchising. Communication to existing passengers would happen in advance of changes. Potential passengers would also need to be informed that there may be a new service that could benefit them. As per the requirements of the 2000 Act, the GMCA has identified and included the organisations that best represent local users in the scheme consultation as statutory consultees (including Transport Focus and other local user representatives as appropriate).	F004 F007 F046

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
Implementation more complex and costly than planned		
The implementation phase would be complex and there are a variety of risks which could lead to costs increasing and/or implementation being delayed. Risks may arise from the procurement process, delivery of new assets (e.g. depots, fleet) falling behind schedule or in the coordination of the many parties involved in the implementation. There may also be more interface issues than expected as the GMCA/TfGM take over differing systems and equipment from existing operators. There is also a risk that organisational change required in TfGM does not happen as planned and that long-term steady state staff resources may not be secured at the right time to fulfil the future operating model and support the implementation. TfGM staff costs may also be higher than expected in order to attract the people with the requisite skills to fill the operating model.	Key to managing the implementation risk is minimising, where possible, those elements that are on the critical path. The GMCA would adopt an approach where the implementation of the future operating model, in particular systems, where practical, are not on the critical path for the first tranche of franchises. TfGM would ensure that at least a MVP (minimum viable product) is in place for day 1 with the longer-term solutions following shortly afterwards. This approach could require utilising existing TfGM and operator system capabilities for a short period of time to monitor patronage data, lost mileage and performance punctuality. The incoming operators would also be required to engage with the TfGM ITS team as early as possible to understand implications of system integration. System integration plans would be a part of the contractually required Mobilisation Plan (requirements for which would be specified by TfGM on behalf of the GMCA). Securing access to the depots and the procurement of the franchises are two components that will remain on the critical path There remains significant change that would need to be implemented, for example, recruiting and training teams, behavioural and cultural change and development of new processes, policies and procedures, as well as managing the procurement process. Robust and achievable implementation plans would be developed, with strong governance processes in place. The implementation plan would be agreed by all relevant stakeholders. The plans would be communicated in a timely manner to relevant parties, with a BAU Team deployed early to ensure changes are enduring. Progress would be monitored through key milestone reporting. The summary implementation plans are set out in Section 47.2 (these plans are underpinned by more detailed plans which would continue to evolve and develop) Key roles have been identified as part of developing this assessment. The recruitment of any new roles would commence as soon as possible after the mayoral decision (especially senior posts to mitigate knowledge loss through the programme). A market rate supplement provision has also been included for the most senior positions. The development of TfGM staff to give them the opportunity to fulfil some of the new roles will commence upon the mayoral decision. Key indicative role profiles have been evaluated to ensure consistency with market rates.	F020 F026 F027 F047 F081 F091

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
Systems Infrastructure (including ITS)		
A specific area where many risks arise is the variety of IS and ITS infrastructure that would be required. The GMCA would be required to specify and procure certain systems. New interfaces will also be introduced between existing systems. Provision of data from such systems will be critical to the success of franchising, predominantly to monitor network and revenue performance and to support the performance regime. In addition, there is a risk that the specification of the systems (e.g. AVL, ETM, and RTPI) does not meet the actual and long-term GMCA requirements for managing and monitoring franchise services.	Risks relating to systems and IT infrastructure would be mitigated through ongoing due diligence on the existing systems and equipment as part of the requirements gathering process. This would include engagement with operators at an early stage to understand existing capabilities/specification, to validate the requirements and create the required framework for purchasing. A review of all systems would take place via a SWOT (strength, weakness, opportunities, threats) analysis, to identify gaps and needs. There would be early involvement and close working with TfGM IS and other operational departments to assist with the identification of system requirements. A detailed and robust strategy will be developed for each system. Clear specifications would be required for the procurement of ITS requirements. As part of the tender responses, there would be a requirement for bidders to provide comprehensive details of their current and proposed systems. Resources would be allocated to commence work as soon as practicably possible after any mayoral decision. Throughout the planning and transition phase, subject matter experts would be employed to support the implementation of franchising. A robust approach would be developed for User Acceptance Testing. For any systems remaining in operator responsibility, TfGM would ensure a rigorous evaluation process is in place so that incoming operators can demonstrate their ability to deliver the systems required. TfGM would also work alongside the incoming Franchise Operators during mobilisation to ensure that any interfaces between operator and TfGM systems have been fully tested prior to commencement. A System Integration Plan would be part of the contractually required Mobilisation Plan (requirements for which would be specified by the GMCA). Where appropriate, change would be minimised and the use of existing systems would be maximised. All tender evaluation criteria would be designed to ensure that operators / suppliers demonstrate their ability to provide the required level of provision and service.	F047 F082 F105 F106 F107 F108
TfGM organisational change and resources		
TfGM would have to go through a substantial organisational change to deliver the bus Franchising Scheme on behalf of the GMCA. There is a risk that these changes do not happen on time or in the desired manner.	To mitigate the risk associated with the change process, all change activities would be co-ordinated centrally. A dedicated business change team would be created to ensure that adequate funding is available to deliver the required organisational and behavioural change. Early recruitment of future operating model resources would help ensure changes are embedded, prior to the full ramp-up of franchising. Change impact assessments and change capacity assessments will be performed, which would enable TfGM to identify issues and opportunities with any proposed changes. Change training and change leadership planning will be provided to staff as appropriate. Strict governance would ensure that proposals are signed-off by the relevant business as usual unit where appropriate and required. TfGM aims to utilise a combination of full-time employees, third party advisors and contractors to resource the Implementation Team.	F026 F027 F078 F081 F091 F103
Pension Risk		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
There is a risk that franchise bidders are unable to meet the statutory requirement to provide broadly comparable pension arrangements, particularly in relation to Defined Benefit arrangements which it is assumed must be replicated under franchising.	For franchisees taking on staff from existing operators with LGPS schemes, the most practicable means to provide benefits that are comparable to the LGPS would likely to be replicating benefits through continued access to the LGPS. TfGM is already classified as a Scheme employer within the GMPF and, by virtue of letting contracts for franchised bus operations, there would be a legal basis for franchisees to be eligible to become admitted bodies under the LGPS Regulations 2013. For franchisees taking on staff accruing benefits in operator own defined benefit schemes, which is currently assessed to be a low proportion, prospective operators have the option of providing their own comparable defined benefit scheme, or to join an existing scheme such as the LGPS if this were deemed broadly comparable. In the event it were necessary to provide pension benefits through a higher cost, rather than broadly comparable, scheme the quantified risk allowance includes an allowance for an estimate of additional contribution costs.	F096
In the case of franchisees choosing to join the Greater Manchester Pension Fund to replicate LGPS benefits, there is a risk that additional guarantees are required to allow franchisees to become Admitted Bodies under LGPS Regulations 2013	TfGM could be a party to the Admission Agreement on behalf of the GMCA and provide the appropriate security to mitigate the identified consequences upon franchisees – whether the risk is ultimately borne by the GMCA or operators would be decided on the basis of what offers best value for money.	F103
Operational continuity		

There is a significant business continuity risk during the transition to franchising, as the incumbent operators may begin to reduce or deregister services (marginal service reduction or large-scale cessation of services). This may arise as a reaction to unsuccessful bids or as a general response to the Franchise regime. There is also a risk that cross-boundary services are disrupted or withdrawn. Service continuity could be affected if new operators who successfully secure a franchise contract are not able to mobilise in the required timescales. This risk and associated mitigation does not include the risk of any reactive changes by operators prior to a decision on implementing franchising (i.e. it does not cover the risk of an operator deregistering services in advance of an announcement regarding the implementation of franchising given that any changes made by operators pre-mayoral decision would effectively be occurring in the Do Minimum - risks are only quantified if they are directly associated with the intervention). The reliability and punctuality of services is a crucial driver of passenger satisfaction and confidence in the bus network. There is also a risk that the implementation stage, particularly the mobilisation of franchises, would be more complex than envisaged. The organisational change required in TfGM may not happen as planned due to activity taking longer than anticipated. In addition, the operators may not be ready to deliver the services upon transition if the transition process is not managed appropriately.	These risks would be mitigated through early engagement with operators and the extended deregistration period allowed by the 2000 Act. The GMCA would have the ability to extend the deregistration period to 112 days following a decision to proceed with franchising. This would help to mitigate short-term changes by operators. In respect of cross-boundary services, The GMCA would comply with the requirements of the 2000 Act in terms of services permits, and engage with neighbouring authorities and operators of cross-boundary services. In the case that services are withdrawn at a heightened rate TfGM's plan (in compliance with paragraph 1.70 of the guidance) would be to: - work with other operators to get them to step in and run the services commercially - consider letting contracts on a short-term basis using the tendered service framework, or through alternative contractual arrangements - no action, with withdrawn services not being replaced Further details of the plan is set out in Section 31 of the Commercial Case. Given the impact that the realisation of this risk could have on services, the GMCA would continue to develop appropriate contingency planning, including ongoing assessment of market intelligence, preliminary discussions with operators, working closely with the Traffic Commissioner and the GMCA. The Economic and Financial Cases include a quantified risk allowance that reflects the likely premium that the GMCA would incur in the event that there would be need for a short-term short notice intervention. AVL monitoring should enable TfGM to identify any emerging performance issues, and although TfGM would be unable to penalise operators, it would enable TfGM to advise passengers of cancellations and delays through its customer contact channels. Bidders would be required to provide a detailed Mobilisation Plan as part of their ITN submission, which would need to be approved by TfGM prior to contract signature, including agreed milestones and business readiness criteria. There would be a clear schedule in place setting out obligations of TfGM and the operator during mobilisation. The robustness of a bidder's Mobilisation Plan would be assessed as part of the bid evaluation. There would also be a set of Conditions Precedent in the Franchise Agreement that would need to be met in order for operations to commence (including those detailed in the Mobilisation Plan). The transition period would be managed as a discrete project, with the appropriate resources in place and a clear transition plan per franchise. The teams delivering the transition would have the appropriate skills to manage the implementation (this would be achieved by a dedicated Business Continuity team). TfGM would also target early recruitment of key, senior long-term roles to manage aspects of the transition process. Regular contact with the bus operators would be maintained before and after the transition phase to ensure minimum disruption. All agreements regarding depot transfer would include clear obligations for the existing operator to cooperate in depot and operational transfer.	F003 F018 F020 F027 F041 F052

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
	A strategy would be developed for managing the various internal and external resources and a change impact assessment would take place, along with a change capacity and capability assessment. To help mitigate the risks associated with organisational change, there would be central co-ordination of Change Activities across TfGM. Change training and change leadership development would also be carried out. TfGM and the chosen operator would have a joint risk register with the appropriate mitigation and contingency planning arrangements in place, specifically focused on the transition and first 60 days of operation. The detailed Mobilisation Plans would commit TfGM and new operators to a specific set of actions to seek to mitigate risks associated with incumbent operators.	
Revenue protection		
Revenue risk would be assumed by the GMCA under the Franchising Scheme, along with the GMCA being responsible for increasing amounts of commercial revenues from advertising and other sources. The GMCA would need to protect on-bus revenues and maximise revenue other generation opportunities.	Revenue protection officers would be employed during transition as well as in the steady state as a deterrent against fare evasion. TfGM is exploring approaches to proactively monitor revenue and patronage data, which include specifying a new system or utilising operator systems, and maximising the use of the additional Revenue Protection Officers included in the new Operating Model for franchising. The potential to use revenue protection officers across modes would be explored. In addition, analytical techniques would be used to identify hotspots and create a quick response team for the areas identified. TfGM would develop an approach for maximising advertising and other revenues, however, the quantified risk assessment accounts for the risk that advertising revenue may not be as high as in the Do Minimum.	F056
Provision of depots		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
The target commercial proposition would be for the GMCA to control all of the depot assets that would be leased to operators under the Franchised scheme. During transition this gives rise to a number of risks associated with obtaining control of the assets and their condition, and the GMCA's ongoing asset management responsibilities. There is a risk that the GMCA is not able to realise its preferred transitional option in relation to depots. There is also a risk that the GMCA may need to pay more than anticipated to acquire depots owned by bus operators. There is a risk that existing depots in Greater Manchester are in a poor condition and require additional repair and refurbishment to bring them up to the required standard. Furthermore, there is a risk that there are latent environmental issues, that have not already been identified, which need to be addressed once existing depots have been refurbished. There is also a risk that the depot refurbishment plans fall behind schedule, causing delays to the overall implementation of the Franchising Scheme.	The transitional depot strategy and approach to long-term depot provision is set out in more detail in Section 26.1 of the Commercial Case. In the event that it is not possible to negotiate the transfer of some or all of the strategic depots at the transition phase, the GMCA has the following alternative routes open to it for depot provision at the transition stage: 1. Build new depots: Whilst the timeframe for a new-build depot is longer than that for a Compulsory Purchase Order (CPO) (two to four years, and therefore not suitable for the first two tranches to be let under the current programme), the depot construction timeline should carry greater certainty. The current transition programme would need to be extended to allow time for depots to be constructed. 2. Letting of franchises in the transition phase without the provision of a depot. TfGM has carried out a review to assess whether it is possible to operate the first round of Franchises with depot provision being the responsibility of the operator. Whilst this is not the preferred option for depot provision, TfGM has concluded that it would be possible to restructure the packaging for the first round so that they are of a smaller scale and size, thus enabling bids from more than one operator. 3. Compulsory Purchase Order (CPO): the GMCA has the legal powers pursuant to Section 10 (3) of the Transport Act 1968 to make a CPO application once it has exhausted all alternative options to acquire the land, including voluntary negotiation. As a final option, the GMCA could pursue a CPO of the existing strategic depots. Full condition surveys would be undertaken as soon as practicably possible, with realistic refurbishment programmes created that include clarification on whether it is operators' or the GMCA's responsibility to undertake the refurbishments). External advisors who have strong depot experience would be involved at an early stage to support TfGM. In relation to unknown environmental issues, liability (whether statutory or contractual) crystallises on acquisition of a site or where it is a planning requirement or casual effect of the GMCA redevelopment. Whilst environmental clean-up costs may not be avoided entirely there is potential for mitigation of liability and legal advice would be sought accordingly.	F012 F037 F039 F079 F080
Operator mobilisation		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
The GMCA would need to be assured that a franchise operator can effectively mobilise and deliver services from the commencement date. The mobilisation of franchises could be more complex than envisaged. A significant risk is that the new Franchise operators do not manage the transition effectively and are unable to deliver the full schedule of services. This risk is considered to be higher if the new franchise operator is not the incumbent operator. There is an implementation risk that the new operators are not able to recruit the appropriately qualified drivers, maintenance staff or management staff, or that TUPE is complex. There is also a risk that major transport projects may cause disruption to franchise operations.	To mitigate this risk, a Mobilisation Plan will be required as part of the bid responses during procurement, which would be jointly developed and finalised with TfGM during negotiations with the preferred bidder. A formal assurance process of the ongoing achievement of the plan would be established by TfGM, with appropriate milestones established. Details of the mobilisation approach are in Sections 47.3.17 - 47.3.20 of this Management Case. The performance of operators would also be supported through the incentives created under the performance regime. TfGM would also create a Business Continuity Team to support the implementation of franchising through the transition period (i.e. up until the last tranche has been mobilised and all services are franchised). TfGM would clearly define roles and responsibilities and understand what is required to facilitate or enable the operator to deliver to the required standards. While establishing and managing the future operating model, TfGM would ensure that plans coincide and deal with any discrepancies at the earliest opportunity. As part of this process, TfGM would take a strong role in relationship management with the new operators and previous incumbents in order to ensure that a smooth and professional transition takes place. Issues between the two parties would then be dealt with as effectively and efficiently as possible. The processes for this on the part of the new operator would be established as part of the 'specify and procure' plans put in place. If problems occur, these would be addressed by the Operational Continuity Team. To mitigate the staff related risks, due diligence would be conducted at the bid stage and the bid requirements would require that operators have plans in place to manage TUPE arrangements. In addition, TfGM would have a performance regime in place to incentivise operators to run services in line with the requirements of the franchise contract. The TfGM portfolio office and senior leadership have overall visibility of major transport projects within Greater Manchester. This overview would help minimise the risk of disruption when implementing franchising.	F009 F019 F020 F041 F042 F043 F044 F048 F048a
Fleet		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
During transition, the fleet is likely to be a mixture of existing fleet transferring, and some new. There is a risk that the new fleet is not available in time for the commencement of operations. Operating groups may also reduce investment in new fleet during the transition phase. There is a risk that the specification for the fleet is not appropriate (for example, in relation to cost and/or deliverability), or that the fleet requirements set are not deliverable by the market. Customer service could be adversely affected if the numbers and types of buses required on each route are poorly specified.	To address the specification risks, a specification control group would be established and specifications would be developed which are fit for purpose to determine what the GMCA would and would not accept. There would also be a peer review of all specifications and market engagement to test specifications. TfGM would need to ensure that the operators have effective build slots with the manufacturers and that the mobilisation phase provides sufficient time for the ordering and manufacture of the new fleet. Any proposals for new fleet would require the operator to provide a detailed procurement plan. A mobilisation period of at least 26 weeks has been included in the proposed Implementation Plan to allow sufficient time for new vehicles to be procured, should they be required or preferred by bidders. To encourage existing operators to continue investing in fleet, an RV scheme is part of the commercial proposition (refer to the Commercial Case, Section 26.2). This would be implemented as part of the transition process and would continue in the future operating model. The current expectation is that a proportion of the existing fleet operating across Greater Manchester would transfer into the franchise operations via the RV mechanism. These mechanics may involve a direct transfer from incumbent operators to new operators. In establishing the RV mechanism, TfGM would encourage incumbent operators to transfer their vehicles to the mechanism Although this may be complex noting that there would be various parties involved, this may be in their interests in terms of avoiding the possibility of stranded or surplus assets if they do not win a Franchise where they are currently operating (albeit it should also be noted that the larger operators may choose to cascade their assets into other parts (in the UK or elsewhere) of their fleet instead of utilising the RV mechanism). The transfer values assumed in the residual value mechanism would be designed to pay cognisance to operators' existing depreciation policies in order to ensure the RV mechanism is commercially attractive.	F018 F028 F029 F064
Procurement		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
There is a key risk relating to the quality and availability of data for bidders during the procurement process There is a risk that the GMCA may also be exposed to a legal challenge over the approach to procurement. In addition, there is a risk during the procurement process that insufficient bidders are attracted to bid for a Franchise, leading to a poor choice of operator or bids that are not deemed to be value for money.	TfGM would put in place a team with appropriate skills to manage the procurement process and manage the process of confirming all information that can be shared with the bidders. TfGM would develop data for bidders and provide it to bidders. In the event that TfGM does not have a complete and/or accurate data set, it will provide bidders with data assumptions for bid and pricing purposes. The Franchise Agreement would contain a mechanism to make adjustments/variations where data assumptions need to be adjusted after the procurement process has concluded. A residual risk would always remain, however, due to the involvement of third parties providing the necessary data or raising the legal challenge. The procurement process is discussed in more detail in Section 27 in the Commercial Case. To address the risk of insufficient bidders being attracted to bid for the Franchises, TfGM would utilise experienced advisors to determine the criteria that would be applied to the shortlisting process. Market engagement has been undertaken on the commercial franchising proposition during the development of the proposed scheme and pre-procurement market engagement would also be undertaken. The current proposal is for at least the initial procurements to be carried out under the negotiated procurement rules under the Utilities Contracts Regulations 2016 allowing some flexibility to ensure attractiveness to the market.	F008 F009 F013 F013a F014
Fares and ticketing		
The greatest impact of the fares and ticketing changes as covered in Section 48.3 Fares and Ticketing in Transition would be on the customer. There is a risk that operators increase fares or withdraw from multi-operator and multi-modal ticketing systems, before or during transition, to maximise profits. Incumbent large operators may start acting in an obstructive manner.	Communication and engagement with the customer would be a key mitigation and the approach to this is set out in the 'Reputational and public relations risks'. The design of the fares and ticketing strategy should seek to make obtaining a ticket simpler or better value than the current offering. This would be considered when the strategy is developed. There is little that the GMCA could do prior to franchising to mitigate the risk of operators increasing fares, as the GMCA or TfGM would be unable to influence with the pricing of commercial products. Once the relevant area has been franchised, the GMCA could seek to recover any patronage decline in the short-term through a marketing strategy, with promotional offers to attract passengers back to the bus service. It is unlikely that operators would withdraw from multi-modal or multi-operator ticketing schemes whilst they remain commercially attractive. However, as the Franchise procurement programme progresses, more passengers may migrate to TfGM tickets rather than GMTL tickets, particularly if these products were to become cheaper. This may decrease the remaining commercial operator's revenue from their own products and increase the risk of a withdrawal from GMTL/System One. Section 48.3 contains further detail on the approach to fares and ticketing during transition.	F003 F018 F112 F113
Performance regime		

Transition and Mobilisation Risks	MITIGATION	RISK REGISTER REFERENCES
During the first franchise period, there is a risk that the performance regime could be poorly calibrated. This could have an adverse effect on the service quality and cost of the franchises to the GMCA. There is also a risk of contractual disputes.	As set out in Section 25.3.8 of the Commercial Case, the performance regime would be calibrated based on best practice commercial principles. The ability to negotiate during the bid stage would enable the appropriate balance of risk and reward to be achieved through engagement with the bidders. Market competition would incentivise bidders to provide a competitive bid. The Contract drafting would also include a clear and robust Dispute Resolution Procedure (DRP). All roles and responsibilities would be clearly articulated for the DRP (and for those clauses that relate to an eventual termination) due to prior performance threshold being met. Communication with operators would be kept open and remedial action taken if the service quality is degrading. Early warnings/thresholds built into the performance regime will be used to encourage the parties to resolve ongoing performance issues, before service quality drops so significantly that termination of the contract may need to be considered.	F048 F048a F049

49 'Phase 2' Interventions

49.1.1 The Strategic Case and the Economic Case identifies a number interventions that if implemented would, based upon evidence from the TfL case study, address the factors that act as a deterrent to travelling by bus, and increase patronage forecast above those in the base case.

49.1.2 This section describes:

i. the impact of the intervention on the operating model; and
ii. how the GMCA would monitor the performance of the intervention.

49.1.3 To implement these measures would require a significant funding injection. Table 60 identifies potential additional costs areas as a result of the proposed 'Phase 2' Interventions.

Table 60: 'Phase 2' Interventions and Impact on GMCA

Intervention Group	Intervention Details	Potential Impact on GMCA Costs (Operating Costs and Capital Investment)
Network	**Additional links; routes or frequencies**: TfGM currently runs subsidised services on behalf of the GMCA that are permitted on routes where they are not competing with privately run services. Broader intervention could support the network in a more holistic way. **Further operating resource to improve reliability**: measures can be taken to improve reliability through adding extra operational resource with the objectives of improving the punctuality, regularity and reliability of services. This would improve the service to passengers and encourage use of bus as preferred mode.	Additional operator operating costs (mileage, fuel, drivers and maintenance) and additional investment in fleet. All interventions would incur additional survey and/or monitoring cost to ensure the benefits are realised.
Fares	**Fare measures**: Simplified, integrated fares are central to the main objectives for reforming the bus network, but there are some further measures that could be taken to make the bus service more attractive, such as fare reductions across the board or fare freezes. Reducing cash transactions on bus would speed up boarding.	Reducing cash transactions will reduce operating model costs (cash collection). There would need to be significant public engagement around either the contactless or Smart Card approaches to ensure that people can adapt.
Quality and Service Provision	**Fleet measures**: improving or changing the bus fleet can have a beneficial effect on the bus service. This can have benefits for passengers or for wider society in terms of environmental benefits. **Information and marketing**: further spending on the provision of information could improve patronage. It is particularly important in attracting non-users onto the bus services. **Use of technology**: while 'Mobility as a Service' is in its infancy there are some measures that could be taken that would make it more possible to integrate bus services better with other modes and offer a seamless mobility service.	Capital Costs - bus plus possible electric charging infrastructure Additional investment in IT Increased sales and marketing expenditure Investment in IT
	Enforcement and monitoring measures: these would be undertaken by various authorities and would have the objective of improving the speed and reliability of bus services (parking and bus lane enforcement; working with roadworks). **Waiting environment**: This could include quality and comfort of the infrastructure (e.g. bus shelters with sides, provision of seats etc.), personal safety (e.g. use of CCTV, extra lighting etc.) and ease of getting on and off the bus (e.g. raised kerbs, clearways, clearway enforcement etc.). **Investment in bus priority and wider infrastructure**: TfGM has invested in bus priority measures on behalf of the GMCA in the past and is likely to do so in the future. These measures would take the form of public investment in bus priority, QBC, BRT, etc.	Increased GMCA costs to centrally control road works across GM. Potential investment costs for enhancing or replacing GM RAPS. Further capital investment in physical infrastructure AND signalling changes and policy changes to give Bus greater priority. Potential additional operating costs to enforce measures. Capital investment and maintenance costs Capital investment and maintenance. Additional management costs

49.1.4 In addition, the incremental costs of implementing 'Phase 2' interventions additional resource will be required to monitor their impacts to ensure that:

i. the intervention has delivered benefits in line with the forecasts; and
ii. to ensure that the GMCA is able to demonstrate that the intervention offers value for money.

50 Conclusion

50.1.1 Franchising would require the implementation of a new operating model to deliver a number of new or enhanced capabilities and associated people, processes and systems needed to manage the associated risks and opportunities. The Management Case has identified that incremental resources of circa 102(gross)/57(net) people would be required to plan and manage franchising. The future operating model would include:

i. a core team to plan the franchised network and manage the franchise contracts; and

ii. a number of activities to support the core team. This would include additional resources for procurement, customer contact, revenue protection, asset management, finance and sales and marketing.

50.1.2 In addition to the above resources a number of systems have been identified to support the planning, procurement, management and monitoring of a franchised operation.

50.1.3 The transition to a franchised operation (people process and systems) will take approximately 3.5 years to implement following a mayoral decision to franchise. The GMCA has developed an implementation plan with the associated resources required to manage this transition, and this is aligned to the implementation of the three procurement tranches described in the Commercial Case. During this transition period the GMCA would recruit the long-term resources required for managing franchising.

50.1.4 There are a number of risks associated with the transition to franchising including operational continuity and mobilisation risks. Risk registers and mitigation plans have been developed to manage these risks.

50.1.5 Table 46 in the Financial Case identifies the costs of transition, including programme management costs, specialist advisers and contractors and the procurement and implementation of new systems. The costs include for business change activities required to embed the new operating model into business as usual operations. Table 46 also includes the ongoing annual operating costs of franchising covering people cost (salaries), systems and other operating costs.

50.1.6 All of the above demonstrates that TfGM would be able to manage the transition to an operation of franchising on behalf of the GMCA.

51 Part 2 - Partnerships

51.1 Introduction

51.1.1 The Management Case describes TfGM's planned operating model for the management of both partnership options and how it will manage the transition from the existing commercial market to a partnership based model for bus services on behalf of the GMCA.

51.1.2 The Management Case covers the following sections:

i. **The Future Operating Model for Partnerships** sets out the capabilities and requirements and the structure of the proposed operating model for the partnership options, along with associated resources, costs and risk management arrangements (Section 52);
ii. **Implementation and Transition** sets out how the GMCA would implement partnerships, including change management, transition resource, governance arrangements and the approach to benefits realisation (Section 53);
iii. **Management of transition risk** sets out how the GMCA would manage risk during the transition to a partnership model of bus operation (Section 54); and
iv. **'Phase 2' Interventions** sets out the potential impacts upon the partnership operating model as a result of the potential 'Phase 2' interventions (Section 55).
v. **Conclusion** summarises the Management Case for the proposed partnership options and confirms the GMCA's ability to manage the transition to an operation of franchising (Section 56).

52 Future Operating Model for Partnerships

52.1.1 This section details:

i. Introduction and Overview – sets out the context for a partnership operating model (Section 52.2);
ii. Operating Model Requirements – sets out the capabilities and requirements for the operating model (Section 52.3);
iii. Operating Model and Structure – sets out the structure for the operating models for both the Ambitious and Operator Proposed options of partnership (Section 52.4);
iv. Operating Model Cost and Resources – sets out the costs and resources for the operating model (Section 52.5); and
v. Ongoing Risk Management during Partnership – discusses the management of risk partnerships (Section 52.6).

52.2 Introduction and Overview

52.2.1 Under partnership models of bus service operations, the GMCA would have extended responsibilities, to ensure that the key benefits of partnerships, as set out in the Strategic Case and the Economic Case, are realised. For TfGM to successfully fulfil the GMCA's obligations, it will need to expand both its capability and capacity. The extent of change in TfGM will be driven by the extent and ambition of the partnership, and the willingness to commit resource – this is reflected in the management structure proposed later in this case.

52.2.2 TfGM's principle role in the partnership model on behalf of the GMCA would be to:

i. ensure the partnership mechanism maximises the achievement of the GMCA's objectives for bus (as set out in the Strategic Case);
ii. undertake the network planning and modelling with the operators to identify network opportunities that benefit the customer and reflect the strategic ambitions of Greater Manchester; and
iii. endeavour to ensure the appropriate integration of commercial and tendered services across Greater Manchester.

52.3 Operating Model Requirements

52.3.1 The future operating model defines the people resources and systems required for the GMCA to support the development of – and sustain – a partnership model of operation. The operating model requirements will depend upon the partnership mechanism employed i.e. whether it is an Operator Proposed Partnership or an Ambitious Partnership. The Strategic Case and partnership section of the Commercial Case contain further information on the partnership options under consideration and how their legal frameworks differ. The level of ambition that the partnership is willing to reach, will have implications on the level of resources and systems required to run the partnership effectively. However, based upon TfGM's engagement with operators, some informed assumptions have been made (see section 52.3.6), which have allowed TfGM to develop the resource and system requirements under a partnership, as discussed throughout this section.

52.3.2 Under a partnership model, the GMCA would work with the bus operators to maximise customer benefits through customer service, network and ticketing opportunities. However, the commercial risk remains with the operators. Therefore a key role of TfGM is to ensure the key outputs of the partnership are met to achieve the proposed benefits and maintain the partnership, in light of potential conflicting operator commercial risks.

52.3.3 The GMCA would also have a role in promoting a network rather than purely a service based approach when seeking opportunities to rebalance the network to address over and under supply issues.

52.3.4 While the commercial risk remains with the operators, TfGM would continue to manage the bus subsidy (levy fund) on behalf of the GMCA. Through a network based approach there is an opportunity to use the subsidy more effectively, resulting in a better customer offer than under the current commercial network. In order to achieve this, the operators would re-invest some of the efficiency savings that may be realised back into the network, subject to potential revenue growth.

52.3.5 Table 61 below details the required capabilities under a partnership that TfGM would need to obtain on behalf of the GMCA. The status column details whether this is an "existing" TfGM capability, a "new" capability that would exist under a partnership model, or whether it is an "enhanced" capability i.e. further developments building on what exists now.

Table 61: TfGM Capabilities for Partnership

AREA	CAPABILITY The ability to:	Status
Strategy	Forecast future requirements. Influence rather than merely reacting to external change. Inform long-term interventions.	Existing
Network Design	Optimise network design to maximise revenues and customer experience in line with meeting economic objectives. Seek opportunities to drive new demand.	New
Service Performance	Monitor the day to day performance and work with the partners and where appropriate to address issues that require multiple partner approaches e.g. congestion & punctuality.	Enhanced
Operations	Manage the day-to-day operation, liaising with other modes (internal). Manage disruption and recovery. Implement a regime of revenue protection Registrations for an EP	Enhanced
Customer	Develop measures to enhance customer experience	Enhanced
Sales and Marketing	Work with operators to promote the network and ticketing opportunities.	Enhanced
Risk and Assurance	Ensure that risks to the success of the partnership are effectively managed ensuring all partners are operating consistently and within the spirit of the partnership agreements.	Enhanced
Innovation	Drive continuous improvement through innovation.	Enhanced

52.3.6 The future GMCA resource for either the Operator Proposed Partnership or the Ambitious Partnership will integrate into the existing TfGM operating model. The four assumptions listed below have been used to develop the operating model requirements under a partnership, see also the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper*

(TfGM, 2019h) for further details on the operators position and modelling implications under a partnership. Under a partnership, the operators would be expected to:

i. invest their own resource in supporting the partnership;

ii. jointly fund some of the activities which support the wider partnership;

iii. comply with their obligations under the partnership to avoid contractual breach and to meet the standards of the partnership; and

iv. continue to manage key operational risks.

52.3.7 The GMCA's role is to ensure the partnership mechanism employed, maximises the achievement of the GMCA's objectives for bus. This will require the GMCA to invest in the partnership operating model. The GMCA would provide the correct level of resource to the bus Partnership Strategy Board, the Partnership Delivery Board and the Working Groups to ensure the standards of the partnership are met (see Section 53.5 for further details on partnership governance).

52.4 Operating Model and Structure

52.4.1 Based upon the requirements identified above, TfGM has designed a future operating model for the GMCA based upon the people, processes, systems and data required to support a partnership model of operation.

52.4.2 Under both the Operator Proposed Partnership and the Ambitious Partnership, TfGM identified a need for additional resource to manage and fulfil partnership requirements. As mentioned above and also in the Commercial Case, the level of resources required would depend on the level of ambition and resource committed to by all partners. Under an Ambitious Partnership, the level of governance would be heavier due to the increased regulatory requirements. The GMCA would provide dedicated resource to:

i. planning and modelling the impact of network development opportunities; and

ii. analyse the impacts and benefits of the partnership.

52.4.3 Under an Operator Proposed Partnership, the majority of the administration would be managed by TfGM on behalf of the GMCA. The TfGM Partnership Team required to operate the Operator Proposed Partnership is smaller than that required for the Ambitious Partnership due to the reduced scale of opportunity.

52.4.4 The partnership team is responsible for ensuring that all partners benefit from the partnership and that everyone operates within the terms of the Partnership Agreement.

52.4.5 The key objectives and activities of the TfGM Partnership team include:

i. maximising the achievement of the CA's objectives for bus;

ii. managing the partnership working groups that have been established:

- Congestion
- Network
- Fares and Ticketing
- Clean Air
- Customer

iii. preparing and circulating the proposed agenda for the Partnership Strategy Board and Partnership Delivery Board meetings, including any relevant reports or documents;

iv. ensure any TfGM specific measures of success that have been endorsed by the Partnership Delivery Board are met and monitored on a regular basis;

v. performing a bus network review, seeking opportunities to maximise the partner opportunities and enhance the customer offer;

vi. consider, along with the Highway Authority, any written proposals containing suggested infrastructure improvements as set out by the operators, and respond to the Partnership Strategy Board with any comments, and the extent to which the proposals can be implemented;

vii. working with other partners to promote the long-term success of the partnership model;

viii. managing the partnership governance (the extent and resource will be dependent on the level of ambition and commitment by all partners);

ix. undertaking registrations under an Enhanced Partnership;

x. engage with TfGM Transport Strategy, assessing medium and long-term opportunities; and

xi. ensuring that the subsidy is effectively invested in the network to maximise the benefits to customers.

52.4.6 Figure 21 and Figure 22 below show the proposed structure of the TfGM Partnership team for both the Ambitious Partnership and the Operator Proposed Partnership models.

Figure 21: Partnership future operating– Ambitious Partnership

Figure 22: Partnership future operating model– Operator Proposed Partnership

52.4.7 The roles and responsibilities of the partnership resources are summarised in Table 62 below:

Table 62: Summary of roles and responsibilities of the partnership resources

PARTNERSHIP RESOURCE	Responsibilities
Partnership Lead	Provide Leadership to the partnership ensuring opportunities are maximised and risk managed to ensure that the partnership is enduring. Manage the partnership board.
Partnership Manager	Management of the partnership working groups
Partnership Office/ Analysts	Analysing partnership performance data and report production, supporting the working groups and the partnership board.
Network Marketing Manager	Promoting and marketing network benefits to the customer.
Network Planning Manager/ Planners	Review the network to develop short and long-term partnership opportunities.

52.5 Operating Model Costs and Resources

52.5.1 Table 63 summarises the incremental cost of the future operating model. The costs show variation between the Ambitious and Operator Proposed Partnership options (see *Management Case Partnership Supporting Paper* (TfGM, 2019k) for supporting information and more detail). This reflects the level of input required to maintain each option and the level of potential benefits accrued. The costs are detailed in Table 46 in the Financial Case.

Table 63: Ongoing Operations Resources 2020 Onwards

ONGOING ANNUAL OPERATING COST FOR BUS FRANCHISING	Ambitious Partnership INCREMENTAL HEADCOUNT	Operator Proposed Partnership INCREMENTAL HEADCOUNT
Core TfGM Partnership activities additional headcount	**8**	**6**

52.6 Ongoing Risk Management during Partnership

52.6.1 Partnership would involve business change activity, although this would not be the same scale of change as under franchising. The risk register developed for the purpose of the Assessment in relation to partnership would become an active tool to manage risks on an ongoing basis.

Key risks

52.6.2 Section 54 outlines how TfGM would manage the key transition risks and mitigate the key transition and mobilisation risks on behalf of the GMCA. The key Commercial risks (transition and steady state) are outlined from Section 36.4.17 - 36.4.22 of the Commercial Case.

53 Implementation and Transition

53.1 Introduction and Overview

53.1.1 There will be a transition to the future operating model from 2020. The transition reflects the additional costs incurred to invest in systems (network modelling and business intelligence), to model, plan, develop and implement the Partnership network proposals and agree and introduce the partnership operating models, agreements and governance mechanisms. The transition resources are summarised in Table 64 and like the future operating model resources, show a variation between the two partnership options.

53.1.2 This section covers:

i. The Implementation Plan – sets out the plan to transition to partnerships (Section 53.2);

ii. Change Management – sets out how the Partnership will be implemented (Section 53.3);

iii. Transition Resource – sets out the resources required to implement a Partnership (Section 53.4);

iv. Partnership Governance – describes the governance arrangements of a partnership (Section 53.5); and

v. Benefits Realisation – sets out the approach to benefits management (Section 53.6).

53.2 Implementation Plan

53.2.1 The summary timeline for the completion of the implementation of the partnership is shown in Figure 23. These diagrams represent the roll out of the both the Operator Proposed Partnership and Ambitious Partnership models. The exact details of how the partnership would be implemented are not known and hence the timelines are indicative at this stage.

53.2.2 It is assumed the Operator Proposed Partnership could be concluded on within one month, as there has already been significant engagement with the operators and as outlined in part three of the Commercial Case, once the parties are in agreement over the terms of the VPA, the VPA can be implemented relatively quickly. Operators have committed to deliver any agreed improvements between 18 months and three years of the Operator Proposed Partnership (though some aspects of these timescales are conditional), with agreements to agree being confirmed over the period following implementation. Following this there would be a period of ongoing review.

53.2.3 For the Ambitious Partnership, as outlined in the Commercial Case this would require the implementation of Enhanced Partnership Plans and one or more Enhanced Partnership Schemes. These would need to be designed, published and consulted on. Therefore, it is assumed that an Ambitious Partnership could be concluded on within 12 – 18 months from the point of mayoral decision. It would be hoped improvements could be made more quickly following the conclusion of the partnership than the 18 months to three year timetable operators have indicated because much more of the detail would have had to be developed in order to make the Enhanced Partnership Scheme.

53.2.4 Details of the partnership implementation plan will depend on the level of commitment made by the partners. The key elements of the timeline are:

i. agreement of the level of commitment of the partnership;

ii. the phased implementation of the partnership;

iii. development of the TfGM Operating model, including required recruitment of TfGM staff;

iv. establishing the governance mechanism;

v. engagement with the operators to conclude on the Voluntary Partnership Agreement (Operator Proposed Partnership);

vi. designing, publishing and consulting on the enhanced partnership plans and schemes (Ambitious Partnership);

vii. the programme for the implementation of the systems projects;

viii. integration of the TfGM Partnership team into the existing bus BAU;

ix. joint TfGM and operator development of a Partnership network;

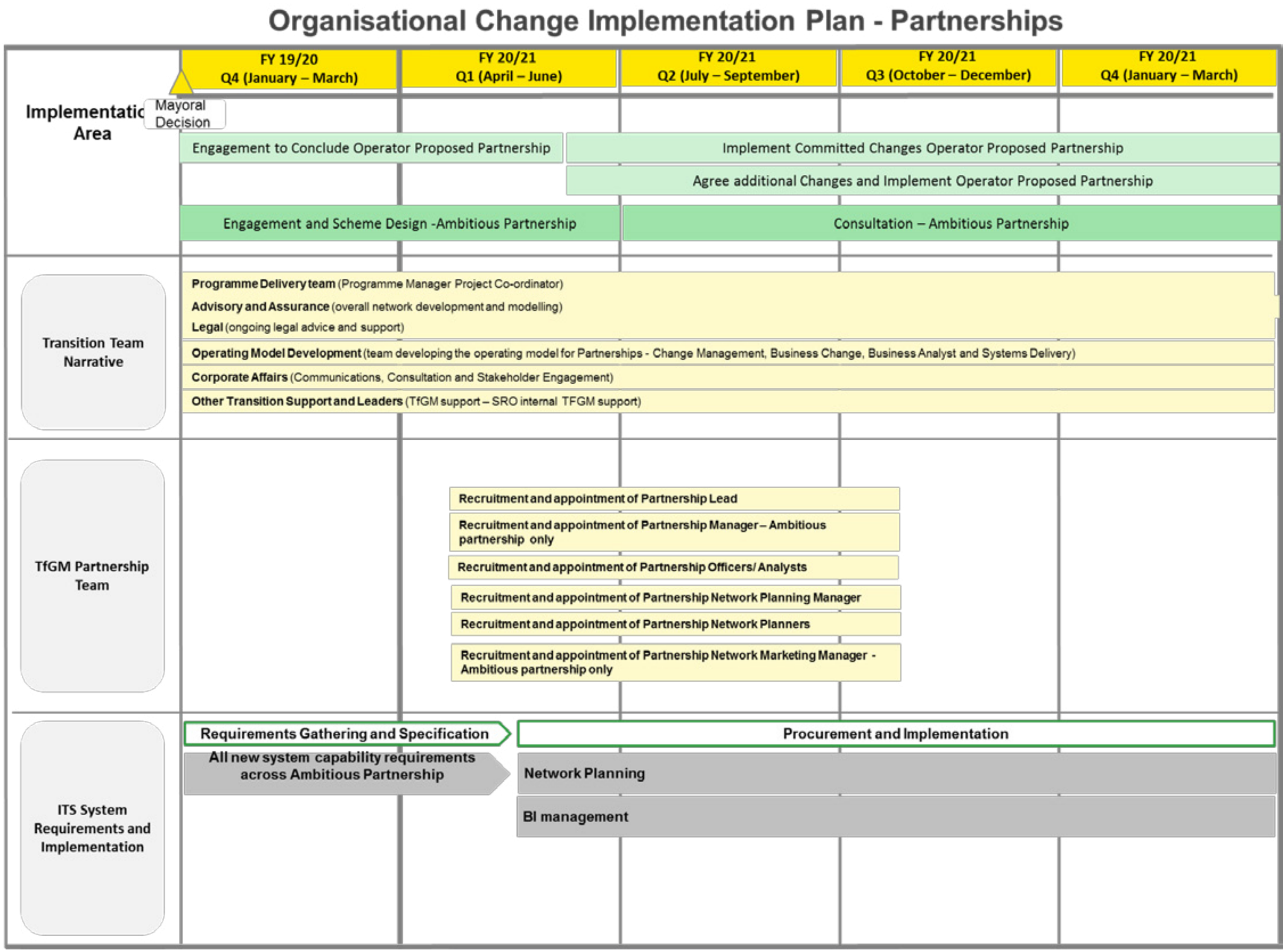
x. review of the current fares and ticketing products; and

xi. the roll out of the partnership network.

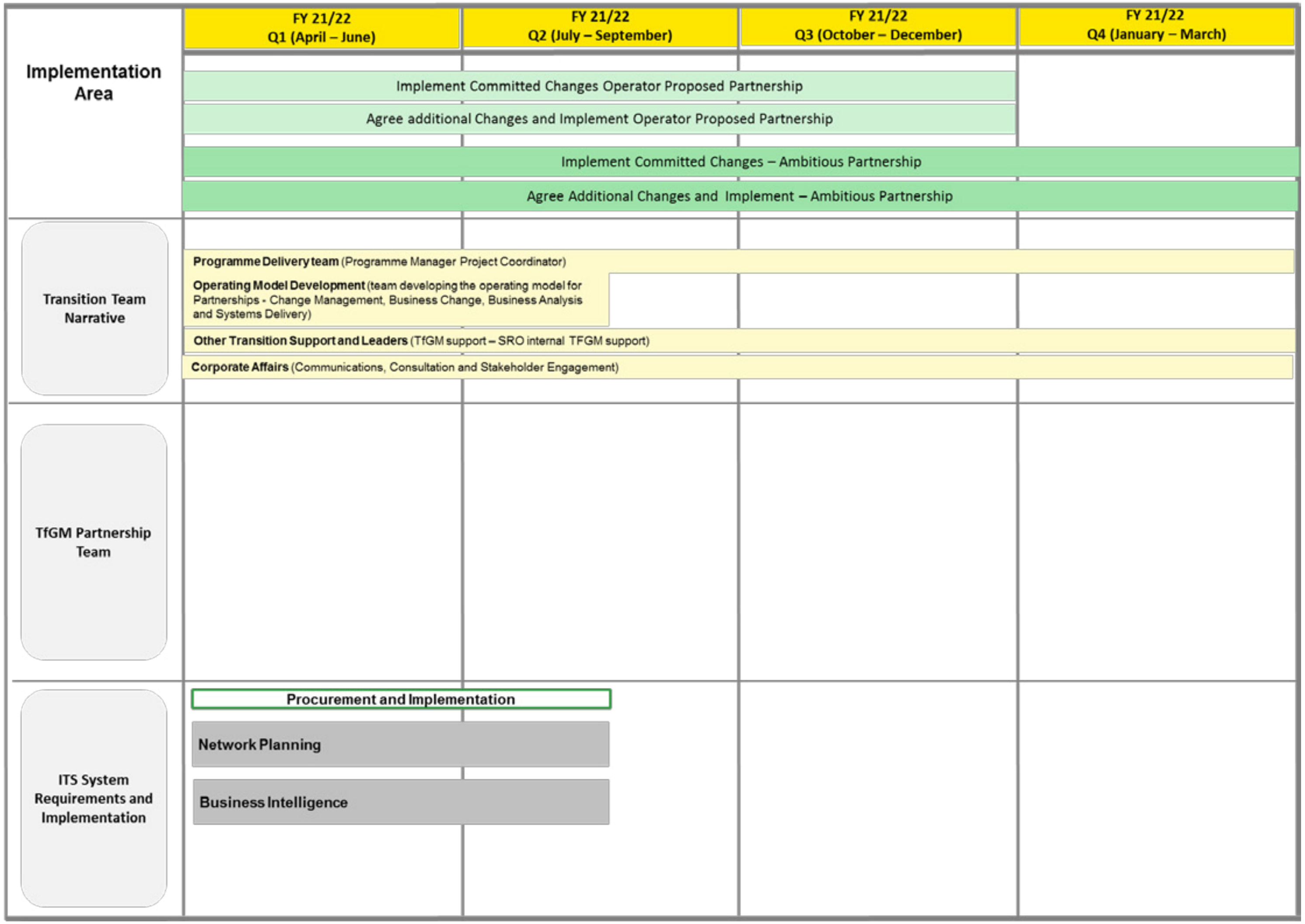
53.2.5 The existing bus BAU team would be retained to manage the subsidised network and monitor the existing commercial networks. The role of the partnership team is in addition to the current activities.

53.2.6 The size and role of the TfGM team would be reviewed as the partnership matures to assess if there are any changes required in the team to sustain the partnership or efficiency opportunities.

Figure 23: High level implementation plan



Organisational Change Implementation Plan



Organisational Change Implementation Plan

Implementation Area	FY 22/23 Q1 (April – June)	FY 22/23 Q2 (July – September)	FY 22/23 Q3 (October – December)	FY 22/23 Q4 (January – March)
	Implement Committed Changes – Ambitious Partnership			
	Agree Additional Changes and Implement – Ambitious Partnership			
Transition Team Narrative				
TfGM Partnership Team				
ITS System Requirements and Implementation				

53.3 Change Management

53.3.1 This section describes how the partnership will be implemented.

People capabilities

53.3.2 The people resources required to support a partnership would be deployed concurrently with the development of the preferred partnership option. Recruitment of the key resources to support the partnership would commence at the point of the Mayor's decision to proceed with a partnership.

53.3.3 The head count requirements for a partnership are outlined in the *Management Case Partnership Supporting Paper* (TfGM, 2019k).

53.3.4 The TfGM investment reflects that for partnerships to succeed on an enduring basis (and the economic benefits fully realised), additional, dedicated resources are required. The proposed level of investment recognises the need for Greater Manchester and the operators to invest in the partnership to increase the likelihood of success.

System capabilities

53.3.5 A limited number of additional systems capabilities are required to support a successful partnership. These include the ability to:

i. plan and model the entire network to assess new opportunities for the partnership;

ii. assess opportunities to maximise value for money/ to customers by optimising the use of the bus subsidy in conjunction with re-investment of an agreed amount of operator savings into the network;

iii. assessing the impact upon the network of various interventions;

iv. planning and modelling the impact of ticketing strategies; and

v. analyse ticket data, network and route performance to evolve the network.

Change Management

53.3.6 The growth in the TfGM team is not large but the new capabilities will need to integrate into the existing BAU team. The operating behaviours of all partners will need to change under a partnership scenario with a greater focus upon:

i. collaborative working between the partners (TfGM and operators) to manage risks and drive the success of the partnership;

ii. a bus network rather than service focus for bus operations; and

iii. a revised approach to the use of the Supported Network Subsidy.

53.4 Transition Resource

53.4.1 The transition resource for implementing a Partnership are detailed in Table 64. The costs are in Table 46 in the Financial Case.

Table 64: Transition Resources (2019-2020)

TRANSITION ACTIVITIES	Ambitious Partnership TRANSITION HEADCOUNT	OPERATOR PROPOSED PARTNERSHIP TRANSITION HEADCOUNT
Transition activities Project Management Office Stakeholder Management TfGM internal Operating Model Development Specialist advisor support during consultation and transition Legal advice for consultation, franchise procurement and business change	**15**	**14**
Systems requirements for transition Network Planning Business Intelligence Information Systems	**3**	**3**
Total	**18**	**17**

53.4.2 *Transition Systems costs*: these include the cost of procuring and developing business intelligence tools to analyse ETM data and network planning and modelling capability.

53.4.3 *Transition resource costs:* these are people costs using a combination of external contract resource and internal TfGM resource to support in the development of the operating model for the GMCA, people process and systems required to support partnerships.

53.4.4 *Other transition costs:* these include other costs such as legal advice, specialist advisors and interim network modelling and planning.

53.5 Partnership Governance

53.5.1 The governance process for the Operator Proposed Partnership has been further developed in the current Voluntary Partnership Agreement drafting. There would be two overall boards: the Bus Partnership Strategy Board who would meet on a quarterly basis, i.e. four times per annum, and a Bus Partnership Delivery Board who would meet eight times per annum. There would also be the following working groups: network, congestion and punctuality performance, fares and ticketing, fleet investment, customer experience and patronage growth, and an overall partnership steering group.

53.5.2 The Bus Partnership Strategy Board would be responsible for setting and implementing the strategy and objectives of the partnership in line with the policies of the Greater Manchester Mayor and Greater Manchester Combined Authority. This board would monitor and report on the performance of the network against the shared objectives as outlined in the Voluntary Partnership Agreement. The Bus Partnership Strategy Board would resolve any issues which cannot be resolved by the Bus Partnership Delivery Board, and would resolve any disputes escalated to the Strategy Board in line with the Voluntary Partnership Agreement. Members of the Bus Partnership Strategy Board would include the following:

i. Greater Manchester Mayor;
ii. Representatives from the GMCA;
iii. Representatives from TfGM; and
iv. Representatives from large, medium and small operators within Greater Manchester.

53.5.3 The Bus Partnership Delivery Board would be responsible for agreeing delivery structures and management for the partnership, reporting to the Strategy Board on the outputs from the working groups, and noting compliance with commitments in the Voluntary Partnership Agreement. The Bus Partnership Delivery Board will also monitor and endorse the Measures of Success for each working group on a quarterly basis (please see part two of the Commercial Case for further details on the Measures of Success for partnership). The Delivery Board will also be responsible for approving schemes, i.e. 'programmes' consisting of many projects, put forward by the individual working groups. Members of the Bus Partnership Delivery Board would include the following:

i. Representatives from TfGM / GMCA; and
ii. Representatives from large, medium and small operators within Greater Manchester.

53.5.4 The working groups shall meet on a minimum basis of once a month. They will be responsible for managing the collation of data and aggregate data for the purposes of the partnership such as performing networking and ticketing reviews. The working groups will also endorse the Measures of Success that have been established, including obtaining relevant information and monitoring performance against the Measures of Success. The Measures of Success that are delivered by the partnership should be used by the working groups to inform what they should focus on in future meetings. The working groups will also develop the scope of any approved schemes by the Bus

Partnership Delivery Board. Members of each working group would include the following:

i. Representatives from TfGM / GMCA;
ii. Representatives from large, medium and small operators within Greater Manchester; and
iii. OneBus representative.

53.5.5 The Voluntary Partnership Agreement has not yet been finalised and therefore as the level of detail and willingness of commitment from partners is established and developed further, the governance structure for the Operator Proposed Partnership will be further refined and elaborated.

53.5.6 For the Ambitious Partnership, whether or not this is established through an Enhanced Partnership mechanism, would require a greater level of governance to ensure compliance with the regulatory schemes.

53.6 Benefits Realisation

53.6.1 The approach to Benefits Management will be similar to that described in Section 47.5.

53.6.2 The Strategic Case identifies a number of outcomes that the GMCA is expected to achieve as a result of implementing partnership, which align to the wider outcomes of the *Transport Strategy 2040*. Benefits realisation is concerned with monitoring the achievement of those benefits, and ensuring that they are realised.

53.6.3 The measures that will be used correspond to the objectives set out in the Strategic Case. These will provide insight as to how far a reform measure is enabling the objectives of the GMCA to be met, and whether more action is necessary to be able to achieve these. A primary difference though will be that under a partnership option the GMCA would not have the same level of freedom to implement changes where required and this would have to be achieved through agreement with the partners.

53.6.4 A continuous supply of data will be required to track performance against each metric as well as an exercise undertaken to establish benchmark. TfGM will utilise data sources established to monitor revenue and service performance on behalf of the GMCA. As time goes on, objectives and associated metrics will be reviewed regularly (including as part of procurement rounds). The metrics will be agreed with the operators.

54 Managing Transition Risk

54.1.1 Transition would commence following a mayoral decision to implement a partnership model of bus operations. The key transition risks that the GMCA faces are:

i. prolongation of the transition to a partnership network due to inadequate resourcing of transition by TfGM and or delay in recruiting the permanent Partnership Team;
ii. reputational risk during transition managing customer expectations; and
iii. the lag between announcing a partnership approach to bus operations in Greater Manchester with the associated customer benefits and the time taken to deliver the partnership changes.

54.1.2 The prolongation risk and mitigation are discussed in Table 65 and have been costed in the risk register.

54.1.3 The transition costs recognise the potential reputational risk and additional costs has been included for extensive stakeholder, including bus customers, engagement.

Table 65: Key Transition Risk

KEY TRANSITION RISK	MITIGATION	RISK REGISTER REFERENCES
Reputational Risk		
Poor transition implementation of key changes (e.g. ticketing/ re-branding) impacts customers and causes significant loss of confidence in partnership to achieve a step change in Greater Manchester bus services. Small operators impacted and publicly lobby against position in relation to Partnership. Risk that all current stakeholder expectations (particularly political expectations) in respect of Partnership exceed the actual service proposals.	Production of a transition plan to be included within partnership agreement (to include clarity on rollout and funding). GMCA transition costs include for the support including stakeholder engagement and project management resource. As part of the development of partnerships an assessment of the impact on smaller operators would be undertaken and accounted for in any decisions made. TfGM stakeholder engagement including briefing politicians would be led by a TfGM Stakeholder Manager. Consultation documents and content would be managed to ensure that TfGM describes the improvements and changes clearly. TfGM customer contact would ensure that customer feedback and complaints are addressed. This would also give TfGM insight into any emerging issues.	PS001 PS002 PS003 PS004
Implementation Risk		
There is a risk that TfGM do not have the appropriate people and structures in place to manage the implementation on behalf of the GMCA. This could be as a result of a lack of change management leadership, poor engagement with staff, difficulties to recruit and/or retrain staff, insufficient planning for the organisational changes required and the associated costs, or lack of clarity over operator responsibility and TfGM responsibility.	In order to mitigate this risk, TfGM would minimise the number of new system implementations during transition and procure the implementation team and delivery programme as early as practically possible. TfGM would also have procured dedicated resources to support the development of the partnership. These resources would be a mix of TfGM staff and external support (to reflect the specialist nature of the skills and experience required).	P004 P014

55 'Phase 2' Interventions

55.1.1 The types of 'Phase 2' Interventions identified for franchising would be adopted where possible for a partnership – see Section 49.

55.1.2 However some interventions would be more challenging to implement and in some cases not possible due to legal or commercial reasons.

55.1.3 To implement the interventions would require changes to be made to the partnership agreement or separate complementary agreements to accommodate the change. This would be undertaken by the TfGM Partnership Team and overseen by the Partnership Strategy Board.

56 Conclusion

56.1.1 Both the Operator Proposed and Ambitious options of partnership would require the implementation of a new operating model to deliver a number of new or enhanced capabilities and associated people, processes and systems needed to manage partnerships on behalf of the GMCA and with the operators. For each partnership option, the Management Case has identified that incremental resources of circa 6 (Operator Proposed) or 8 (Ambitious) people would be required to jointly plan, manage and govern the partnership. The future operating model would include resources to:

i. develop the network

ii. govern the partnerships

iii. implement customer benefitting measures and

iv. promote partnership network opportunities

56.1.2 In addition to the above resources, a number of systems have been identified to support the planning of the network and analyse patronage data.

56.1.3 The transition from the current operation to a partnership model will take between 1.5 months and 2.5 years to implement. The GMCA has developed an implementation plan with the associated resources required to manage this transition. During this transition period the GMCA would recruit the long-term resources required for managing a partnership.

56.1.4 There are a number of risks associated with the transition to a partnership. Risk registers and mitigation plans have been developed to manage these risks.

56.1.5 Table 45 in the Financial Case identifies the costs of transition including programme management costs, specialist advisers and contractors and the procurement and implementation of new systems. Table 52 also includes the ongoing annual operating cost of partnerships covering people cost (salaries), systems and other operating costs.

56.1.6 All of the above demonstrates that TfGM would be able to manage the transition to and operation of partnerships jointly with the operators on behalf of the GMCA.

Review and Conclusion

57 Introduction

57.1.1 This section reviews the information presented in the Assessment and compares the different options for reforming the bus market. It provides a basis for a conclusion as to whether the Franchising Scheme would be appropriate for Greater Manchester. It sets out:

i. the case for change for action to reform the bus network in Greater Manchester;

ii. the options considered;

iii. how the options compare in terms of the objectives of the GMCA for improving the bus service in Greater Manchester;

iv. the effects of the options on different groups in society; and

v. a conclusion considering the different options against criteria set out in section 123B of the 2000 Act.

58 The Case for Change for Action to Improve the Bus Service in Greater Manchester

58.1.1 The Assessment shows that there is justification for intervention in the bus market. As set out in the Strategic Case at Section 5, bus travel is a vital part of the transport mix in Greater Manchester, but both bus patronage and bus mileage have been in decline and this is set to continue. The forecast for the future of the bus market is that bus patronage will continue to decline, from around 190m in 2017/18 to 140 million in 2040 and closer to 130 million by the end of the appraisal period in 2050.

58.1.2 This forecast was produced by looking at the factors that are likely to affect bus patronage in the future and modelling what the effects of these factors is likely to be. The factors include aspects of the bus service itself – for instance fares charged and the scale of the network; exogenous factors such as changes to population and employment or car ownership levels and levels of congestion; and what is happening to competing modes of transport such as Metrolink and rail.

58.1.3 In February 2019 FirstGroup announced the sale of its Queen's Road depot and operations to Go-Ahead. This has the potential to cause some further disruption and change to the current bus market: the Strategic Case contains some analysis of this and its effect on competition at Section 6.3. Given the profitability of the part of the firm whose operations Go-Ahead are taking on, and the fact that further sales of FirstGroup operations cannot be ruled out, it is likely that this will result in some change to the market in terms of the offer of routes, fare structures etc. However, it is not clear that this will alter the overall forecast of bus patronage, or how it would do so.

58.1.4 The GMCA has Policy 23 in its Local Transport Plan, the *Transport Strategy 2040*, to implement its 'Vision for Bus', and it also contains other policies that mean that the bus market needs to improve its performance, for instance promoting integrated fares and 'Mobility as a service' (Policy 2). The *Draft Delivery Plan* contains a target to increase the percentage of trips taken in Greater Manchester by non-car modes from 39% to 50% by 2040 in the context of an overall increase in the number of trips taken in Greater Manchester because of population and employment changes. The Right Mix pathway to reaching this target means that bus would need to play a stronger role in 2040 than the current forecast implies with bus passengers taking at least 172 million trips as opposed to 140 million in the current forecast. Despite the uncertainty inherent in both the forecast of patronage and in the Right Mix pathway, it is clear that the current trajectory of bus patronage will mean that without action the GMCA's objectives for the public transport system in Greater Manchester are unlikely to be met.

58.1.5 The Assessment shows that there are range of identifiable issues with the bus service in Greater Manchester where improvement could be made, and areas where passengers would like to see a better service. Some of these derive from the nature of the market as set out in Section 6.3 of the Strategic Case, which could be described as imperfectly competitive – not delivering a fully competitive market but affecting the efficiency and integration of the network, the extent to which socially and economically useful services are provided, and the complexity of fares and ticketing arrangements. These issues are reflected in the improvements that customers say they would want to see to the bus network, set out at Section 6.3.

58.1.6 This assessment of the bus market has allowed a set of objectives to be derived for improving the bus service and for achieving the GMCA's overall objectives for the transport system in Greater Manchester. They are set out in detail with the reasoning behind them at Section 7 of the Strategic Case, and summarised below as part of the assessment of how effectively the options would achieve them below.

59 The Options Considered

59.1.1 Given the nature of the issues with the Greater Manchester bus market, it is considered that the intervention to improve the bus service should cover the whole market both in terms of geography and in terms of the potential issues it can address. As set out in Section 8.2 of the Strategic Case, this means that the two potential interventions to be considered are a Franchising Scheme and a partnership involving the incumbent bus operators and the GMCA. There are also a range of 'supply side' spending interventions such as bus priority measures, but these should be considered in the context of the overall, whole market, interventions. The interventions are summarised below.

Do Minimum

59.1.2 This would leave the network in the current state without further intervention. The decline in the network would be expected to continue. This will have adverse consequences for Greater Manchester: congestion would increase and potentially slow economic growth and the potential to spread prosperity more widely, and the mobility options for the citizens of Greater Manchester would be reduced. This would also have financial consequences for GMCA, as the decline in the network would mean that it would come under pressure to increase spending on supported services to help maintain the network.

Partnership

59.1.3 Partnerships between bus operators and transport authorities mean that measures can be mutually agreed that benefit the service as a whole and allow passengers, as well as individual operators to benefit. Statutory partnerships allow for agreement in areas (such as fares or networks) which would otherwise be difficult in compliance with competition law and state aid rules. This allows the bus service in an area to benefit from some aspects of co-operation while leaving 'on-road' competition in place.

59.1.4 New powers in the 2000 Act (following the introduction of the 2017 Act) allow for a stronger partnership, the Enhanced Partnership allowing agreement on more issues than previous legislation. It also allows for greater enforcement of agreements and would apply to a whole area rather than to operators who joined the partnership. TfGM undertook extensive engagement with bus operators in Greater Manchester on what they would see a partnership agreeing and what type of governance measures a partnership could contain.

59.1.5 Operators indicated that they would see a partnership governed by a Voluntary Partnership Agreement (VPA), and discussions indicated the ways in which the partnership could be used to address the objectives identified by the GMCA. Operators indicated that they did not want to use the new form of partnership – Enhanced Partnership, enabled by the 2017 Act, which would allow a wider range of actions to be taken. How the partnership would work and how it would address the GMCA's objectives is set out in the Strategic Case at Section 8.5, and the way that this is modelled is set out in the Economic Case at Section 15. Here, and elsewhere in the Assessment, the main partnership option assessed is that which has emerged from discussions with operators – the Operator Proposed Partnership. An Ambitious Partnership option has also been examined, to show how a partnership might go further in achieving GMCA's objectives.

The Franchising Scheme

59.1.6 As set out in the Strategic Case at Section 8.4, the Franchising Scheme would change the market structure from a deregulated market to one where the bus services run would be those specified by the GMCA, and private sector operators would compete for franchise contracts to run these services. The GMCA would take revenue risk, collecting money paid for fares and other sources of revenue to pay operators for running the service. The effect of franchising as a market intervention is to replace the imperfect on-road competition in the market with competition *for* the market, which brings the benefits of competition but also allows for the integration of the public transport system and the benefits to passengers which result.

59.1.7 Section 8.4 of the Strategic Case sets out how the Franchising Scheme would aim to address the objectives of the GMCA for the bus network in Greater Manchester, covering the network, fares, customer service and value for money.

Further 'Phase 2' spending measures

59.1.8 Neither form of partnership nor the Franchising Scheme is able to make all the changes that would be desirable in making the bus network more attractive to customers and improve its effectiveness. For instance, while some changes that improve safety would come under the reform options, they do not represent a significant change from current efforts made by operators and the GMCA in partnership with the police.

59.1.9 Outside of measures central to the two 'do something' options considered, TfGM also consider additional supply side measures, and spending further money that would aim to improve different aspects of the service. The range of these measures is set out at Section 8.6. Some of these are likely to be undertaken in a Do Minimum option – such as bus priority measures – but others would be enabled or facilitated by the different 'do something' interventions of partnership and the Franchising Scheme.

60 Assessment of Options against Objectives

60.1.1 This section sets out the extent to which the different options are likely to achieve the objectives set out above at Section 7. Given that these objectives are derived from the GMCA policies in the Local Transport Plan (*Transport Strategy 2040*) and other adopted policies, achieving these objectives can be considered to show the extent to which the different options would contribute to the implementation of those policies.

60.1.2 Where timings are given in this section, it is assumed that these will be from the introduction of an intervention – this will vary between the different options, although given the processes involved there will be an interval before either are fully implemented. For the Franchising Scheme, this is taken to be when the whole of the scheme is implemented across Greater Manchester as a whole.

60.1.3 This section incorporates material and insight from all five cases in this Assessment in order to support the conclusions that are drawn.

60.2 Network

1. Reach and stability of the bus network
Objective
• Comprehensive network • Simple network • Frequent services • Direct services • Stable network • Responsive network Accessibility improves by comparison to the scale of the network within 3 years; continued improvement to 2040. Improvement in simplicity of the network within 3 years of intervention.

60.2.1 **Do Minimum**: network design and planning would continue to be led by the commercial operators. The commercial operators would plan services and timetables to maximise return on investment and to protect their market. Without intervention, the current downward trend in terms of network mileage would continue, making the bus network less accessible – this would lower frequencies and fewer routes.

60.2.2 It is not anticipated that any improvement in accessibility would occur, or improvements to how comprehensive, simple, frequent and direct the service is. In fact, the forecast decline in bus mileage is likely to reduce accessibility in the future. This would create financial pressure for GMCA to increase spending on tendered services to compensate for the mileage which was lost. No more services would be put on that would serve a social need that did not already exist.

60.2.3 **Partnership**: Under the Operator Proposed Partnership, operators would retain the responsibility for network design and planning. Operators have agreed there would be a network review process that would have the objective of improving access to the network but would be subject to limitations as resource would not be redeployed between areas or between operators. A network review process would take place, likely brokered by TfGM on behalf of the GMCA, though the extent of change driven this process is uncertain and likely to be limited.

60.2.4 The network is unlikely to change significantly from the current network, and as operators will continue to compete in some areas, the network will not be simplified or made more integrated by this review process. Thus, the ambitions on the network being more comprehensive, simple, frequent, direct, stable and responsive would not be met. It is unlikely that the network would be significantly more accessible or simple within three years. It is not possible to forecast the measures such as Greater Manchester Accessibility Levels (GMALs).

60.2.5 An Ambitious Partnership could in theory deliver more in terms of network changes than current proposals, especially if the constraints of geography and trade-offs between operators were relaxed. Doing so would mean that an operator would need to potentially give up or change some routes and accept results in shifts in market share, at least at a local level which they are not currently prepared to do. Continuing competition would mean that this would still be a limited exercise and this would limit the extent of changes that could be agreed, but there is scope to go further than operators have currently indicated.

60.2.6 Changes under an Ambitious Partnership could deliver greater accessibility of the network and more integration of the bus network within the timeframe specified, though integration with other modes might be more limited. In terms of services that have a strong economic or social benefit but are not commercially viable, operators have suggested that some funding could be provided to services that the GMCA would wish to support, or services that the GMCA are no longer able to support given funding cuts. However, any funding would need to come from savings resulting from the partnership or other actions by the authority such as reducing congestion. No mechanism for verifying savings and distributing funds has yet been identified. Operators have proposed committing to evening and weekend services for daytime services of a sufficient daytime frequency. However, operators have indicated that this is limited by commercial viability of the individual departure and does not represent a significant change from the status quo, where viable evening services are run by operators.

60.2.7 **The Franchising Scheme**: the ability of the GMCA to control the network planning process without the constraints of preserving an individual operator's routes, market share or profitability would enable a greater degree of improvement than a partnership. As set out in the Economic Case, resources would be deployed to further the objectives on a whole-network basis as opposed to the constraints on what could be achieved in a partnership, which would lead to greater benefit. The decision-making process for a franchised service (described in the Strategic Case) would mean that the network objectives were considered alongside the profitability of routes, potentially leading to longer-term improvements in access and integration.

60.2.8 The network design work presented in the Economic Case modelled initial changes that could be made, and these are more extensive than those likely under even an Ambitious Partnership. This means that is it likely that more would be achieved in making the network more comprehensive, simple, frequent, direct, stable and responsive. Greater changes are likely to lead to a more comprehensive network – facilitating convenient access to where people want or need to travel (work, education and training, shops, leisure, healthcare, etc.), when they want or need to travel.

60.2.9 Changes to the network modelled in the Economic Case which would improve accessibility (compared to the scale of the network) are introduced over the early years of the Franchising Scheme, and so there would be improvement within three years. Significant changes, such as the introduction of new routes or the withdrawal of others, would be subject to a process that would involve consultation. In contrast, more minor changes such as when services run or which stops they alight to would not be subject to the same process and could take place more quickly. Even during a process of change, because such changes would be planned, subject to consultation and introduced at set times there would be an improvement in stability compared to the current market, where each individual operator introduces changes they decide on when they decide to.

2. Integration and efficiency
Objective
• Integrated within itself, planned as a single network within one year of intervention. • Efficient deployment of bus resources, with frequencies appropriate to demand levels • Integrated with other transport, particularly public transport Improvement in measures of efficiency within three years of an intervention Benchmarking of GM network by 2040

60.2.10 **Do Minimum**: The network would not change in terms of its how it responded to demand, and nor would stability and customer confidence be enhanced. As set out in Section 6.3 of the Strategic Case the network currently suffers to some extent from inefficiency and a lack of integration, and the existence of competing individual networks means that this is likely to continue.

60.2.11 **Partnership**: the network review process envisaged in the current Operator Proposed Partnership has some potential to improve the integration and efficiency of the network (with itself and other modes). The limitations placed on this exercise mean that the ability to overcome the network issues set out in the Strategic Case and to make improvements will necessarily be limited. The network would not, however, be planned as a single network but still remain composed of multiple networks, so the objective of changing the integration of the network and its planning as a single network within a year would not be met. Any improvements that could be agreed would take time to work through and discuss among all of the different operators and the GMCA.

60.2.12 The modelling forecasts set out in the Economic Case Section 14.4 show benefit to passengers from the network changes is thought to be possible under the different options. This gives an indication of the ability of the different options to improve efficiency as this results in greater benefit to passengers for the same level of input. Given the limitations placed on network changes, there was not seen to be a clear monetizable benefit from the changes under an Operator Proposed Partnership. Benchmarking of this at a later date (such as 2040) is unlikely to show significant improvement under current proposals.

60.2.13 It is possible to envisage a partnership that would take a more ambitious approach to changing the network, but, as set out above, this would necessarily still be limited as would the level of integration possible. As part of the modelling, an Ambitious Partnership option was modelled where a greater degree of changes were included. The benefit to passengers from such changes to the network was £12 million although the limitations placed by incumbent operators on what may be agreed indicate that this scale of change is not currently possible under a partnership. Benchmarking at a later date would potentially show some improvement compared to the Operator Proposed Partnership. As with the Operator Proposed Partnership, the network would not be planned as a single network.

60.2.14 **The Franchising Scheme**: the network planning process would look to balance objectives including meeting social and economic need as well as developing a more efficient network. The network exercise described in the Economic Case at Section 14.2 was one that redistributed resources to better match supply and demand and therefore benefit passengers. The areas for improvement included improving the coordination of services on shared corridors, the removal of service variants and re-routeing services within corridors to redistribute resources from over-bussed sections to poorly served areas. The planning process would plan the network as a single network immediately upon the introduction of the Franchising Scheme.

60.2.15 It would be possible to introduce changes under the Franchising Scheme, making use of the ability of the GMCA to plan services without reference to the limitations of network design in the deregulated, competitive market. The modelling forecasts benefits to passengers from the redesign of the network under the Franchising Scheme of £51 million. Benchmarking at 2040 is likely to show a greater degree of benefit from the modelling of changes to the scheme than would be possible under either partnership option.

60.2.16 An integrated and cohesively planned network would also aid the implementation of a MaaS offering for Greater Manchester. It would improve the ease of interchange between different bus services and buses and other modes. As potential new services such as new forms of DRT evolve with technology, TfGM would seek to use these to provide a stronger mobility offer for travel in Greater Manchester, combining them with fixed route public transport services.

3. Quality of service provided – reliability of the service
Objective
A high standard of reliability (whether the services run) punctuality (whether scheduled services are on time) and regularity (whether frequent services come at the stated intervals) is maintained across the network. Reliability, punctuality, regularity of services improves within three years of an intervention; improvement continues year on year. The bus service provides journeys that take as short a time as possible given the distance and the nature of the journey. Speed of bus journeys stabilises or improves in each year; no deterioration within three years of intervention.

60.2.17 **Do Minimum**: the commercial incentives of the bus operators would continue to determine their approach to improving performance. Punctuality and reliability would continue to be objectives for bus operators whose passengers value these attributes, and Traffic Commissioner standards would still apply. Measures to tackle congestion would be taken forward irrespective of any reform to the bus network so there may be improvements to punctuality and reliability that come from such measures. Allowance has been made in the financial modelling for increased resources required to maintain standards with increasing congestion, using DfT's forecasts of congestion.

60.2.18 Existing mechanisms such as the enforcement of priority lanes would continue, along with network monitoring, through analysis of the Punctuality and Reliability Monitoring System (PRMS). The current mixed standards of reliability and punctuality are likely to continue unless other action is taken. No improvement is anticipated in reliability and journey speeds would be likely to continue to decline. The enforcement regime through the Traffic Commissioner would continue.

60.2.19 **Partnership**: it is likely that a series of targets for punctuality and reliability would be agreed upon as part of the current Operator Proposed Partnership. There would be a remedial plan process if operators were to fall short of any targets that would be set. It is not yet determined whether there would be any form of penalty regime. It would be up to operators to determine how to meet such targets and their level of commitment to them. As such a great improvement in reliability, punctuality and regularity of services is unlikely within three years of the introduction of the partnership, or in future years.

60.2.20 Improvements to punctuality would be limited to those achievable by operators running an efficient and effective service. There would be further measures that the GMCA would take to tackle congestion, such as bus priority measures or parking enforcement. These would be considered in terms of their own effectiveness and value for money, but the Operator Proposed Partnership may contribute, potentially by operators agreeing in the partnership to use facilities provided. It is also envisaged that the partnership would be able to contribute to better prioritisation and design of any infrastructure investments made. This may help to stabilise the speed of bus journeys in the three years following the introduction of a partnership, and in future years.

60.2.21 An Ambitious Partnership could potentially have a stronger remedial process than under current proposals, although it not clear what this would look like or whether there could be some form of penalty regime, although this would remain effectively voluntary. It is unlikely to have a great effect on the achievement of this objective.

60.2.22 **The Franchising Scheme**: consistently high standards of reliability and punctuality would be incentivised through each franchise's performance regime, which would financially incentivise the achievement of targets for reliability and punctuality.

60.2.23 Improvements to punctuality would be limited to those achievable by franchise operators running an efficient and effective service in response to the incentives in their contracts. It is not assumed that the Franchising Scheme would mean more external funding for measures to improve punctuality and reliability. This means that the introduction of franchising alone is unlikely to see a step-change improvement to reliability, punctuality and regularity, but by eliminating poor performance it would be likely to improve these aspects of the service within the first three years following introduction, and in future years.

60.2.24 The commercial arrangements would ensure that operators were incentivised through franchise contracts and it could be expected to see an improvement in consistency and therefore in the overall level of punctuality and reliability. The contractual enforcement mechanism would be more effective than a partnership in raising reliability standards, and this is likely to bring up standards for the whole network. However, without further resource dedicated to reliability, it is unlikely that the Franchising Scheme alone would make a dramatic difference to reliability.

60.2.25 Similarly, under the Franchising Scheme, is not assumed that there would be a step-change in the speed of journeys in the three years following introduction. Close linking of potential infrastructure for bus priority may help journey times, which would help to stabilise bus journey times during this period and in future years.

4. Harmful emissions from buses are reduced and CO_2 emissions from buses are reduced.
Objective
Harmful emissions such as NO_2 and particulate matter together with CO_2 from buses are reduced. All buses are Euro VI standard or better sooner than the current predicted date of 2030 (including alternative fuel) across GM, with an aim of achieving it by 2024 (the date GM anticipates meeting the legal limits for NO_2) All buses should conform to any required standards of a CAZ to the extent that this is implemented.

60.2.26 **Do Minimum**: A general improvement in environmental standards would be expected as the industry continues to reduce harmful emissions through manufacturing improvements, technology and government initiatives. Under the current trajectory, all buses will be Euro VI standard (or better) by 2030, through natural replacement (although the rate of replacement has slowed in Greater Manchester over the past two years). Operators would be expected to take advantage of any available government funding (as they have done in 2019), but the speed of uptake will be influenced by commercial factors. If further funding becomes available and is taken up, this may bring forward the date when all vehicles are Euro VI compliant.

60.2.27 As set out in Section 4.2.25 the Clean Air Plan OBC proposes a draft package of measures that complies with the Government guidance for tackling NO_2 emissions including a charging CAZ for various vehicle types, including buses, across Greater Manchester from August 2021. Buses that do not reach Euro VI standard would need to pay a daily charge to enter the zone. If such a scheme comes into effect, operators would have to choose whether to upgrade vehicles, purchase new vehicles, pay the charge or withdraw the service on a commercial basis. It is not possible at this stage to predict the outcome of these decisions, noting that the Clean Air Plan OBC requests that Defra provide funding to upgrade the bus fleet, where possible, to meet these standards so that all buses would conform to the required standards when the CAZ is implemented. However this is still subject to Ministerial decision.

60.2.28 **Partnership**: the Operator Proposed Partnership includes a commitment to 150 new vehicles for the first three years of the life of the partnership although this is broadly what would be achieved in normal operations through natural replacement of vehicles as they end their useful life. They have also committed to reducing average fleet age during the life of the partnership to seven years although they have indicated that such any changes to this trajectory would be down to individual operators and no specific detail has been provided on how such a commitment will be delivered. TfGM's analysis suggests that to achieve this would require a greater of level of new vehicles per year than proposed above. Operators are currently engaging with Government and bidding for funding available to invest in ultra low emission vehicles, and have been successful. Reference has been made to implementing four zero emission corridors, (but is 'subject to available funding') and operators have not been able to provide any detail to support the reference. Nothing in the current partnership discussions would therefore bring forward the date of a 100% Euro VI compliant fleet significantly from 2030, though as noted above if there were funding available (through specific Government funds for ultra low emission vehicles or the Clean Air Plan OBC funding request) or further commitments made as part of clean air discussions this would bring the date forward. Without such funding or commitments it is extremely unlikely that the partnership would meet the objectives of all buses being Euro VI standard or better sooner than the current predicted date of 2030 (including alternative fuel) across GM, with an aim of achieving it by 2024. However partnership could stimulate a programme of investment in vehicles that would improve on the Do-Minimum option. Equally the current commitments would not mean that all buses would conform to any required standards of a CAZ to the extent that this is implemented. Therefore, as with Do-minimum operators would face a choice of upgrading or buying new vehicles, paying a charge or withdrawing a service.

60.2.29 Co-operation with the GMCA on taking advantage of Government initiatives might be agreed through partnership governance. Such co-operation has been undertaken in the absence of such a partnership. Any improvement in public transport patronage that involved mode-shift from car would improve air quality and reduce CO_2 emissions. The modelling forecasts that the Operator Proposed Partnership would reduce car km by 3.2 million trips per year.

60.2.30 Further measures under a partnership could include a roadmap for the move to alternative fuel vehicles that would have zero, or ultra-low emissions. An Ambitious Partnership could go further and include either minimum standards for fleet as part of an EPS or stronger commitments to invest in new vehicles to improve air quality or reduce CO_2 emissions. Any improvement in public transport patronage that involved mode-shift from car would improve air quality and reduce CO_2 emissions. The modelling shows that a more Ambitious Partnership would increase patronage and hence reduce car km by 4.1 million trips per year.

60.2.31 **The Franchising Scheme**: under the Franchising Scheme there would be a maximum age for buses to operate and a maximum average age for the fleet used by operators. This would mean that the rate of replacement would need to be kept up, ensuring newer technologies (especially Euro VI) were introduced, and that the average age of the fleet would not increase over time. Initially this would be the age of the current fleet in Greater Manchester. If the Clean Air Plan OBC's request for funding is successful then this would be applied to vehicles in the franchise (to the extent that vehicles had not been upgraded prior to the implementation of franchising) Whether under a Do-Minimum, Partnership or Franchising, the Clean Air Plan FBC would consider options including other funding sources if the request for funding is not successful. If other Government funding became available e.g. for low-emission vehicles, TfGM would apply as the operator for this funding on behalf of the GMCA to cover the whole of Greater Manchester. TfGM would establish a roadmap for the move to alternative fuel vehicles that would have zero, or ultra-low emissions.

60.2.32 The GMCA could, through franchise agreements, impose tougher standards on emissions, or even look to increase the proportion of the fleet that runs on low carbon technologies; this would bring forward the date on which all buses were Euro VI compliant. No funding has been identified for such initiatives, but the GMCA would be open to proposals as part of the procurement process. While it would be possible for the GMCA to specify the fleet used for franchises, no further funding has been assumed that would reduce the age of the fleet or introduce electric vehicles and dramatically change its current performance.

60.2.33 The Franchising Scheme would therefore give GMCA tools to bring forward the date on which all buses were Euro VI compliant, but would not in itself ensure that this happened before 2030 as this is dependent on further funding as noted above. If the proposed CAZ were to be introduced, the GMCA would determine whether to ensure all buses were compliant or pay the daily penalty. It is however more likely under the Franchising Scheme that the objective of all buses conforming to any required standards of a CAZ to the extent that this is implemented would be met as GMCA is more likely to require that buses meet the required standards than pay the charge and therefore would need to look to see if this could be funded.

60.2.34 Any improvement in public transport patronage that involved mode-shift from car would also improve air quality and reduce overall CO_2 emissions. The modelling shows that, as the Franchising Scheme has the greatest effect on reducing car km, of 13.4 million trips per year.

60.3 Fares and Ticketing

5. Integrated and simple fares
Objective
The fares system is simple to understand and convenient to use: • Period tickets should be valid on any bus service within one year of an intervention. • There should be equivalent period tickets covering bus and Metrolink within one year of intervention and, in time, local rail services in Greater Manchester. • Single fares should be standardised so that there are similar fares for similar journeys within one year of intervention.

60.3.1 **Do Minimum**: policy on fares and ticket types on the bus network would continue to be determined by the commercial operators. The current range of fares and ticketing products would be retained. The individual operators would determine the pricing of their tickets and continue marketing their own individual products. Operators could further expand multi-operator ticketing or introduce different areas or zones for such tickets under the GMTL arrangements or otherwise through a Ticketing Scheme Block Exemption compliant ticketing agreement. Little further progress would be expected toward integrated and simple fares.

60.3.2 **Partnership**: Under any partnership scheme, individual operators would continue to determine their fares and the marketing of their own individual products. Operators might choose to go further than they currently do toward integrated ticketing, and have indicated that they would continue to support the current all-network ticket – System One. However, they would retain and continue to promote their own period tickets at the same time. They would face the same commercial pressure as they do currently to prevent abstraction by other operators and grow their commercial patronage. It would not be the case that period tickets would be valid on all bus services within one year of the introduction of a partnership.

60.3.3 The current Operator Proposed Partnership contains the intention that some simplification of single tickets and fare stages will result from the partnership, the timing and level of simplification is unclear. The VPA agreed in 2008 contained commitments to simplify single tickets but this did not result in significant change. Operators have proposed to produce a roadmap to potential simplification during the lifetime of the partnership. This means that under any partnership, the simplification of single tickets is unlikely to take place within one year of the introduction of the partnership.

60.3.4 A more Ambitious Partnership could use the Enhanced Partnership provisions that would allow requirements as to the price of multi operator tickets to be set. The actual setting of prices would need to be done through a similar mechanism to that which currently exists to determine prices of multi-operator tickets to ensure continued buy-in to the partnership itself.

60.3.5 **The Franchising Scheme**: under the franchising option, the GMCA would take full and sole responsibility for setting and delivering policy on fares and ticketing. The GMCA would simplify the offer: period products (such as day and weekly tickets) would be valid throughout the whole of the scheme (Greater Manchester). The only exceptions would be the current discount tickets that would remain in place, though these may change over time as the GMCA would look to gain the best return in terms of patronage and social value. Period tickets would be valid on any bus in Greater Manchester once franchising has been introduced across the conurbation.

60.3.6 Single fares would be simplified and there would be a reduced and simplified number of fare bands. This would happen within one year of the Franchising Scheme being introduced. Franchising is the only option where single–operator tickets would not exist, apart from permitted cross-boundary services offering their own tickets. The GMCA would also be able to determine the scope and pricing of multi-modal tickets covering bus and Metrolink. The GMCA would also have the ability to ensure that discounts and concessions were integrated into the overall fares offer to passengers.

60.3.7 Franchising would be the only option that would be able to achieve a real simplification of period tickets. It would also give the most scope and certainty for simplifications of non-period tickets as these would be within the control of the GMCA.

6. Fares should offer value for money
Objective
• Fares offer value for money to customers while supporting a balanced funding position for the bus market. • A framework approach is taken to consideration of any further discounted tickets within one year of intervention.

60.3.8 **Do Minimum**: The pricing of GMTL multi-operator and multi-modal tickets would continue to require the agreement of operators, as they are determined by the GMTL Board. There is no expectation of a substantive reduction in the current premium for such tickets. Incentives would remain that would continue to encourage operators to keep a differential between single and multi-operator ticket prices, particularly in terms of maintaining market position.

60.3.9 Fares would remain at their current level and would be expected to inflate to keep pace with costs to achieve a balanced funding position. The commercial pressures driving costs and the need to achieve a balanced funding position for the bus market would apply under the Do Minimum and also all of the other options.

60.3.10 **Partnership**: a feature of Operator Proposed Partnership could be a reduction in the price differential between operator-own tickets and multi-operator tickets. Operators have proposed, subject to a review, that there would be a two-year price freeze for multi-operator (‘System One’) tickets. If there were not subsequent higher rises, or a higher raise before the freeze, this would have the effect of reducing the differential between operator’s own tickets and the multi-operator ticket by about half. This would make travel across the whole network more affordable, and if implemented create a benefit of £29 million. Given this reduces the differential between the operator-own fare and the all-operator fares, it is unlikely that an Ambitious Partnership would go further in making reductions. This potential reduction could be more certain, and the level of the all operator fare could be fixed as part of an EPS, making the differential more stable.

60.3.11 In either partnership, operators would continue to have control of their fares and be subject to the commercial considerations which lead them to offer discount fares on the current pattern. This may change, but these incentives would remain in place compared with any objectives of, for instance, helping the socially disadvantaged access employment. A framework approach to discounts is therefore unlikely to be introduced within a year of a partnership being introduced.

60.3.12 **The Franchising Scheme**: pricing decisions for single fares and daily, weekly and monthly tickets would be made by the GMCA. The expectation is that network period products would initially be priced at the lowest price for an operator-own period product from a major incumbent. It is assumed that the average price of a single ticket would initially remain the same, though there would be the potential to lower fares either by capping the upper limit or through the process of the simplification of fare bands. This would produce a benefit of £56 million. These factors would mean that the Franchising Scheme would achieve this objective of value for money in fares to the greatest extent of the different options.

60.3.13 The commercial pressures driving costs and the need to achieve a balanced funding position for the bus market as a whole would apply under franchising as with the other options. This means that fares would be assumed to rise at the same rate as in the Do Minimum option, unless the GMCA were to make further funds available.

60.3.14 Under the Franchising Scheme, the GMCA would introduce a framework approach to looking at fare discounts to take account of different factor including increasing patronage overall (rather than on one operator's buses) and helping the socially disadvantaged. This would happen within a year, although changes to discounts may take longer to implement as any change from the status quo would be carefully considered.

7. Account-based smart ticketing introduced as soon as possible
Objective
Quick introduction of account-based smart ticketing, enabling a 'fair price promise' for different modes. • Whole bus network capped products for day and week tickets available as soon as possible, offering the lowest possible fare. • A multi-modal capped product introduced as soon as possible.

60.3.15 **Do Minimum**: Irrespective of any changes to the bus market structure, it is expected that the forms of electronic ticketing, allowing passengers to buy pre-paid cards, and use mobile phones, would be implemented. New technologies such a mobile ticketing, use of smartcards (ITSO) and EMCV for bank cards have been introduced, but inconsistently with operators using different technologies and having different offers.

60.3.16 TfN are working toward introducing the back-office system necessary for operators to introduce an account-based system. Operators are likely to sign up to use this system. This would not implement, but would only enable, a 'fair price promise' or capping to be introduced among the different bus operators and also Metrolink and rail. This would require a revenue sharing agreement among operators (similar to that which currently exists for System One.) It is not clear whether or to what timescale operators would introduce a Greater Manchester cap, though this would be encouraged by the GMCA, TfGM and TfN.

60.3.17 **Partnership**: The Operator Proposed Partnership includes a commitment to take advantage of the proposed TfN back office system, and this would be used to implement operator's own caps. It would be expected that this would be used to facilitate a wide range of fares to be offered, including a Greater Manchester multi-operator fare and multi-modal fares. Operators have indicated that they would work with TfN to introduce a full account-based system with all-bus and multi-modal caps although the details or how the apportionment of revenue have yet to be agreed. An Ambitious Partnership could commit to a 'fair price promise' capped fares in Greater Manchester.

60.3.18 **The Franchising Scheme**: under franchising, a multi-operator capped product would not be necessary as all period tickets would offer validity across the whole of the bus network. The GMCA would embrace electronic means of payment (cards, mobile phones etc.) for the bus network as has been done on Metrolink. As account-based smart ticketing will have been introduced on Metrolink, this could be extended to the bus service quickly as there would be no need to work with a third party back office or to agree apportionment of revenue. A capped product using the TfN back office could be used to include any cross-boundary services that also provided for journeys within Greater Manchester.

60.3.19 TfGM will soon (June 2019) introduce account-based smart ticketing on the Metrolink network. TfGM would participate in the TfN sponsored back office system to the fullest extent possible, but would be able to introduce a fair price promise on bus and tram without further infrastructure. This would offer a 'fair price promise' on the bus network, and also including the tram system run by TfGM and eventually rail. The Franchising Scheme would introduce the benefits to customers of account-based smart ticketing more quickly and more certainly than other interventions

60.3.20 Franchising would mean that the authority would control fare structures. This would better enable the implementation of a MaaS offering for Greater Manchester as the price of the bus portion of any journey could be determined as part of the overall journey. There would be as full support as possible for a MaaS ticketing offer covering different modes.

60.4 Customer

8. Ease of understanding of the bus service is improved
Objective
The ease of understanding of the bus service is improved for users and there is a high quality of information available (at stops and stations; on buses; and on the web). Branding is clear and enhances improved perception of the service. • Comprehensive information is put forward covering the whole of the public transport network, whether provided by the GMCA or third party. • Accurate information is provided - information that is up to date, consistent, correct and where relevant, in real time. • Information presented in an easy to understand way on a number of channels. • All buses fitted with audio and visual communication systems to convey information to customers during journeys about stops and routes. • Branding and marketing - a unified brand is there for the bus network to ensure that the public transport network is simple to understand and easily recognisable, giving customers confidence in using the network. • Customer contact - a single point of contact for customers to make enquires. Each of these should be achieved within one year of any intervention.

60.4.1 **Do Minimum**: under the Do Minimum option, operators would be obliged under the terms of the 2000 Act to provide information on services and timetables. This would be used by the GMCA, and potentially other providers, to enable customers to plan and customise multi-modal journeys through traditional means such as the national Traveline service, along with more innovative web-based tools and apps. The information operators are obliged to provide includes real-time information on bus services, which can be used to power real-time apps to provide information to passengers.

60.4.2 Operators would continue to offer information on their own services rather than reflecting a Greater Manchester network view that would enable passengers to plan trips across the whole network. Operators are likely to be obliged to provide real-time information (RTPI) on buses (via audio and visual communications systems) under regulations made under the 2017 Act, which would enhance the passenger experience and give passengers more confidence in using the service.

60.4.3 Branding and other aspects of the service would remain as they are currently and there would not be a unified brand for the bus network or a single point of contact for customer enquiries.

60.4.4 **Partnership**: In addition to legal obligations, the Current Proposals Partnership represents some advance in terms of the provision of information over the Do Minimum option. Under current proposals, operator apps and websites would continue to exist and provide information on services and fares provided by those operators. More emphasis is envisaged to be given to a single central source of comprehensive information on the bus network and other travel options within Greater Manchester. This would mean the creation of a portal that would be able to give comprehensive. This would go some way toward the objective of comprehensive, accurate and easy to understand information, but would still leave some partial sources of information.

60.4.5 Operators' party to partnership discussions have agreed to sacrifice some of their own branding and adopt an agreed cross-Greater Manchester travel brand (perhaps with a portion of the bus branded in a particular way). This would create a unified and recognisable brand approach to cross-operator travel. However, some separate branding would need to be retained for competition reasons and as many passengers would still be using operator-own tickets.

60.4.6 Operators have indicated they would agree to a unified point of contact in terms of telephone enquiries and also through other channels, but it is not yet clear how this would be funded. The fact that there would be different points of contact on the web, and also that such a point of contact would need to refer passengers onto operators in a number of areas would reduce the impact of having a single point of contact. Crucially, there would not be one body that was accountable for the bus service in Greater Manchester, and hence the impact of having a point of contact that passengers could go to would be reduced. These factors would mean that only limited progress would be made toward this objective within the timeframe of a year under the Operator Proposed Partnership. An Ambitious Partnership could offer to go further in some areas but it is not current clear what this would entail.

60.4.7 **The Franchising Scheme**: under Franchising, the GMCA would make sure that the information provisions in the 2017 Act were taken forward in a way most useful to external providers of information, promoting the best use of this to make Greater Manchester more navigable.

60.4.8 In contrast to the status quo, individual operator websites and apps giving information relevant to the Greater Manchester network would no longer exist and would not give partial information about services. Instead, information would be comprehensive and real time and provided covering the whole of the public transport network by the GMCA. This would be easy to understand and on a number of channels (including the web and on-board buses), and every effort would be made to ensure that it is up to date, consistent, and correct. It would also be provided through open data, potentially by third party providers. Each of these things would happen within a year of franchising being fully implemented. As with a partnership, all buses would have RTPI on board in line with or ahead of statutory timescales.

60.4.9 There would be a unified brand for the Greater Manchester bus network. This brand would be a part of the overarching identity for the Greater Manchester transport system. A unified brand would allow more consistent and comprehensive marketing opportunities to be exploited. From a passenger perspective, they could be confident that they could catch any bus as branding and ticketing would match. This brand would be backed by a single point of contact. This point of contact would be more effective and have more impact with customers than under a partnership. This is because it would require less referral to other operators, and also because it would be linked directly to the body that was accountable for the bus service as a whole – the GMCA and Mayor.

60.4.10 Within a year of introduction of the Franchising Scheme, the Franchising Scheme would offer the greatest potential to achieve objectives relating to the provision of information and improving the ability of passengers to understand and use the bus network. It would be expected that this progress would continue as the GMCA would have, as a priority, making the public transport network as a whole more navigable and easy to use for passengers and potential passengers.

9. Safety of travel is improved
Objective
Safety is improved and incidents of crime or anti-social behaviour on buses are reduced. There is a perception of improved safety on the bus network, encouraging bus use within three years of intervention, and continued improvement after that. • There is active management to improve safety in partnership with the police, and to reassure passengers and potential passengers that the bus is a safe form of transport to use. • All buses installed with CCTV within one year of intervention. • Off-bus safety – there are well-lit and maintained, easily navigable interchanges with appropriate staffing.

60.4.11 **Do Minimum**: as is currently the case, operators and the GMCA would share responsibility for strategic decisions around safety and security on the bus network. Arrangements between TfGM, the operators and the Police would continue, focusing on preventative measures. All, or nearly all, buses would be anticipated to have CCTV on board. Off-bus safety would continue to be pursued by the GMCA and operators working together.

60.4.12 **Partnership**: Under the Operator Proposed Partnership, in addition to the activity undertaken under the Do Minimum option, there would potentially be a greater degree of collective responsibility for strategic decisions around safety and security on the bus network using the governance of the partnership in addition to other initiatives. It is likely that close to 100% of all buses would have CCTV within one year of intervention. Off-bus safety would continue to be pursued by the GMCA and operators working together. However, on its own the partnership is unlikely to make a material difference to the safety of passengers.

60.4.13 **The Franchising Scheme**: under the Franchising Scheme option, the GMCA would be responsible for strategic decisions around safety and security on the bus network. The financial projections currently include provision for an additional 30 officers for revenue protection duties on the network initially, reducing to 13 after six years. The presence of these officers would be likely to enhance safety and, importantly, would improve the perception of the level of safety on the network. CCTV would be compulsory on all buses and therefore 100% of buses would have CCTV within one year of intervention.

60.4.14 Off-bus safety would continue to be pursued by the GMCA as under the partnership options. The arrangements between operators, Police and TfGM that would exist under the Do Minimum option would be pursued by TfGM on behalf of the GMCA working with the franchise operators to improve safety. As with the partnership options, the Franchising Scheme on its own does not contain measures that would make a material difference to off-bus safety.

10. Improvement in on-bus experience
Objective
Consistent high standards are achieved for the cleanliness of buses and for driver behaviour, and the quality of vehicles improves. • Cleanliness - commitment to a high standard of cleanliness across all services. All buses to receive external clean daily; light interior clean pre-service; interior deep clean once a month within one year of intervention. • Bus drivers - continuous improvement in driver behaviour to improve customer experience. Appropriate professional standards and training of drivers. All drivers to have undertaken appropriate customer service training within the last year within three years of intervention. All buses fitted with Eco drive systems within three years of intervention • Quality of assets - improved vehicle quality and connectivity for passengers.

60.4.15 **Do Minimum**: no universal standards would be in place for levels of cleanliness, comfort or features of vehicles (such as Wi-Fi). Operators would retain their own standards for driver behaviour such as the Driver Certificate of Professional Competence (CPC), training drivers in customer care through company training programs. There would not be any improvement in the quality of the vehicles, other than that created by the renewal of vehicles with newer ones as they reach the end of their useful life.

60.4.16 **Partnership**: operators have indicated that they would commit to a cleaning regime for buses and standards of cleanliness as part of a partnership. This means the objective of having the cleaning regime in place within one year could well be achieved through the Operator Proposed Partnership. They would also commit to accredited driver training, though not necessarily have all drivers go through the same customer service training. The Operator Proposed Partnership is likely to be able to ensure that all drivers have had appropriate customer service training within three years. Some minimum standards for vehicle quality could be part of a partnership. Operators have indicated that they would commit to standards of technology (such as use of Wi-Fi and AVL), but have not indicated what this standard would be.

60.4.17 Partnership would go some way to achieving objectives for customer service on the bus. Potentially a more Ambitious Partnership could go further in committing to provisions with regard to driver behaviour. In terms of vehicles, some of the documents produced during discussions with operators have indications as to spend on renewing vehicles. As set out in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h), it is not clear that these indications would do more than necessary renewal of the fleet. In addition, in terms of commitments as to vehicles, operators have indicated that these would not be universal but be dictated by individual operators' changes.

60.4.18 **The Franchising Scheme**: under the franchising option, the GMCA would have the greatest ability to ensure there would be a high quality and consistent journey experience, with minimum standards in place. Cleaning regimes and the level of cleanliness would be specified in franchise contracts and compliance would be monitored and enforced, meaning the cleaning regime could definitely be introduced within a year. Driver training would be standardised across all franchise operators and the level specified in franchise contracts, and so it would be definitely be the case that all drivers would have had appropriate customer service training within three years. Consistent internal standards would be evident for passengers, with clean, comfortable and accessible vehicles. Franchisees would sign up to a customer charter setting out commitments to quality.

60.4.19 These specifications and standards would mean that franchising would help to achieve objectives on improving cleanliness and driver standards. As there would be specification of vehicles, it would be possible for the GMCA to control the quality of the buses used and ensure minimum standards were met, creating consistent standards. While no 'bespoke' Manchester bus is envisaged, it would be possible to specify higher quality vehicles if desired. The current costings do not include any increase to pay for newer or higher specification vehicles (e.g. through franchise payments).

60.5 Value for Money

11. Value for money for public investment
Objective
The best value for money for public investment into the bus market, specifically the options being considered as part of the Assessment to reform the bus market. The best value for money for any other specific intervention in the bus market. Both of these will be measured by (i) the social value of any public investment, taking into account all of the costs of the intervention, measured by a Net Present Value calculation (the benefits minus all of the costs), and (ii) the benefits of the investment with regard to the constrained budget of public sector investment (money available to the Mayor and GMCA), measured by a BCR of the benefits divided by the costs to that constrained budget.

60.5.1 **Do Minimum**: under the Do Minimum option, the structure and function of the GMCA and operator organisations would remain largely unchanged. Operators would take revenue risk on their commercially operated services, with the GMCA taking the risk on subsidised services. There would be no change in the value for money for public investment in the Greater Manchester bus network.

60.5.2 **Partnership**: under a partnership, the fundamental structure of the bus market in Greater Manchester would not change. The GMCA would spend money in supporting and monitoring the partnership. Any improvement in value for money for that investment would arrive either from the potential for improvements to the customer experience partnership could ensure were adhered to, or from potential network efficiencies made possible by partnership arrangements that in the first instance would accrue to operators.

60.5.3 Any money saved by operators could be reinvested into the Greater Manchester bus network, although they may take any savings as improvements to the margin earnt. Reinvestment would always be at operators' discretion. It may be that operators would need to earn a certain margin before they would be willing to invest further. Operators have indicated that some savings could be reinvested though an operator based fund for innovative schemes. It is not clear how the amount of savings would be ascertained and verified, so no further investment can be assumed. All operators would face pressure to improve margin earnt and for any operator currently operating at a low margin this pressure would be greater.

60.5.4 The more ambitious the partnership, the greater the level of benefit for the bus network. The calculation in the Economic Case of the Net Present Value of the different interventions gives a good indication of the value for money for public investment. As set out in the Economic Case the value for money for public investment indicated by the NPV shows that the Operator Proposed Partnership as currently configured would deliver £113.3 million of benefit over the appraisal period, with a NPV of £80.6 million, rising to an NPV of £131 million of wider economic impacts are included. The modelling set out in the Economic Case shows that an Ambitious Partnership would deliver greater benefits of £141.8 million with a net present value of £103.1 million, rising to an NPV of £181.4 million if wider economic impacts are included. The Value for money as indicated for by the BCR for the Operator Proposed Partnership is 3.46, and for the Ambitious Partnership would be 3.67. An Ambitious Partnership might include a clear mechanism for ascertaining savings and potential a common fund structure to reinvest across the network rather than through individual operators.

60.5.5 As set out in the Strategic Case at Section 8.8, under either partnership option, the value for money of specific interventions as part of 'Phase 2' is likely to be lower under a partnership. This is partly because of the fact that GMCA would not get any return for an investment if a measure were to increase revenue, as this would accrue to operators and the money potentially not reinvested into the Greater Manchester bus market. Partnership also facilitates fewer of the potential measures and therefore they would potentially be subject to diminishing returns and have a less efficient overall distribution of funds.

60.5.6 **The Franchising Scheme**: beyond the margin that operators would take for operating the service and taking the operation and cost risk that this implies, any surplus generated by fares or other revenues would be able to be reinvested in the bus network. This reinvestment would be aimed at improving the bus service within Greater Manchester, whether through reductions in fares, improvements to the network or other changes. The modelling set out in the Economic Case at Section 15.3 shows that the Franchising Scheme it would deliver benefits of £344.7 million, with the measure of value for money for public investment of the NPV being £234 million, rising to an NPV of £441.9 million if wider economic impacts are included. The value for money for public investment measured by the BCR is estimated to be 3.11.

60.5.7 As set out in Section 8.6 of the Strategic Case, there are differences in terms of value for money of any further 'Phase 2' spending and supply side measures to improve the market. More interventions would be feasible and they would provide greater value under the Franchising Scheme. As well as being able to undertake some of these interventions without the risk of competition or state aid issues, there are some areas of activity such as extra evening or weekend services that make a daytime service more viable; new services to establish demand (where successful); and infrastructure measures such as bus priority, where the expenditure creates a financial return. Under the Franchising Scheme, this financial return would return to the Combined Authority and could be used in support of the network. It would therefore be better value for money in terms of the public expenditure.

12. Any market intervention is sustainable in the long-term
Objective
Any intervention in the market should be feasible in its commercial and management arrangements. Any intervention in the market is long lasting, given the need to create a sustainable improvement in the Greater Manchester Bus market. It should be still in place in 2040 at the least.

60.5.8 **Do Minimum**: a Do Minimum would not represent a significant intervention in the market, and as such its sustainability as an option does not arise.

60.5.9 **Partnership**: There is no formal limit to the period of time for which different forms of statutory partnership can be entered into. For the Operator Proposed Partnership, operators have proposed a mixed governance model, and it would be expected that time limits and review periods would be agreed as part of any of the different partnership types that were used. It would be expected that any partnership would be agreed for around five years before needing to be changed. At this stage it could be re-negotiated, a new partnership agreed, or operators could choose to return to the previous, wholly unregulated market. There would be no assurance that the benefits would continue over the long-term.

60.5.10 The longevity of the intervention would be partly dependent on the type of governance for the partnership. The potential options for partnership are set out in the Commercial Case at Section 35.3. As set out in the Commercial Case at Section **Error! Reference source not found.**, the operators have indicated that they would like to govern any potential partnership through a VPA which has been available since the passing of the Transport Act 2000, rather than the newer forms of partnership introduced by the Bus Services Act 2017. This offers less potential to ensure all operators abide by provisions and a more limited scope of potential measures – excluding, for instance, commitments on routes and frequencies or the price of multi-operator fares. While operators have indicated that there could be a remedial plan process if any targets are not met, there is ultimately no sanction if operators were to leave the partnership.

60.5.11 If this were done under an EPS for an Ambitious Partnership, operators would be more strongly bound into the provisions and the provisions would affect all operators in the area covered, but this would only be for the period of the partnership itself. There is a risk that an EPS would persist, but that operators would withdraw from the market as they could not comply with the standards. At this point the partnership would need to be renewed and any measures agreed again.

60.5.12 Whatever the governance arrangements that might be assumed, any partnership that could be agreed therefore carries the risk that improvement would not be sustained over the long-term. Operators in a deregulated market will have divergent objectives and the potential to sustain a partnership over the very long-term in this environment is low. It is therefore unlikely to still be in place in 2040 without significant change. While it may be the case that successive partnerships would continue to deliver benefits to passengers, partnership arrangements can break down and the experience of some other partnerships is that initial commitments are not always sustained.

60.5.13 The Management Case at Section 53 shows how a partnership could be implemented and the associated risk managed. It would be relatively straightforward to implement, though TfGM would need to recruit staff and put in place systems in order to manage and monitor the partnership on behalf of the GMCA. The extent to which such expenditure would be justified would depend on the level of ambition in the partnership and potential benefit to passengers. A partnership would be feasible in its commercial and management arrangements, but would not necessarily be a long-lasting intervention in the market.

60.5.14 **The Franchising Scheme**: franchising would represent a long-term intervention in the market. Given that it would change the structure of the market and the flow of revenues, GMCA and TfGM would have assurance that the intervention would be long lasting as they would control how it evolved and how franchises were let in the long-term. Franchising offers the best chance of achieving a sustained improvement in the Greater Manchester bus market, as it permanently changes the market and provides the basis for further interventions across a range of measures.

60.5.15 The ability of the Franchising Scheme to deliver sustained benefit over the longer-term would in part depend on the success of the scheme in improving passenger numbers. This revenue could fund further improvements to the bus network. While the improvements set out and modelled in the Economic Case could be assumed, further investment in areas such as clean air, alternative fuel technology or expansions of the network would be reliant on either further external investment, or revenues from passengers. If revenues fell, the GMCA would be in a similar position to operators in the current market in needing to adapt, but could choose to support the services and maintain the level of service. Whatever choice was made, the existence of the Franchising Scheme would not be in question, but rather the level of service that Greater Manchester received.

60.5.16 The Commercial Case sets out the anticipated structure of franchises in terms of their size, length, and treatment of assets at Section 0. It details that there is a likely market for providing franchised services, including the responses to a market engagement exercise on the form of franchises to be let (Section 28.2). It also sets out how franchises would be procured at section 27. The Management Case sets out what the operating model would be for the Franchising Scheme (Section 46), how transition would work (Section 47) and how risks would be managed (Section 48). This shows that the Franchising Scheme is feasible in its commercial and management arrangements and that it would be a long-lasting intervention in the market. If implemented, it is therefore likely to still be in place in 2040 and continue to deliver benefit into the future.

13. Any market intervention is affordable
Objective
Any intervention in the bus market is affordable for GMCA over the long-term. Affordability in each year following intervention.

60.5.17 **Do Minimum**: there would be no further cost to the GMCA other than that envisaged in current spending plans. If the current deterioration of the market continued, and further services lost and frequencies reduced, this may have financial consequences. The GMCA as the transport authority would be left in the position of having to fund any replacement or alternative services. This could create a funding pressure if there was increased pressure to support bus services that fulfilled an important social need or supported the growth of Greater Manchester.

60.5.18 **Partnership**: The costs to the GMCA of administering a partnership are reported in the Management Case at Section 52. The GMCA would not receive any revenue to offset such costs, therefore the GMCA would need to source funding or reprioritise existing funds. While the costs are not high, this would need to be considered against the benefits that such a partnership would bring, and investment into administering a partnership would need to be proportionate to its ambition. The funding requirement over the appraisal period for the Operator Proposed Partnership would be approx. £97 million. This can be assumed to be affordable on an annual basis.

60.5.19 If a more Ambitious Partnership were to deliver greater benefit, it would be appropriate to spend more on administering it, notwithstanding that such funds would need to be reprioritised from elsewhere. Assumed costs are higher for the Ambitious Partnership modelled in the Economic Case, but would remain affordable in the context of overall the GMCA funding. The funding requirement would be approx. £112 million over the appraisal period. This can be assumed to be affordable on an annual basis.

60.5.20 **The Franchising Scheme**: The Financial Case sets out the long-term affordability of the Franchising Scheme, including upfront costs and investment required. Under franchising, TfGM would be taking revenue risk on a significant market. Franchising, unlike the partnership options, involves initial outlay in order to support the intervention. The bus market would need to support the repayment of any debt incurred. Over the appraisal period the total net deficit, including capital financing and risk allowance, is forecast to be £27.6 million. This is less than either partnership option, and represents a small proportion of the total financial flows as TfGM would be taking revenue risk through the life of the Franchising Scheme.

60.5.21 The Franchising Scheme would require transition costs that would lead to a transitional funding requirement of approximately £122 million for TfGM to implement franchising up to 2024/5. This includes approximately £36 million risk allowance). This constitutes the principal affordability challenge for the Franchising Scheme.

60.5.22 As the Financial Case sets out at Section 40.7, there are funding sources identified that are adequate to cover the transitional funding requirement up to 2024/5, and these would be available to GMCA if it wished to introduce the Franchising Scheme. In years following 2024/5, there is forecast to be a net cumulative surplus with a mix of surpluses or deficits modelled for particular years (deficits being partly driven by ongoing risk provision and the timing of renewal costs). Any deficits arising in particular years could be funded either from accumulated surpluses or a number of the revenue funding sources identified for the transition period could be available on a recurring long-term basis, such as the existing Mayoral precept and mayoral 'earn back'. Therefore overall the Franchising Scheme is affordable over the long-term for GMCA.

60.5.23 The inclusion of a contingency for Franchising Scheme risks means that if some of the risks identified were to materialise, then the Franchise Scheme would remain affordable despite increased costs of mitigation. The contingency is set at a level that would be adequate in 80% of circumstances that are possible to envisage. While the future evolution of the bus market is to some extent uncertain, the introduction of franchising would lead to an overall improvement in patronage relative to the reference case, and the modelling reflects the underlying trend in the reference case of a decline in patronage as well as some uplift from different interventions. The sensitivities set out in the Financial Case at Section 40.6 show that the affordability of franchising is sensitive to exogenous changes such as higher than expected increases in costs, particularly wages, and also reductions in patronage coming from the expansion of other modes – including Metrolink but also walking and cycling.

60.5.24 If these external factors affected the bus market, TfGM would retain the ability to alter the service between franchises, and through contract variation, during franchise contracts, adapting the cost of the network. Thus, while it would be undesirable under franchising (or any market condition) to make cuts, as set out in the Financial Case at Section 40.7, TfGM would retain the ability to make sure that the service provided was affordable.

The policies and objectives of neighbouring authorities

60.5.25 As set out in Section 7.6 of the Strategic Case, the main impact of the proposed options on the policies and objectives of neighbouring authorities would be the effects of the different options on cross-boundary services.

60.5.26 **Do Minimum**: the Do Minimum option is not anticipated to have any effect on cross-boundary services.

60.5.27 **Partnership**: the existence of a partnership in Greater Manchester is not anticipated to have any major effects on the services that cross the boundary. The exception to this would be if an EPS were used to support an Ambitious Partnership, as this could impose conditions on the vehicles used within the area covered by the scheme. However operators have indicated they would not want to use and EPS and would not want universal standards for vehicles.

60.5.28 **The Franchising Scheme**: Those services that were not part of the Franchising Scheme and would cross the boundary of Greater Manchester would require a permit to operate within Greater Manchester. The details of the permit regime are set out in the Commercial Case at Section 33. It is estimated that of the 116 services that cross the boundary of Greater Manchester, 24 might be adversely affected by the permit regime, in that their route or boarding or alighting points might need to change in order to satisfy the relevant legal tests for the grant of a permit. While GMCA would seek to operate the permit regime to facilitate cross-boundary travel, the financial effects of these changes is unknown and may make some of the 24 services less viable (i.e. if they are reliant on income from travel wholly within Greater Manchester).

60.5.29 This would negatively affect the achievement of the neighbouring authorities' policies and objectives. However, if a commercial service was withdrawn, GMCA would seek to work with neighbouring authorities to replace this with a supported service (43 services are currently subsidised in this way). Passengers may still face some disruption to services. GMCA would work with operators and neighbouring authorities on a number of ticketing options that would facilitate travel across the boundary (and also potential increase patronage on those services).

60.5.30 As well as setting out overall economic results for the different options, the Economic Case at Sections 11 to 21 sets out the likely impacts of the different options on different groups in society. A short summary of these is set out below.

61 Impacts on passengers

61.1.1 The main impacts of the schemes are on passengers. Table 66 shows the monetised benefits to passengers impacted by the scheme.

Table 66: Impacts to Passengers – The Franchising Scheme and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Passengers (Time Savings + User Charges)	£355.2	£96.8	£113.9

Do Minimum

61.1.2 The Do Minimum reflects a status quo situation in which:

i. the challenges that affect the bus market would continue without being addressed in any way;

ii. Further decline in patronage is forecast; and

iii. The ability for the GMCA to intervene to improve service for passengers and help achieve the *Transport Strategy 2040* is limited.

The Franchising Scheme

61.1.3 The key impacts of the Franchising Scheme reflect the benefits of the scheme set out in the Strategic Case at Section 7. The modelling assesses benefits to passengers in terms of impacts on journey time, impacts on quality of service and impacts on fares.

61.1.4 Most of these benefits accrue to existing passengers, but there are also new passengers generated because of the interventions.

61.1.5 These improvements to the bus system help passengers by giving them improved access to key services, including health, education and employment. These impacts are of particular value to those in society who are more vulnerable. The benefits help to reduce barriers to travel and associated social exclusion while improving the quality of life for all existing and new bus users. Network improvements would improve evening and weekend travel to better fit with the needs of passengers and changing lifestyles.

61.1.6 **New passengers**: The benefits of the Franchising Scheme option will generate in excess of a 5.6% uplift in demand over the Reference Case, at 9.3 million passenger trips per annum on average over the first ten years of the Franchising Scheme option. By the end of the appraisal period, the additional new passengers will be 8.4m per annum above the Reference Case. These passengers will use bus services because of the service improvements made.

61.1.7 **'Phase 2' measures**: as set out in the Strategic Case, the Franchising Scheme shows greater potential than either the current deregulated market or a partnership to take advantage of any additional investment in the bus network, and for this investment to be greater value for money. This means that passengers can benefit from a wider range of measures that therefore have a greater chance of making improvements to the service. Passengers can also expect to benefit more from a similar level of investment if that investment is better value for money. This means that there would be greater benefit to any 'Phase 2' measures under the Franchising Scheme than the other options, which do not make such fundamental changes to the market.

61.1.8 **Fares**: Nearly six times as many passengers will experience fares reductions as will experience fares increases. The fares increases for the minority that do experience them are modest averaging 2.4p and do not exceed ten pence per trip for any passengers. Most passengers (73%) will not experience any change in their fare.

Distributional effects for franchising

61.1.9 The following table shows the extent to which the benefits are distributed by geography within GM (the row headings) and by benefit type (fares versus quality improvements – the quality improvements have been converted into "fare equivalent" or "GJT" £values).

61.1.10 Amongst those who receive the benefit, the proportion of passengers who are considered to be economically "struggling" is also quantified.

Table 67: Distributional Effects for Franchising

	Fare	%Struggling excl OAP	GJT	%Struggling incl OAP	Total
City Centre	£0.06	3%	£0.05	4%	£0.10
NE Inside M60	£0.05	57%	£0.06	53%	£0.11
South Inside M60	£0.03	41%	£0.09	37%	£0.11
West Inside M60	£0.05	50%	£0.09	45%	£0.14
NE Outside M60	£0.03	43%	£0.09	37%	£0.12
South Outside M60	£0.03	34%	£0.07	29%	£0.10
West Outside M60	£0.03	42%	£0.09	37%	£0.13
Airport & Wythenshawe	£0.06	5%	£0.00	0%	£0.06
TOTAL	**£0.04**	**43%**	**£0.08**	**38%**	**£0.11**
Inside M60	**£0.04**	**48%**	**£0.07**	**44%**	**£0.11**
Outside M60	**£0.03**	**41%**	**£0.08**	**35%**	**£0.11**

61.1.11 **Risks to passengers**: there are some risks associated with the transition to the Franchising Scheme from the current deregulated market. A risk analysis has been undertaken and the summary of this is set out in the following sub-section.

61.1.12 It should be noted that there is an expectation that passengers will experience reduced services and higher fares without intervention to reform the market, and therefore, any potential risk to passengers must be considered in this context. Under Reference Case conditions, it would not be possible for the GMCA to intervene directly or as effectively as under the Franchising Scheme, where the authority would be in control of all aspects of the service.

61.1.13 This decline may also lead to further market disruption, beyond that seen with the partial withdrawal for First Group from Greater Manchester.

Transition to the Franchising Scheme

61.1.14 As set out in the Management Case at Section 48, there are risks to the level of service passengers receive posed by transition to the Franchising Scheme option that would not exist in a transition to a partnership option. It is possible that an incumbent operator might withdraw services at a heightened rate following any mayoral decision on bus reform. Moving to a new operator could also mean the process of transition itself could lead to some disruption for passengers. Additionally, while ultimately in a franchised market, ticketing would be simpler for passengers, the current assumptions about transitions anticipate that there would be different stages of transition and letting of franchises, meaning ticketing could become complex and there could be dis-benefit to some passengers.

61.1.15 As set out in Section 48 of the Management Case, there are a number of measures that would be in place in order to mitigate any potential adverse effects on passengers from the transition to the Franchising Scheme option. The key measures in place would be:

i. phased roll-out of the Franchising Scheme option to reduce level of change on day one;

ii. detailed mobilisation plans agreed with franchisees;

iii. proactive communication with passengers and other stakeholders during and in advance of mobilisation;

iv. a dedicated TfGM team with the required skills to manage the implementation;

v. implement suitable ticketing arrangements on transition; and

vi. monitoring of network performance.

61.1.16 In addition, the QRA accounts for the following key risks:

i. potential costs associated with delays to implementation (e.g. additional implementation team costs);

ii. costs associated with a decision by the GMCA to let some contracts on an emergency basis if operators withdraw services at a heightened rate to try to influence any mayoral decision on bus reform; and

iii. potential ticket revenue lost as a result of the incremental risks associated with the implementation of the Franchising Scheme option.

Passengers in neighbouring authorities

61.1.17 The impacts on passengers in neighbouring authorities are largely expected to come from any changes to cross-boundary services and changes to fares arrangements that may result from the introduction of the Franchising Scheme. The details of the permit regime are set out in the Commercial Case at Section 33. As set out above, it is estimated that of the 116 services that cross the boundary of Greater Manchester, 24 might be adversely affected by the permit regime, in that their route or boarding or alighting points might need to change in order to satisfy the relevant legal tests for the grant of a permit. While GMCA would seek to operate the permit regime to facilitate cross-boundary travel, the financial effects of these changes is unknown and may make some of the 24 services less viable (i.e. if they are reliant on income from travel wholly within Greater Manchester). If a commercial service was withdrawn, GMCA would seek to work with neighbouring authorities to replace this with a supported service (43 services are currently subsidised in this way). However, passengers may still face some disruption to services.

61.1.18 GMCA would work with operators and neighbouring authorities to on a number of ticketing options that would facilitate travel across the boundary (and also potentially increase patronage on those services). Firstly, an 'add-on' ticket would be offered that would allow travel on franchised services. This would be priced below the standard period tickets and available to passengers who had purchased a cross-boundary period ticket. Secondly, GMCA would look to explore with neighbouring authorities multi-operator ticketing schemes that covered an area beyond Greater Manchester. This would enable travel in a wider area including Greater Manchester services but also in a defined neighbouring area.

Partnership options

61.1.19 The Operator Proposed Partnership generates £113.3 million of benefits which compares to £344.7 million for the Franchising Scheme. These benefits are less than a third of the total benefits of the Franchising Scheme option.

61.1.20 **New Passengers**: the Operator Proposed Partnership option will uplift demand by approximately 1.4% with +2.3 million trips per annum on average in the first ten years of the partnership. By the last ten years of the appraisal period, there will be an extra 2.2 million trips per annum.

61.1.21 **'Phase 2' benefits**: As set out in the Strategic Case, the partnership options would not facilitate 'Phase 2' measures to the same extent as franchising. It would be very difficult to implement measures on fares or the frequency of services, and other potential interventions may be poorer value for money under a partnership than under franchising.

61.1.22 **Costs**: there are assumed to be no costs to passengers from either partnership option. Any additional costs for operators (for instance freezes in specific fares) are assumed to be absorbed by operators as a whole and not passed on to passengers in the form of other fare rises or reductions in the service they receive.

61.1.23 The distributional effects of the Operator Proposed Partnership option are as follows:

Table 68: Partnership distributional effects

	Fare	%Struggling excl OAP	GJT	%Struggling incl OAP	Total
City Centre	£0.03	3%	£0.02	4%	£0.05
NE Inside M60	£0.03	57%	£0.02	53%	£0.05
South Inside M60	£0.01	41%	£0.02	37%	£0.04
West Inside M60	£0.03	50%	£0.03	45%	£0.05
NE Outside M60	£0.02	43%	£0.03	37%	£0.05
South Outside M60	£0.01	34%	£0.02	29%	£0.03
West Outside M60	£0.02	42%	£0.04	37%	£0.06
Airport & Wythenshawe	£0.03	5%	£0.00	0%	£0.03
TOTAL	**£0.02**	**43%**	**£0.03**	**38%**	**£0.05**
Inside M60	**£0.02**	**48%**	**£0.02**	**44%**	**£0.05**
Outside M60	**£0.02**	**41%**	**£0.03**	**35%**	**£0.05**

61.1.24 **Risks**: the risks of the partnership options are set out in a separate risk register. Passengers do not bear risk under the partnership options. The partnership measures are anticipated to be brought in over a period of time by existing operators so there would be little likelihood of disruption that would dis-benefit passengers.

61.1.25 If the partnership were to fade or fail after a period of time, passengers would lose out as the benefits that accrue to them would be lost. The barriers to leaving a partnership for either party are not significant. As a result, there is a likelihood that a partnership would not be long lasting, as it does not represent a permanent change in the market and the proposed governance does not bind operators to its measures any further than is currently the case. Both individually and collectively therefore, operators may not continue the provisions of a partnership and benefits may not be durable.

61.1.26 The partnership options also share some of the risks of the Do Minimum option of the effects of continued market decline – further reductions in services or market disruption. While the benefits of partnership would be beneficial, they would not contribute much to facilitating additional spending on the bus network nor any measures to mitigate dis-benefits to passengers should these effects occur.

61.2 Impacts on operators

61.2.1 The impacts on operators of the scheme are set out in the Economic Case at Section 17. This is a summary of that account of the impacts, which vary according to the type of operator that they would apply to – large incumbent operators, operators of cross-boundary services, and operators not currently active in the Greater Manchester market and small and medium sized operators.

Do Minimum

61.2.2 The Do Minimum would have the least effect on operators. The GMCA would continue to support the market through current measures – the provision of tendered services and capital investment in bus priority. However, operators might be adversely affected by any continuation of the current downward trend in patronage and revenue.

Partnership options

61.2.3 A partnership would only have impacts on incumbent operators (both large and small). It would be unlikely to affect operators of cross-boundary services or those not currently active in the Greater Manchester market. The extent of the impact on operators would depend on the scale of commitments that a partnership contained, and the extent to which the measures taken would improve patronage and therefore the financial position of operators. There is still uncertainty on this, but the partnership proposals do not mean a great deal of change from the status quo. Further detail on what could be achieved in a partnership is set out in the *Partnership Option: Operators' Position and Modelling Implications Supporting Paper* (TfGM, 2019h).

61.2.4 The key aspects of the impact of the Operator Proposed Partnership on operators would be:

i. the principal impact would be from the commitment to freeze the price of multi-operator tickets. While this is 'following a review' and it not clear what the price will be prior to the freeze, or whether the review might change the action, this has the potential to cost money but also benefit passengers;

ii. given the status of the current discussions with operators, it is unlikely that changes to the network would either save or cost operators money, so the impact is likely to be neutral;

iii. commitments on reducing the age of the bus fleet and other factors, do not currently seem to involve further expenditure that might be expected in an ordinary cycle of replacement. Furthermore, such improvements would be done at a pace dictated by individual operators; and

iv. there is potential for some benefit to come from other measures such as a single point of contact or any progress made in terms of the simplification of tickets. Currently, there does not look to be a great deal of cost associated with such measures but there may be some benefits.

61.2.5 An Ambitious Partnership might affect operators more in a number of ways:

i. it would require greater commitment to a potentially longer-term partnership. If governed by an EPS, this would mean that change arrangements would be more difficult and may make the partnership more difficult to adapt. It is not currently clear how arrangements for setting routes and frequencies through the partnership would work or fit with continuing to allow competition;

ii. greater ambition in terms of network changes would mean that in aggregate, operators would be able to save some money – although this would mean operators engaging in trade-offs in terms of networks they are not currently willing to do. This could be invested in other aspects of the network;

iii. under an EPS, operators may need to comply with further pension regulations; and

iv. any further commitments under an Ambitious Partnership could mean that operators incur costs or had to make longer-term commitments. Conversely, such arrange could bring benefit in terms of passenger numbers.

61.2.6 Small and medium sized operators might be affected by an Ambitious Partnership governed by a EPS, as this would potentially bond all operators in the area of the scheme to specific standards, for instance on fleet. It may also be more difficult for them to participate positively in any process to agree routes and frequencies. For all operators, the impact of a partnership is expected to be relatively minor. This would be the case if the partnership that can be inferred from the current discussions (Current Partnership Proposals) were to be implemented.

The Franchising Scheme

61.2.7 The Franchising Scheme would have the most significant effect on operators as it would involve a change in the market structure and an alternative mode of competition – competition for the market (as operators compete for franchise contracts) rather than 'on road' competition.

61.2.8 The large incumbent operators active in the Greater Manchester Market are Stagecoach, FirstGroup and, to a lesser extent, Arriva. They are likely to be joined by Go Ahead if their proposed purchase of some of FirstGroup's operations goes ahead. Some detailed analysis of these operators is given in the Economic Case at Section 17. The impact of the Franchising Scheme on incumbent operators would be:

i. the effective cessation of their current business, as they would no longer be able to run bus services outside of franchise contracts. They may have an advantage in competing for such contracts from local knowledge, but they may not necessarily win an equivalent level of business to that they currently have;

ii. were they to win contracts, as with other franchise operators, this would be a change to the nature of the business to a lower risk business with (theoretically) lower, but more certain, returns. They would not be taking revenue risk but would retain some risks associated with the costs of running the network;

iii. the market change could potentially expose operators to a risk of stranded assets – principally fleet and depots – that they could not use to run services. The GMCA's approach to these assets would be that operators would have an opportunity to sell depots and put the fleet into a residual value mechanism; and

iv. there is a potential impact on open defined benefit (DB) pension's schemes. For the reasons set out in the Economic Case, this is not currently thought to be a major impact.

61.2.9 The impact of the Franchising Scheme on cross-boundary operators would be that they would need require permits to run some services within Greater Manchester. The process and criteria for this is set out in the Commercial Case at Section 33. The legal criteria for granting a permit mean that this could not be done if a service were to have an adverse impact on franchised bus services. While cross-boundary services may benefit franchised bus services by bringing in more passengers to the public transport system, this could be outweighed by revenue abstracted from franchised services. This means some services may have to change their routes or stopping points to gain a permit.

61.2.10 Operators currently outside the Greater Manchester market would gain from the Franchising Scheme as they would be able to bid into the market and gain business. There are a number of operators who could potentially bid into the Greater Manchester market and a number of them have experience in bidding into franchised bus markets in London and abroad.

61.2.11 While there are no expected impacts on SME operators outside Greater Manchester as they do not currently engage in this market and would not be expected to bid for franchise contracts, there may be impacts on SME firms within Greater Manchester. A full account of these firms is set out in the *Bus Market in Greater Manchester Supporting Paper* (TfGM, 2019b). These firms largely serve the tendered market, competing for contracts let by the GMCA rather than competing in the deregulated market.

61.2.12 This specialised market would disappear if franchising was introduced, which would negatively affect these firms, although it is expected that schools contracts, which comprise a proportion of the work these operators undertake, would be let in a similar way to currently. As set out in the Commercial Case at Section 25.1, the packaging strategy would be designed to reduce this impact. The GMCA would let small franchises alongside the larger franchises. The procurement process for the small franchises would be commensurate with the size and scale of the small franchises i.e. simplified and shorter compared to the large franchise procurement process. This would mean that smaller operators could compete to operate services of a similar scale to those that they currently operate within the subsidised market environment.

61.2.13 The transition to franchising may have some effects on operators. As the transition will take place in tranches over a period of time, there will be a period of time when operators are working alongside a franchised operator. While the sale of FirstGroup operations reduces the potential for an operator to have their operations 'cut in half', there would potentially be impacts on ticketing and other arrangements. The arrangements for dealing with transition are set out in the Management Case at Section 47.

Conclusion

61.2.14 The effects on operators under a partnership would largely be beneficial to incumbent operators, and might result in increased patronage and revenue. There would be a cost to some of the measures proposed – the most significant cost being that of a fares freeze for all-operator tickets. The impact of the Franchising Scheme is more mixed. It is of benefit to operators not currently active in Greater Manchester as they would gain access to the market. However, incumbents would see a major shift in their business as they would have to compete for franchise contracts alongside other operators. If they were unsuccessful or decided to not compete for franchise contracts they would not be able to run local bus services within Greater Manchester. If they remained in the Greater Manchester market and gained a similar market share to that which they have currently, the risk profile and profitability of their business would change. For some operators that might represent an improvement.

62 Impacts on the GMCA and TfGM

62.1.1 In the economic modelling, the benefit to the GMCA and TfGM is the net of additional revenue due to taking responsibility for revenue in the bus market and a reduction in revenue (relative to the Reference Case) from Metrolink due to abstraction from Metrolink to bus. In economic terms, this "benefit" to the GMCA is offset by a dis-benefit to private operators who no longer receive ticket revenue or government subsidies, but instead receive franchise payments from the GMCA. The revenue from ticket sales is higher for the Franchising Scheme option than the Reference Case, due to an increase in patronage. It is standard practise to recognise this additional revenue as a benefit in a transport economic appraisal, even if that revenue is used to pay for some of the scheme costs, as long as the costs associated with obtaining the additional revenue are included in the Present Value of Costs (PVC). In the short-term, the additional revenue the GMCA would receive would fall short of paying for the costs involved in setting up and implementing the Franchising Scheme option, and borrowing funds would be required to bridge the gap, as set out in the Financial Case. However, over the 30 year appraisal period, the economic impact to TfGM and the GMCA is positive.

62.1.2 Over the same period for the partnership option, the impact is a slight negative. This in part reflects a small dis-benefit from revenue losses on Metrolink.

Table 69: Impacts to Key Groups – Franchising Scheme Option and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
TfGM (including GMCA) (TfGM as Bus Operator + Metrolink part of "Other Operator Revenues")	£108.3	-£12.7	-£16.3

62.1.3 Other impacts on the GMCA and TfGM in terms of changes to the organisation required to run the different schemes, are set out in the Management Case in Sections 46 and 47. As set out above in the Financial Case, the scheme would be affordable for GMCA to implement and to operate, and as set out in the Economic Case it would represent good value for money for GMCA.

63 Impacts on Wider Society

63.1 Introduction

63.1.1 A summary of the impacts of the Franchising Scheme option and the partnership options on society is given below in Table 70. This includes some additional analysis coming from the modelling of the schemes as well as an assessment of non-quantified impacts. The table below sets out the benefits of the schemes to wider society and to Government. In accordance with WebTAG guidance, the effects of changes in the levels of indirect taxes is used to assess the impact on national government. These changes result from different travel behaviours that alter the fuel tax receipts of the treasury.

Table 70: Impacts to Key Groups – Franchising Scheme Option and Partnership Options (£ Million in 2010 Prices and Values)

ECONOMIC MEASURES £M IN 2010 PRICES AND VALUES	FRANCHISING SCHEME VS. REFERENCE CASE	OPERATOR PROPOSED PARTNERSHIP	AMBITIOUS PARTNERSHIP
Wider Society (Decongestion + "Other" Benefits)	£67.3	£14.9	£19.1
Wider Economic Impacts	£207.9	£50.5	£78.3
Government (Indirect Taxes)	*-£5.73*	£1.0	£0.0
Total Benefits	**£269.47**	**£66.40**	**£97.40**

63.1.2 The bulk of the benefits in the monetised analysis come from the wider economic impacts. There is some additional benefit from decongestion due to reduction in car case that accrues as a benefit to wider society. The interventions also have broader effects on both the economy and environment in Greater Manchester.

63.2 Economic Growth Impacts

63.2.1 As set out above some of the impact of the different schemes will not accrue directly to passengers but to wider society. Either way, these positive impacts will help economic growth and lead to a stronger economy in Greater Manchester, as the majority of passengers will contribute to the Greater Manchester economy. More importantly, part of the strategic context for intervening in the bus market is that given the growth in the Greater Manchester economy, greater congestion, especially in travel to the regional centre has the potential to stifle growth. Improvement in public transport can help avoid this: the Franchising Scheme makes a bigger different to bus patronage than the partnership options and therefore can be expected to better support economic growth.

63.3 Environmental Impacts

63.3.1 The impacts of the Franchising Scheme option and the partnership options on environmental issues is summarised below. These come from increased use of sustainable modes of transport because of an increased mode share of bus (from people changing modes and also establishing bus travel for new journeys), which reduces emissions of CO_2 and also of NOx, and potential changes to fleet composition, with a different fleet with less emissions of CO_2 and NOx.

Increasing use of sustainable modes

63.3.2 As set out in the Strategic Case in Section 4, increasing the use of sustainable transport is fundamental to the case for changing the bus market in Greater Manchester, and achieving the target of a 50% share for non-car modes by 2040. Bus has a key role to play in meeting this proposed target and reducing the environmental consequences of increased car use.

i. Do Minimum: Declining bus patronage is forecast, despite overall growth in travel across the city region. This will inevitably lead to worse environmental outcomes.

ii. Partnership: the Operator Proposed Partnership increases use of bus by 1.4% over the first ten years. They offer less potential for integration of the transport system than the Franchising Scheme and so would be likely to have a lower effect on overall public transport usage over the long-term.

iii. The Franchising Scheme: the improved potential to create an integrated public transport system means that the Franchising Scheme represents the strongest option to increase the use of sustainable transport. The Franchising Scheme would increase patronage (by 5.6%) and reduce the use of car, and therefore would be expected to contribute most strongly to the use of sustainable transport. The quality and integration of the public transport network as a whole would be enhanced and offers the potential for a more beneficial effect on all overall public transport use.

63.3.3 A further environmental impact of the schemes would be to improve public transport access to new areas where transport demand is established, for instance new employment sites or housing areas.

i. In the Do Minimum option, there would not be expected to be any difference in terms of access to new areas of development. There would continue to be a lack of new bus services to areas where demand was not already established, and potentially missed opportunities to establish demand for new areas of development. To some extent, the GMCA has done this already through subsidised services. Currently, if services prove successful, the GMCA is obliged to stop running the service so it is harder to ensure continuity when such innovations are made. This means that this is harder to ensure good value for money for these services as the later returns do no accrues to the authority.

ii. Partnership: Under a partnership option, the GMCA could negotiate with operators to attempt to cooperate on new areas of employment or housing. This has a greater chance of success where some demand is already established, enabling operators to make a return. Operators may be prepared to take over routes where TfGM has established demand, or take a calculated risk for a defined period of time.

iii. Franchising: In the Franchising Scheme option scenario, the GMCA would have the opportunity to establish and plan services that could serve new areas of demand, be that new areas of housing or areas where jobs are being created, facilitating social inclusion across Greater Manchester. Any returns from new services planned would accrue to the authority of new services were successful, making them better value for money and making it easier for the GMCA to establish new services.

Change in the composition of the fleet in terms of emissions

63.3.4 Reducing transport emissions is a particular challenge, given that economic and population growth will increase the demand for travel. The options presented here will have an impact in terms of the potential to affect the composition of the fleet in terms of both the proportion of Euro VI standard diesel, and also alternative power sources such as electric buses.

i. Do Minimum: If the current age profile of the rest of the fleet were to be maintained at the current rate of replacement, then the balance of the fleet operating in Greater Manchester would be Euro VI compliant by 2030. There would be no effect on the take-up of alternatively fuelled vehicles.

ii. Partnership: while the GMCA would not specify fleet, a partnership could include some provisions as to the vehicles to be used. For the Current Proposals Partnership, operators have proposed a level of investment in new vehicles, which roughly equates to the maintenance assumed rate of replacement in the Do Minimum option. Operators have also proposed that the average fleet age would be reduced to seven years which would improve the environmental performance of the fleet, but that the way of achieving this would be up to individual operators and proposals for achieving this would only be shared after a partnership was agreed. There is therefore a great deal of uncertainty attached to this proposal. It is not clear how much further an Ambitious Partnership would go in terms of fleet replacement.

iii. Under the Franchising Scheme option, the age profile of the fleet would be set out in the specification of the franchises. The GMCA would specify fleet, and could either accelerate the replacement of fleet and hence the introduction of Euro VI engines, or retrofit a proportion of the fleet. This would come at a cost, either directly to the GMCA or through franchise payments. In future years, the GMCA control of specification would allow it to take advantage of changes in vehicle technology – though any changes would need to be balanced against their cost and the effect on the network that would be procured.

'Phase 2' measures

63.3.5 Several of the 'Phase 2' measures could improve environmental outcomes. Any measures that involved additional spending to improve the bus service and thus increase patronage would have a positive effect on the first key impact of increasing use of sustainable transport; this could also involve services that established public transport access to new areas. Secondly, investment in newer or different buses would change the composition of the fleet and could reduce emissions. Thus, to the extent that the options facilitate 'Phase 2' measures, they are likely to improve the environmental outcomes for Greater Manchester. As set out in the Strategic Case in Section 7, franchising would best facilitate the widest range of 'Phase 2' measures.

Conclusion

63.3.6 The analysis set out above shows that in terms of the three key environmental impacts: increased use of sustainable modes; emission of the bus fleet; and increased public transport access to new areas of employment or housing, the Franchising Scheme offers will have a more beneficial effect and offers the possibility for greater impact long-term.

64 Conclusion and Recommendation

64.1 Conclusion

64.1.1 This Assessment of franchising has considered a wide range of factors in examining the potential effects of different interventions in the market on the bus market as a whole, and on different groups that might be affected.

Achievement against objectives

64.1.2 As set out above, in terms of how they perform against the objectives, there are some key differences between the options. The Do Minimum option achieves very little in terms of the objectives, and carries the strong risk that the policy and objectives for the transport network set out in *Our People, Our Place, The Greater Manchester Strategy* (GMCA, 2018a), the *Transport Strategy 2040* and the *Draft Delivery Plan* will not be met. The Franchising Scheme has a greater chance of achieving more against such policies and objectives than the partnership is likely to. Some key points are:

i. both interventions are affordable, feasible to implement and commercially viable.

ii. the Franchising Scheme is likely to lead to a greater degree of improvements in areas such as the network, fares and customer experience;

iii. the Franchising Scheme offers a greater degree of benefit – over the lifetime of the scheme in the appraisal giving an NPV of £234.0 million against £80.6 million for the most likely form of partnership; and

iv. the Franchising Scheme offers greater potential to implement further 'Phase 2' measures to support the network. It would offer greater value for money for those measures.

64.1.3 There remains a good deal of uncertainty on what a partnership might deliver. In making this assessment, proposals have been seen in as positive a light as possible to show what it might be able to achieve. While for illustration purposes an 'Ambitious' Partnership has been modelled and the results set out, and some indications given here of how such a partnership might compare, the central partnership option modelled (the Operator Proposed Partnership) represents the scale of change and improvement that could reasonably be expected to result from a partnership. It is the result of extensive engagement with incumbent operators, and therefore should be basis of the comparison of benefits.

How the options compare in terms of effects on different groups.

64.1.4 Overall, the Franchising Scheme delivers a great deal of benefit to passengers, even though it has higher cost than the alternative partnerships. It also offers greater potential to further benefit passengers through the implementation of 'Phase 2' measures to further improve the bus service in Greater Manchester. The Franchising Scheme also offers more benefit to wider society than a partnership would, in the form of the potential for economic benefit and also benefits to the environment, including clean air. Its impacts on operators are more mixed – incumbent operators would see a radical change in their business if they were to remain in the Greater Manchester market. Operators not currently active in Greater Manchester would gain the opportunity to compete in this market. Partnership is not likely to have a large impact on operators, though they would bear the cost of any reduction in fares they committed to. A more Ambitious Partnership might have more effects, including on smaller operators, if an EPS was used in this implementation. Finally, the impact of the Franchising Scheme on the GMCA would be to change the scale of its and TfGM's operations and mean it expanded the range of revenue risks that it manages. A partnership would not impact the GMCA greatly, although there would be demands on resource to manage the partnership.

The cost and risk associated with the options

64.1.5 The Do Minimum would have no cost and would only carry the risk of greater pressure to intervene if there was further decline in the bus market. A partnership would be comparatively low risk for the Combined Authority and would be more straightforward to implement. While there would be costs of running a partnership, this would not impose an obligation on the authority to maintain a high level of expenditure. If the partnership were to fail or reduce in its effectiveness, while it would have dis-benefits for passengers in Greater Manchester, this would not affect the Combined Authority.

64.1.6 A quantified risk assessment has been undertaken for the Franchising Scheme, and provision for the specific risks identified has been included in the financial projections. However, the risk associated with the Franchising Scheme should be considered more broadly in decision-making.

64.1.7 The Franchising Scheme carries more risk for the GMCA as it would be taking revenue risk on the service and would need to fund any shortfall. As set out in the Financial Case at Section 42, the Authority would also be taking on some debt as part of the implementation process which would increase the risk. If patronage and the farebox revenue were to reduce from the forecast, then this shortfall would need to be met from other sources, or the level of service would need to reduce. As the sensitivities analysis set out at Section 42.7, shows, there are a number of circumstances where there is potential for this to happen. These would also affect the bus service if it were run as in the current market, in a Do Minimum or Partnership scenario, and the outcomes for passengers would be dependent on the commercial decision-making of operators in those circumstances.

64.2 Summary of matters to which section 123B of the 2000 Act refers

64.2.1 This Assessment has considered the issues set out in Section 123B of the 2000 Act. It has described the effects that the proposed scheme is likely to produce and compared the proposed scheme against alternatives – including a bus partnership in Greater Manchester.

64.2.2 In relation to the matters referred to in section 123B(3):

i. Section 123B(3)(a): The Franchising Scheme would contribute, and do so more effectively than the alternatives, to the implementation of the GMCA's policies under section 108(1)(a) of the 2000 Act (namely those in the Local Transport Plan, the *Transport Strategy 2040*). As set out in the Strategic Case at Section 7, the objectives tested in this Assessment derive from those policies and the analysis of the challenges that affect the bus market in Greater Manchester, specifically Policy 23, "to make best use of any powers included in the Bus Services Bill, as well as our existing powers, to give effect to our vision for bus," but also the other policies that fed into the objectives as set out in Section 7, i.e.:

- Policy 2: working with partners, we will seek to deliver integrated pricing and payment systems including integrated fares and smart ticketing for public transport, to support the development of 'Mobility as a Service'.
- Policy 3: we will maintain a conurbation-wide programme of travel choices interventions, supported by journey planning tools and information, to encourage travel behaviour change and mode shift, in order to make the most efficient use of available capacity, particularly during peak periods.
- Policy 8: we will work with partners to reduce, as far as possible, the emissions from transport, particularly CO_2, NO_2, particulates and noise.
- Policy 14: we will work with operators and other partners to improve safety and personal security to tackle crime and anti-social behaviour on the transport network.
- Policy 18: where feasible, we will introduce appropriate bus priority measures on the highway network to improve reliability and will keep existing measures under review to ensure their effectiveness.
- Policy 21: working with partners, we will seek to establish and promote one integrated Greater Manchester public transport network, making it easy and affordable for customers to plan, make and pay for their journeys using different modes and services.

The Franchising Scheme would make a significant contribution to the achievement of those objectives and it would contribute more effectively than the alternatives to the implementation of those policies. It would therefore contribute significantly and more than the alternatives to the implementation of the policies set out in the *Transport Strategy 2040*;

The Franchising Scheme would also contribute and do so more effectively than alternatives, to the implementation of other policies affecting local services that the GMCA has adopted and published: *Our People, Our Place, the Greater Manchester Strategy* (GMCA, 2018a), particularly the policy in Priority 5, 'World-class connectivity that keeps Greater Manchester moving', particularly reducing congestion and improving air quality;

ii. Section 123B(3)(b): the main way in which the Franchising Scheme would affect the implementation of neighbouring relevant local authorities' policies under section 108(1)(a) of the 2000 Act, and other policies affecting local services, would be by its effects on cross-boundary travel. As set out in the Commercial Case at Section 33, the Franchising Scheme could have a negative effect on some of the existing and current 24 fully commercial cross-boundary services (to the extent they are supported by travel wholly within Greater Manchester), although the GMCA would seek to mitigate any negative effect on passengers through supporting those services by other means. In addition, the ticketing options (both in terms of 'add-on' tickets and new ticketing schemes would have a positive effects on cross-boundary travel;

iii. Section 123B(3)(c): the Management Case considers how the GMCA would make and operate the Franchising Scheme, and shows that it would be able to make and operate the Franchising Scheme to do so;

iv. Section 123B(3)(d): the Financial Case considers whether the GMCA could afford to make and operate the scheme and concludes that GMCA would be able to do so. The objective on affordability set out above is met by the Franchising Scheme;

v. Section 123B(3)(e): the Economic Case considers whether the Franchising Scheme would be value for money and demonstrates that it would represent value for money. The Franchising Scheme has a higher NPV than the alternative options and whilst it does have different impacts on different groups, those impacts are proportionate when considered alongside the other options and the benefits that the Franchising Scheme could bring; and

vi. Section 123B(3)(f): the Commercial Case considers the extent to which the GMCA is likely to able to secure local services under local service contracts. It demonstrates that GMCA would be likely to be able secure such services by letting franchise contracts with operators and sets out its proposals in terms of how those contracts would be procured and how they would be structured.

64.3 Recommendation

64.3.1 Significant improvement to Greater Manchester's transport network may be achieved through reform. The Franchising Scheme requires that GMCA take the revenue risk on bus services within Greater Manchester. It thus exposes the GMCA to risk and requires initial up-front investment. However, this assessment demonstrates value for money and is affordable for the GMCA. It demonstrates that such a scheme would be commercially viable and could be successfully managed, and that the risks could be managed so as to ensure the success of the scheme. It would deliver a greater degree of benefit to Greater Manchester and better enable any further 'Phase 2' measures for supporting the bus network. It is therefore the recommendation that the Franchising Scheme be adopted.

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Appendix A: Risk registers for Franchising, Partnership and Do Minimum

Table 71: Franchising Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
Franchising Risk Register							
F001	Judicial review claim(s) of any GMCA decision to proceed with proposed bus Franchising Scheme.	Mayoral decision is challenged. Such a challenge may arise from (but is not limited to) a claim that: 1. adequate consideration of impacts of proposed scheme had not given throughout process (as may be appropriate); 2. there had been a failure to comply with the process set out in the 2000 Act; 3. a decision of the GMCA was not taken in accordance with the GMCA's constitution and other governance rules.	1. Ability to make and subsequently implement proposed scheme is delayed and/or is subject to having successfully defended any claim(s). 2. Potential cost and time consequences of having to deal with potential judicial review process.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Assessment to consider impacts of proposed scheme. 3. Review and consideration of any feedback to TfGM's assessment both upon completion of assessment and during any potential statutory consultation. 4. Appropriate engagement with stakeholders. 5. Ensure compliance with GMCA constitution and comply with any instructions given by GMCA.	Legal	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F003	Transition Risk – The risk that operators withdraw services at a heightened rate to try to influence any mayoral decision on bus reform.	Operators withdrawing services.	1. Loss of capacity. 2. Bus reform perceived as a failure. 3. GMCA may have to step in to provide secured services due to withdrawal of commercial services during any phase of implementation.	1. Manage Transition as a discrete project with the appropriate resources in place. 2. Short-term supplier agreements with bus operators to cover the service in the event of services being withdrawn. 3. Regular contact with bus operators before and during transition phase to ensure minimum disruption. 4. Clear communication strategy. 5. Compliance with The Public Service (Registration of Local Services) (Franchising Schemes Transitional Provisions and Amendments) (England) Regulations 2018. This has the effect of, amongst other things, increasing the notice period that an operator must give when de-registering a service during transition from 56 to 112 days.	Implementation	Yes	Yes
F004	Implementation - Negative briefings during the franchising, procurement and mobilisation stage reduces customer, employee and political confidence in the new service and therefore lowers patronage.	1. Negative briefings by stakeholders. 2. Media perception during transition. 3. Withdrawal of commercial services or failure to recruit workforce. 4. Poor communication of proposals to operators 5. Challenge from small operators on their opportunity to bid for some services.	1. Reputational damage and poor public perception of option to be implemented. 2. Additional cost to manage situation. 3. Raised in Parliament by a local MP. 4. Reduced fare income.	1. Scope communication and stakeholder engagement plan/requirements for franchising, procurement and mobilisation stage prior to implementation. 2. Strong PR to manage public image and influence opinion during transition 3. Watching brief - capture emerging issues manage situation and link to prepare to operate workstream 4. Transfer stakeholder engagement plan to the Business As Usual team / Bus Services team.	Consultation	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F007	Expectation Management - Unreasonably high expectations from influential stakeholders on what the option of franchising could achieve (on its own or without additional funding) and associated timings.	1. Lack of clarity around what can be achieved/delivered, and lack of recognition that franchising will have different impacts on different groups. 2. Poor communication of proposals and Assessment outcomes. 3. Poor stakeholder communication (especially local politicians and mayoral office).	1. Reputational damage 2. Poor public perception. 3. Potential for any mayoral decision on bus reform to be challenged.	1. MP drop-in session and TfGM stakeholder engagement approach 2. Management of consultation documents and content to ensure that GMCA describes the improvements objectively. 3. Strong public relations to manage public image and influence opinion during transition, based upon consumer research as appropriate.	Consultation	No	No
F008	First Procurement Round - Risk that the information provided to bidders (e.g. staff data for TUPE) to price bids is inaccurate, or becomes out of date by go-live (outside of the inevitable operational changes).	Operators do not fulfil their obligations as set out under the regulations issued under the 2000 Act, for example: - Operators do not provide information as requested. - Information is not in the correct format / quality. - Time delay between bid process and go-live.	1. Extension of bid period and/ or negotiations. 2. Pricing adjustments required to take into account updated assumptions (this could be in respect of additional/fewer staff than anticipated for example).	1. Appropriately skilled TfGM team to manage the procurement process. 2. Operators required to provide relevant information under the regulations issued under the 2000 Act. 3. Ensure where information is not available that bidders are given appropriate assumptions. 4. Engagement with incumbent operators.	Implementation	Yes	No
F008a	Risk of F008 occurring in subsequent rounds of procurement.	Non-compliance with terms in franchise contract to provide relevant information to enable bids to be priced appropriately on subsequent rounds.	Refer to the consequences of risk F008.	1. Appropriately skilled TfGM team to manage the procurement process. 2. Appropriate provisions are built into the contracts to require and facilitate operators to provide relevant information for subsequent rounds of procurements.	Operating Model	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F009	TfGM does not manage the procurement process efficiently leading to a poor choice of operator.	1. Tender documentation does not request the appropriate information to make an informed decision. 2. Calibration of the evaluation methodology is not sufficiently robust or tested to ensure desired outcomes. 3. Limited number of bids received.	1. Poor choice of operator. 2. Performance levels lower than expected. 3. Costs higher than planned. 4. Supplier failure.	1. Best practice methodology for procurement based on lessons learnt on MetroLink and other projects elsewhere. 2. Calibrate and test evaluation criteria early in the process and ensure that all relevant stakeholders are involved in reviewing and signing off the criteria and associated weightings. 3. Run an efficient, well managed process that seeks to obtain the best bids from all operators to ensure suitable choice available.	Implementation / Operating Model	No	Yes
F012	Depots - There is the risk that the preferred option to negotiate and purchase strategic depots post mayoral decision cannot be achieved and the GMCA needs to put alternative arrangements into place.	1. Poorly planned depot strategy. 2. Failure to make a case for using proposed options.	Need for an alternative approach leading to either delay or change to assumption that the GMCA would provide strategic depots to franchisees.	1. Ensure that the depot strategy is appropriately managed with sufficient resource and expertise. 2. Contingency plan (including alternative mechanisms of provision such as new build).	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F013	Unsuccessful Legal Challenge - Procurement. Risk that the GMCA is challenged over the approach and implementation of procurement, and the challenge is unsuccessful.	1. Poorly constructed tender process and documentation. 2. Incumbent operators seeks to delay programme.	1. Cost and time delay. 2. Reputational damage.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure approach to implementation is agreed with and/or shared with GMCA and stakeholders (as appropriate). 3. Ensure draft procurement documentation is in line with best practice, relevant procurement law and informed by legal advice.	Implementation	Yes	No
F013a	Successful Legal Challenge - Procurement. Risk that the GMCA is challenged over the approach and implementation of procurement, and the challenge is successful.	1. Poorly constructed tender process and documentation. 2. Incumbent operators seeks to delay programme.	1. Cost and time delay. 2. Reputational damage. 3. Potential need to retender.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure approach to implementation is agreed with and/or shared with GMCA and stakeholders (as appropriate). 3. Ensure draft procurement documentation is in line with best practice, relevant procurement law and informed by legal advice.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F013b	Unsuccessful Legal Challenge on subsequent rounds of procurement. Risk that the GMCA is challenged over the approach and implementation of procurement, and the challenge is unsuccessful.	1. Poorly constructed tender process and documentation. 2. Incumbent operators seeks to delay programme.	1. Cost and time delay. 2. Reputational damage.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure approach to implementation is agreed with and/or shared with GMCA and stakeholders (as appropriate). 3. Ensure draft procurement documentation is in line with best practice, relevant procurement law and informed by legal advice.	Legal	Yes	No
F013c	Successful Legal Challenge on subsequent rounds of procurement. Risk that the GMCA is challenged over the approach and implementation of procurement, and the challenge is successful.	1. Poorly constructed tender process and documentation. 2. Incumbent operators seeks to delay programme.	1. Cost and time delay. 2. Reputational damage. 3. Potential need to retender.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure approach to implementation is agreed with and/or shared with GMCA and stakeholders (as appropriate). 3. Ensure draft procurement documentation is in line with best practice, relevant procurement law and informed by legal advice.	Legal	Yes	No
F014	Market Attractiveness on first procurement round - insufficient bidders attracted to bid for franchises.	1. Poor market briefings. 2. Perception that incumbents will win. 3. Commercial structure unattractive. 4. Bid process overly cumbersome. 5. Poorly constructed invitation to tender. 6. Structure of large and small franchise packaging.	1. Failed procurement, leading to a delay in implementation. 2. Less competitive bids - price and quality.	1. Procurement approach and documentation to be prepared by experienced TfGM/advisor team. 2. Benchmarking of risk transfer and key commercial principles. 3. Market testing and engagement.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F014a	Market Attractiveness on subsequent procurement rounds - insufficient bidders attracted to bid for franchises.	1. Poor market briefings. 2. Perception that incumbents will win. 3. Commercial structure unattractive. 4. Bid process overly cumbersome. 5. Poorly constructed invitation to tender. 6. Structure of large and small franchise packaging.	1. Failed procurement, leading to a delay in implementation. 2. Less competitive bids - price and quality.	1. Procurement approach and documentation to be prepared by experienced TfGM/advisor team. 2. Benchmarking of risk transfer and key commercial principles. 3. Market testing and engagement.	Operating Model	Yes	No
F018	Implementation - incumbent large operators do not win franchise contract and subsequently acts in an uncooperative manner.	Failure of an incumbent operator to win a franchise tender.	1. Reputational damage. 2. Cost and time of managing issues. 3. Implementation delay.	1. Fully scoped and defined approach would be adopted, committing adequate resources. 2. Detailed mobilisation plan to mitigate risks associated with incumbent operators. 3. Any voluntary agreement of depot transfer would build in obligations in relation to the existing operator to cooperate in depot and operational transfer. 4. Engagement with incumbent operators.	Implementation	No	No
F019	Major transport projects (e.g. road works) cause disruption to franchises.	Large highway or MetroLink schemes are planned and cause serious disruption to a franchise.	1. Serious customer disruption. 2. Loss of revenue. 3. Loss of public confidence. 4. Performance issues with franchisee.	1. GMCA has control over new projects and can plan accordingly to avoid disruption. 2. The TfGM portfolio office has overall visibility of major transport projects within Greater Manchester to inform implementation and go live dates. 3. Engagement with local authorities, utility companies etc.	Operating Model	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F020	Reputation and Implementation - Implementation of the first packages are delayed due to mobilisation & complexity issues, resulting in Customer impacts and a significant loss of confidence in franchising	1. Poor transition planning including weak mobilisation plan and lack of clarity of obligations from both chosen operator and TfGM. 2. Lack of appropriate resource with the right skills to manage mobilisation. 3. Lack of resource from chosen operator. 4. Lack of co-operation from the unsuccessful incumbent operator. 5. Procurement issues cause delay from TfGM. 6. New vehicles arrive behind schedule. 7. Mayoral cycle constraints (e.g. whether decisions on award can happen during Purdah). 8. Complexity of process and few precedents. 9. Transition risks are not appropriately allocated and managed between TfGM, the operators and potentially other third parties.	1. Delay to franchise introduction. 2. Cost and reputational damage, including loss of public confidence. 3. Alternative solution/ supplier required. 4. Cost and time of managing issues.	1. Bidders would be required to provide a detailed mobilisation schedule to be approved by TfGM prior to contract signature including agreed milestones and business readiness criteria. 2. Ensure the teams delivering through transition have the appropriate skills to manage the implementation. 3. Early recruitment of key roles. 4. Joint risk register with mitigations and contingency arrangements. 5. Achievable Programme agreed. 6. Supplier engagement. 7. Strong public relations.	Implementation	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F026	Permanent staff resources may not be secured immediately on commencement of transition.	1. Shortage of required skills in the market at the right price. 2. Poor resource planning.	1. Delays to implementation period. 2. Additional costs. 3. Reputational damage.	1. Training for individuals in existing organisation. 2. Minimise requirement for new systems. 3. Robust operating model to be developed. 4. Employ appropriate experienced resource on contract basis to provide robustness, training and handover to any TfGM personnel.	Implementation	Yes	No
F027	Risks that the organisational change required in TfGM does not happen as planned (increased complexity/ takes longer than anticipated).	1. Lack of change management leadership. 2. Poor engagement with staff. 3. Difficulties to recruit and/ or retrain staff. 4. Insufficient planning for the organisational changes required and the associated costs. 5. Lack of clarity over operator responsibility and TfGM responsibility.	1. Delays to implementation period. 2. Additional costs so benefits are not realised with the same value for money. 3. Inappropriate operational structures put in place hampering TfGM's ability to manage franchises. 4. Poor operational management by TfGM. 5. Reduced franchise performance. 6. Reputational damage.	1. Ensure that organisational changes are centrally co-ordinated. 2. Closer alignment with Transformation and ensuring that bus franchising remains priority. 3. Central co-ordination of Change Activities across TfGM. 4. Protection of business change budget. 5. Early employment of key BAU resource - who then build team around them. 6. Change Impact Assessment. 7. Change Capacity and Capability Assessment (including supply chain). 8. Change training and change leadership planning. 9. Communication with staff and unions. 10. Include provision for Business Change advisory support, Business Change specialists and Business Continuity specialists.	Implementation	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F028	Fleet Specifications - risk that the specification for fleet is inappropriately specified.	1. Specifications for fleet do not meet franchise requirements. 2. Fleet specification that is hard to achieve.	1. Lower than expected revenue. 2. Operational and service problems. 3. Reputational damage. 4. Management time and cost. 5. Reduced interest in procurement. 6. Poor fleet quality. 7. Increased costs.	1. Establish specification control group and develop specification which is fit for purpose to determine what TfGM would accept. 2. Peer review of all specifications. 3. Market engagement to test specifications.	Implementation/ Operating Model	No	Yes
F029	Fleet Specifications - risk that the specification for fleet is not deliverable by the market.	1. Inadequate research into ability/appetite of the market to deliver required fleet. 2. Lack of consultation with manufacturers and operators.	1. Failure of the procurement process. 2. Higher than expected cost.	1. Engage with manufacturers to ensure fleet specified is deliverable and allow enough time during procurement for fleet to be sourced. 2. Establish specification control group to ensure that fleet is appropriately specified. 3. Peer review of all specifications. 4. Market engagement to test specifications. 5. Engage with leasing market.	Implementation/ Operating Model	No	No
F034	Network design - risk that any network design changes reduce customer satisfaction and patronage.	1. Any new network delivers a worse service to customers by reducing frequency on popular routes or changing routes. 2. Inability to improve network in the future to drive multi-modal integrated transport system. 3. New network designs fail to address latent demand issues and impact current demand.	1. Lack of public confidence 2. Lower than expected revenue and patronage 3. Limit integration benefits 4. Reduced funding potential for future schemes 5. Loss of customer confidence 6. Political challenge.	1. Not implementing change from initial network until appropriate level of operational data is obtained. 2. Validate operator data. 3. Stakeholder management. 4. Governance process in place.	Operating Model	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F037	Risk that there are latent environmental issues, that have not already been identified, which need to be addressed once existing depots have been refurbished.	Depot problem - inability to fully survey for latent environmental issues.	1. Reputational damage 2. Delay to franchise introduction. 3. Alternative vehicle requirements. 4. Cost of remedy. 5. Potential legal case against GMCA (environment agency).	1. Liability only crystallises if the GMCA redevelops or sells sites, therefore large environmental clean-up costs could be avoided. 2. Full condition surveys would be undertaken.	Implementation	Yes	No
F039	Build - depot refurbishment plans fall behind schedule.	1. Redevelopment of depots delayed. 2. Refurbishment of depots not properly specified. 3. Depot construction contract not procured properly. 4. Lack of understanding of construction project.	1. Delay to franchise commencement. 2. Increased cost of alternative solution. 3. Impact on customers. 4. Reputational damage.	1. Realistic refurbishment programme with clarification on whether it is operators' or GMCA’s responsibility to undertake the refurbishments. 2. Develop depot plans that set out activities and milestones. 3. Only use new build option if alternatives fail.	Implementation	No	Yes
F041	Risk that a new operator does not manage the transition and is not ready to deliver services upon transition.	1. Insufficient planning to undertake mobilisation. 2. Insufficient budget allocated. 3. Inexperience in starting up operations. 4. Operator is unable to find appropriate resources.	1. Potential delay to franchise introduction. 2. Cost increases. 3. Reputational damage. 4. Need to negotiate with current operators to continue operating services.	1. Transition programme plan. 2. Appropriate team to manage the transition - Business Continuity expertise in the transition costs throughout the programme duration. 3. Robust Experienced TfGM Mobilisation Team in Place. 4. Go-No Gateways. 5. Robust mobilisation plan to be developed between TfGM and the operator. 6. Include requirement for tendering operators to define their approach to core franchise mobilisation in their tender submissions/during the ITN process.	Implementation / Operating Model	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F042	Implementation - People. Risk that operators cannot recruit or transfer appropriately qualified drivers.	1. TUPE poorly managed. 2. Operators actively encourage best drivers to be retained for other local operations. 3. General shortage of skilled drivers. 4. Inadequate budgeting for required salaries in order to attract staff. 5. Assumptions about individuals that will TUPE from one operator to another are incorrect. 6. Poor Management of Mobilisation by the successful operator. 7. Not run as a project with all the appropriate governance. 8. Incumbent operators stop recruiting and/or move staff into other regions following mayoral decision.	1. Reduction in service quality. 2. Reduction in availability of service. 3. Reduction in customer confidence and reputation. 4. Loss of revenue. 5. Additional cost.	1. Risk transferred to operator. 2. Due Diligence during the bid stage to ensure that the commitment made during the bid are backed up by evidence. 3. Bid requirements to ensure that operators determine how to manage TUPE arrangements and how they would ensure sufficient qualified staff are in place. 4. Operational continuity plan in relation to driver training. 5. Performance regime to incentivise operators to run services in line with contract. 6. Robust Franchise Management around the delivery of trained Driver numbers.	Implementation	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F043	Implementation - People. Risk that operators cannot recruit or transfer appropriately qualified maintenance staff.	1. TUPE poorly managed. 2. Operators actively encourage best maintenance staff to be retained for other local operations. 3. General shortage of skilled staff. 4. Inadequate budgeting for required salaries to attract staff. 5. Assumptions about individuals that will TUPE from one operator to another are incorrect. 6. Poor Management of Mobilisation by the successful operator. 7. Not run as a project with all the appropriate governance. 8. Incumbent operators stop recruiting and/or move staff into other regions following mayoral decision.	1. Reduction in service quality. 2. Reduction in availability of service. 3. Reduction in customer confidence and reputation. 4. Loss of revenue. 5. Additional cost.	1. Risk transferred to operator. 2. Due Diligence to take place during the bid stage to ensure that the commitment made during the bid are backed up by evidence. 3. Bid requirements to ensure clear methodology has to be provided to address any TfGM concerns over approach. 4. Robust Franchise Management around the delivery of agreed personnel numbers. 5. Performance regime to incentivise operators to run services in line with contract.	Implementation	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F044	Implementation - People. Risk that operators cannot recruit or transfer appropriately qualified management staff.	1. Shortage of skilled transport management staff/ 2. Existing operators retain staff in management by finding suitable roles in their wider organisation. 3. Inadequate budgeting for required salaries to attract staff. 4. Poor Management of Mobilisation by the successful operator. 5. Not run as a project with all the appropriate governance. 6. Incumbent operators stop recruiting and/or move staff into other regions following mayoral decision.	1. Reduction in service quality. 2. Reduction in availability of service. 3. Reduction in customer confidence and reputation. 4. Loss of revenue. 5. Additional cost.	1. Risk transferred to operator. 2. Due Diligence to take place during the bid stage to ensure that the commitment made during the bid are backed up by evidence. 3. Bid requirements to ensure clear methodology has to be provided to address any TfGM concerns over approach. 4. Robust Franchise Management around the delivery of agreed personnel numbers. 5. Performance regime to incentivise operators to run services in line with contract.	Implementation	No	Yes
F046	Communication – risk that communication to current bus users is not adequate, causing disruption when services transition to franchising.	1. Poor communication strategy. 2. Existing operator briefings conflict with our communications. 3. Poor Communication Plan. 4. Customer Contact Plan not implemented effectively.	1. Reduction in service quality. 2. Reduction in availability of service. 3. Reduction in customer confidence and reputation. 4. Loss of revenue.	1. Strategy - Public relations and communication experts to develop strategy, particularly around the transition period. 2. Implementation - Initial implementation of tranches to follow similar pattern as existing network reducing potential for confusion. 3. Stakeholder management - ensure regular and progressive updates on status of bus reform to all stakeholders including the public. 4. Ensure information sources are up to date. 5. Ensure all PID Information is fed correctly from the franchised areas.	Implementation	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F047	Implementation - TfGM takes over differing systems/ equipment transferred from existing operators leading to more interface issues than expected.	1. Inadequate due diligence of equipment on assets taken over from the current operators. 2. Inadequate planning to minimise range of equipment in any one franchise package.	1. Increased cost built into bids. 2. TfGM retains more interface and third party risk. 3. Greater levels of contractual disputes. 4. Delay to implementation timeline.	1. Provide appropriate specification. 2. Include requirement for bidders to provide details of their current/proposed systems as part of tender responses. 3. Engage with TfGM ITS team to understand implications of system integration. 4. Identify ITS required on buses early and create the required framework for purchasing. 5. System integration plan to be part of the contractually required mobilisation plan (requirements for which will be specified by TfGM). 6. Development of Worst case Plan and the systems / processes required to deal with that, e.g. Temporary, short-term, Back Office options.	Implementation	Yes	No
F048	Risk that a franchise contract is not managed appropriately, increasing the risk of contractual disputes.	1. Contract management processes not agreed in advance. 2. Inappropriate governance of the overall contract leading to issues escalating unnecessarily. 3. Too little due diligence on the bid solutions leading to risk of mismatched expectations. 4. No pre-agreed mechanisms to deal with likely changes to the requirements during the franchise period. 5. Recruitment of the wrong people without ability to work both commercially and collaboratively.	1. Increased management time and cost devoted to contract management. 2. Service performance suffers as issues remain unresolved. 3. Contractual relationship, suffers and becomes more confrontational 4. Difficulties in implementing changes to service provision. 5. Reputational damage.	1. Identification of current capabilities that need enhancement for Bus Reform and delivery of that in BAU 2. Keep communication open with operators and take remedial action if relationship is degrading. 3. Appropriate terms and conditions to protect GMCA's interests in the case of operator disputes. 4. Identify any escalation routes and Management Meeting process. 5. Contract management on a day to day basis. 6. Ensure that bid specification requires contract management	Operating Model	No	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
				procedures to be set out by operators and evaluated.			
F048a	Risk that the operator does not comply with the contractual obligations, increasing the risk of contractual disputes.	1. Contract management processes not agreed in advance. 2. Inappropriate governance of the overall contract leading to issues escalating unnecessarily. 3. Too little due diligence on the bid solutions leading to risk of mismatched expectations. 4. No pre-agreed mechanisms to deal with likely changes to the requirements during the franchise period. 5. Operator does not build in enough cost to deliver the contract successfully. 6. Contractual terms not understood by the Operator and the appropriate mechanisms and process not built into their Operating Model. 7. Contractual terms not appropriately written.	1. Increased management time and cost devoted to contract management. 2. Service performance suffers as issues remain unresolved. 3. Contractual relationship. 4. Difficulties in implementing changes to service provision. 5. Reputational damage.	1. Keep communication open with operators and take remedial action if relationship is degrading. 2. Appropriate terms and conditions and effective contractual enforcement mechanisms to incentivise compliance. 3. promoting consistent use of contract management procedures with bus services team to promote consistency and familiarity across organisation; 4.operator engagement on commercial franchise proposition; 5. Identify any escalation routes and Management Meeting process. 6. Contract management on a day to day basis. 7. Specify evaluation methodology. 8. Operator Bid to include their management Team details and highlight experience in the Franchising Management Area 9. Robust challenge at Bid stage on costs associated with Contract Management by Operator, and highlight their internal systems and processes to correct performance issues.	Operating Model	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F049	Contractual (first procurement round) - risk the calibration of the performance regime is not appropriate.	1. Performance regime too complex. 2. Performance regime does not adopt best practice based on precedence globally. 3. Insufficient and/ or inappropriately qualified staff. 4. Inadequate training of staff. 5. ITS systems do not support effective monitoring 6. Inadequate testing of performance regime calibration during the pre-procurement phase. 7. Bidders negotiate down the performance criteria leading to a weaker performance regime.	1. Contractual disputes. 2. Performance is not effectively managed leading to loss of service quality. 3. Operators not penalised for poor performance or incentivised to improve performance. 4. Too much focus on the contract and performance regime, and not enough on the Customer. 5. Impact patronage levels. 6. Customer complaints. 7. Reputational damage.	1. Performance regime developed based on best practice elsewhere. 2. Calibration undertaken on performance regime and shared with bidders during bid stage. 3. Ability to negotiate during the bid stage in order to achieve the appropriate balance of risk and reward. 4. Market competition incentivises bidders to provide a competitive bid. 5. Period of testing potentially offered to bidders. Review process undertaken. 6. Developed dispute resolution process. 7. Termination clauses in contracts. 8. Roles, responsibilities and standards expected from staff of both TfGM and operators to be clearly articulated.	Operating Model	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F049a	Contractual (subsequent procurement rounds) - risk that the performance regime in subsequent rounds of procurement is poorly constructed therefore difficult to manage and monitor and/ or poorly calibrated.	1. Performance regime too complex. 2. Performance regime does not adopt best practice based on precedence globally. 3. Insufficient and/or inappropriately qualified staff. 4. Inadequate training of staff. 5. ITS systems do not support effective monitoring. 6. Inadequate testing of performance regime calibration during the pre-procurement phase. 7. Bidders negotiate down the performance criteria leading to a weaker performance regime.	1. Contractual disputes. 2. Performance is not effectively managed leading to loss of service quality. 3. Operators not penalised for poor performance or incentivised to improve performance. 4. Too much focus on the contract and performance regime and not enough on the Customer. 5. Impact patronage levels. 6. Customer complaints. 7. Reputational damage.	1. Performance regime developed based on best practice elsewhere and taking account of performance in first round of franchises. 2. Calibration undertaken on performance regime and shared with bidders during bid stage. 3. Ability to negotiate during the bid stage in order to achieve the appropriate balance of risk and reward. 4. Market competition incentivises bidders to provide a competitive bid. 5. Period of testing potentially offered to bidders. Review process undertaken. 6. Developed dispute resolution process. 7. Termination clauses in contracts. 8. Roles, responsibilities and standards expected from staff of both TfGM and operators to be clearly articulated.	Operating Model	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F051	Contractual - risk that GMCA is not able to make changes to the service specification during contracts.	1. Lack of consideration of likely changes required 2. Mechanism too complex or unworkable in practice 3. Change mechanism too vague, lacks detail.	1. Inertia to make required changes. 2. Key changes are not able to be implemented during a franchise period. 3. GMCA is forced to accept changes that represent poor value for money. 4. Inability to make network changes. 5. Operators taking advantage of dispute resolution mechanism to delay contractual change. 6. Challenge on approach to procurement.	1. Change mechanism developed based on best practice elsewhere. Balance of simplicity and correlation to actual costs to ensure value for money. 2. Calibration undertaken on mechanism and shared with bidders during bid stage. Bidders to bid back based on their cost models. 3. Ability to negotiate during the bid stage in order to achieve the appropriate balance of risk and reward.	Operating Model	Yes	Yes
F052	Contractual - cross border services operating from areas outside of the scheme are disrupted or withdrawn.	1. The part of the service which operates in the scheme area is replaced by a franchised service. 2. Requirement for service permit and any unsuccessful applications for the same results in cross-boundary services no longer running into franchised area.	1. Some cross-border services are withdrawn. 2. Reputational damage. 3. GMCA may have to step-in and include such services in franchised network.	1. Ensure compliance with the requirements of the 2000 Act in terms of service permits. 2. Engagement with neighbouring authorities and operators of cross-boundary services. 3. Ensure compliance with Franchising Schemes (Service Permits) Regulations 2018. 4. Network planning.	Implementation / Operating Model	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F056	Revenue protection - risks that revenue protection measures are inadequate.	1. Inappropriate balance of cost versus money recovered. 2. Lack of joined up strategy across franchises.	Loss of revenue.	1. Revenue protection officers to be employed. 2. Best strategic approach based on experience. 3. Explore potential to use revenue protection officers across modes. 4. Use analytical techniques to identify hotspots and create a quick response team for the areas identified.	Operating Model	No	Yes
F057	GMCA does not meet contractual obligations.	1. Inadequate management and staff. 2. Insufficient or inappropriate resource. 3. Factors outside of the control of operators. 4. Poorly defined TfGM Control and Control Room Strategy and Plan.	1. Reduction in service quality. 2. Bidder margins eroded. 3. Loss of revenue. 4. Increased contractual disputes. 5. Reputational impact. 6. Increased customer complaints.	1. Establish an appropriate operating model and identify suitable contingency plans. Identify any escalation routes and Management Meeting process early in process. 2. Production of tender documents including a process for due diligence. 3. Control room strategy and plan. 4. Advanced resource planning.	Operating Model	No	Yes
F059	Advertising - risk that on bus advertising is less profitable than forecast.	1. Inappropriate commercial model for advertising. 2. Fragmented approach that does not maximise economies of scale.	Revenue opportunity not maximised.	1. Appropriate mechanism for maximising revenue to be developed. 2. Develop appropriate plan and implement.	Operating Model	Yes	No
F060	Traffic Congestion - greater level of disruption than anticipated.	1. Economic growth leading to changes in transport modes. 2. Changes in road network increases congestion. 3. Roadworks etc.	1. Cost increases. 2. Poor operating performance. 3. Revenue loss. 4. Fall in customer satisfaction. 5. Mileage reductions.	1. Active programme to identify where bus priority measures could be applied if funding is available. 2. Identification of traffic hotspots using the Operational Control Centre to manage operational issues. 3. Bus services team to communicate where issues are so can invest where required. 4. Communication of issues with operators where able to.	Operating Model	No	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F063	Fuel Price Risk - Unpredictable fuel costs.	1. Fuel costs higher than expected. 2. Fuel risk not shared.	1. Increased costs. 2. Services are decreased to maintain affordability.	1. Shortlist of potential options for managing fuel risk have been developed. 2. Seek external specialist advice on fuel risk.	Operating Model	No	No
F064	Availability levels - specification. Risk that types of buses required on each route are poorly specified leading to poor customer service.	1. Specification approach inappropriate (too much or too little detail). 2. Levels of data to set required specification levels not obtained.	1. Service quality drops. 2. Reduction in revenue from fare box. 3. Reputational damage. 4. Customer complaints.	1. Detailed work to allocate buses to routes. 2. Draft operational specification developed and internally reviewed. 3. Market testing on the level of detail during the early phase of procurement process. 4. Review of operator data to validate assumptions around demand. 5. Change mechanism development to deal with cases where buses are over or under specified.	Implementation / operating model	No	Yes
F068	Maintenance - risk that the manufacturer may recall a product.	Manufacturer issues force a recall.	1. Cost increases. 2. Operational performance falls. 3. Revenue loss. 4. Public satisfaction falls.	1. Contract performance mechanism in place. 2. Specify established products where risk is lower. 3. Manufacturers partially mitigate this risk by helping operators deal with recalls.	Operating Model	No	Yes
F069	Inability to respond to changes in technology.	1. Advances in technology. 2. Inability to plan/ change the network with a high level of certainty of the benefits.	1. Revenue loss. 2. Fall in public confidence. 3. Quality of network below that which could be achieved with alternative technologies.	1. Improved and swift commercial decision-making to drive any potential mitigations. This is facilitation by defined roles and responsibilities, decision-making authority and timeliness, and appropriate escalation procedure. 2. Monitoring of the market so can make decisions to at an early stage.	Operating Model	No	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F071	Residual Value Risk (fleet) - risk that part of the fleet is no longer required by the bus market in Greater Manchester.	1. GMCA taking on RV risk. 2. Policy decision by GMCA or another body (including central government) means that part of the fleet is not required by the bus market in Greater Manchester. 3. Exogenous material fall in demand rendering an element of the fleet not required.	The realisable value is lower than the carrying value of assets leading to a write down.	1. Gradual reductions managed via fleet renewal programme. 2. Any policy intervention can be phased to reduce the risk associated with it	Operating Model	Yes	No
F071a	Transition Risk - risk that incumbent operators require a price higher than anticipated for their fleet to enter the Residual value mechanism.	Operators' desire to maximise the transfer price of their fleet.	The underlying cost of running the bus service would rise resulting in GMCA needing to pay operators more for running the services.	1. Residual value mechanism designed on solid commercial principles including paying cognisance to operators' existing depreciation policies. 2. Engagement with operators on the proposed market structure of franchising. 3. In the event that existing operators place an unrealistic value on their fleet (or will not put their buses in the RV mechanism) the option to require the successful bidder to acquire new vehicles remains a cost effective alternative, albeit with implications around timing.	Implementation	No	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F072	Insufficient statutory and local discretionary funding. Insufficient tendered services funding.	1. Statutory and local discretionary funding (including tendered services revenue) to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme. 3. Tendered services mileage has to be withdrawn or reduced to fund statutory scheme.	1. Although funding is within control of GM functions (GMCA / Mayoral office) rather than external to GM, other pressures on the public purse mean that GMCA would have to reallocate funding from another sources. 2. If no additional funding could be secured, local discretionary funding may need to be reduced to cover statutory requirements. 3. Budgetary cycle framework and regular reporting to manage change.	Finance	No	No
F074	Incumbent operator becomes insolvent or performance/ other factors necessitate contract to be terminated.	1. Corporate insolvency of operator. 2. Events of termination. 3. Operator withdraws from market.	1. Service stops. 2. Need to procure replacement operators. 3. Reduced customer confidence and reputational damage.	1. Contract Form. 2. Due Diligence. 3. Performance Bond designed to cover cost of re-procurement and estimated premium for an emergency operator. 4. Contract structure would be designed to allow TfGM to terminate a contract if operator becomes insolvent and/or fails to have any of the required conditions in place to run the services. 5. Contingency plan to implement emergency contracts to respond to insolvency or performance issues. 6. Parent company guarantees if applicable for operators awarded franchise.	Operating Model	Yes	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F077	Legal risk - Injunction(s) may be placed on GMCA and/or TfGM stopping the implementation of bus franchising whilst a judicial review process takes place.	Operators applying for an injunction(s) to be placed on GMCA and/or TfGM from implementing any proposed bus Franchising Scheme at same time as proceeding with a claim for judicial review of any Mayoral decision.	1. Implementation is delayed. 2. Costs of having to defend injunctive proceedings. 3. Ongoing costs incurred by project team by not being able to implement scheme. 4. Potential costs on GMCA having to subsidise services during interim period.	1. Ensure compliance with the requirements and process set out in the 2000 Act. 2. Ensure appropriate engagement with stakeholders. 3. Ensure compliance with GMCA constitution and comply with any instructions given by GMCA.	Legal	No	No
F078	Implementation Risk - The Bus Reform Project is not in control of all the change required to manage the franchised operation and is dependent upon deliverables from others.	1. A lack of understanding of the dependencies that franchising has in other areas. 2. Lack of understanding of the bus franchising timescales. 3. Lack of an integrated plan.	1. Delay to implementation. 2. Poor management control during transition and with the initial franchises. 3. Increased revenue risk. 4. Increased costs due to overcoming a technical or process shortfall.	1. Close alignment of project teams across TfGM to ensure the bus reform team is aligned to their delivery and timescales priority project. 2. Sign-off process developed so that proposals are signed off by the relevant business as usual unit in the organisation. 3. Performance board in place to run bus reform as a separate programme and highlight dependencies. 4. Regular dependency meetings to review and agree inter/intra dependencies.	Implementation	No	No
F079	Existing depots in Greater Manchester are in a poor condition and require additional repair and refurbishment to bring them to the specification required.	1. Lack of access to the depots and therefore knowledge of their current condition. 2. Assumptions based on technical work because there is inadequate access to depots.	1. Additional refurbishment costs which are greater than anticipated. 2. Potential implications to the programme if more work is required to all the depots. 3. Time delays to get services up and running.	1. Use of external advisors with strong depot experience. 2. Ensure that as part of the acquisition process, there is an opportunity to undertake full condition surveys.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F080	The GMCA needs to proceed with use of compulsory purchase powers to acquire depots owned by bus operators.	1. GMCA is unable to negotiate voluntary purchase of depots from bus operators. 2. GMCA decides not to acquire own land to construct depots as may be required to operate services from.	1. Objection(s) received leading to Public Inquiry. 2. Claim for compensation for business extinguishment leading to referral to Upper Tribunal. 3. Delay to acquisition of depots leading to delays to implementation of scheme and operation of services. 4. Potential cost consequences of GMCA dealing with a Public Inquiry and Upper Tribunal referral and risk of additional compensation for operators.	1. Prior negotiations with bus operators in light of fact that use of compulsory purchase powers should be viewed as a last resort. 2. Alternative depot arrangements are considered in assessment.	Implementation	No	No
F081	Implementation - risk that TfGM staff costs are higher than anticipated in order to attract correct people/skills to fill operating model.	1. Available candidates do not possess the correct skill set to fill roles. 2. Competition with other major projects.	TfGM need to offer a higher salary to attract correct quality of candidate.	1. New and senior roles with higher rates of pay. New roles created would be assigned at top end of pay scale. 2. Review potential efficiencies in roles in operating model.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F082	System Specification - risk that the specification of systems (e.g. Automatic Vehicle Location (AVL), ETM, RTPI) does not meet requirements for managing and monitoring franchise services.	1. Lack of clear strategy, future needs of systems and in particular, in relation to ticketing needs. 2. Lack of expertise and in-house resources to specify appropriate requirements. 3. Timing or contractual issues across modes do not facilitate integration. 4. Specification not detailed enough or not fit for purpose.	1. Inability to manage the contracts. 2. Failure to improve services due to lack of data. 3. Additional cost. 4. Delay in effective management of contracts. 5. Lack of revenue management control. 6. Systems cannot be integrated into the wider Greater Manchester system.	1. Strategy developed for specification of each equipment type, identifying ownership model, subject matter expert requirements and performance specifications. 2. Evaluation process designed to ensure that operators/suppliers can demonstrate their ability to provide the required level of provision and service.	Implementation	No	No
F089a	Insufficient Tendered Bus Service Operator Grant from DfT.	DfT withdraw or reduce Bus Service Operator Grant.	Reduced funding for the bus industry and to GMCA. Will lead to increasing costs to GMCA (higher net fuel costs) for tendered services mileage which could lead to either fare increases, reduced network or funding reallocation..	Reduced / removal of funding this would occur nationally and would be challenged by operators along with GMCA / TfGM and other Transport Executives.	Finance	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F089	Insufficient commercial Bus Service Operator Grant from DfT.	1. DfT withdraw or reduce commercial Bus Service Operator Grant. 2. Fixed amount granted to GMCA for commercial BSOG grant, if mileage is in excess of this no further funding is provided and GMCA will have to fund the increased cost per mile of the franchised network.	1. Reduced funding relative to forecast therefore TfGM will have to cover any funding shortfalls which could lead to either fare increases or reduced network if there are no funds available for reallocation. 2. If GMCA is unable to secure additional funding from DfT for the increased mileage will lead to increased costs to GMCA (higher net fuel costs) which could lead to either fare increases, reduced network or funding reallocation.	1. Reduced / removal of funding this would occur nationally and would be challenged by operators along with TfGM and other Transport Executives. 2. There is currently a legal obligation to fund commercial BSOG mileage and therefore would endeavour to secure additional funds from DfT. If not this would have to be funded by TfGM or GMCA. Current forecast for mileage is that this will decrease and not increase.	Finance	Yes	No
F091	Risk that current employees are unable to fulfil transition staffing requirements and the project has to revert to contracting staff or advisors.	Cannot fulfil staffing requirements.	1. Project must revert to contract resource at contract day rates (higher than salaried staff). 2. Lack of ownership of project within TfGM. 3. Learnings from and understanding of the project are diluted by contractors leaving business.	1. Mix of TfGM and contractor resources included across the transition stage. 2. Accelerate appointment of TOM roles (especially senior posts to mitigate knowledge loss through the programme). 3. Employ strict governance at end of tranches to ensure lessons learned and best practise are captured.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F092	Revenue - Passengers who are unaware of System One tickets (and currently purchase multiple tickets to travel on services run by different operators) will no longer do so, reducing the revenue received by GMCA from multiple ticket sales.	The standard bus ticket will allow travel on all of the networks rather than limited to each operator.	Revenues received by GMCA will be reduced by the cost of the additional tickets that were being purchased by passengers.	This risk seeks to quantify the impact on revenue from there being individuals who currently purchase several single tickets who will no longer need to do due to interoperability of tickets under franchising. This is viewed as a risk due to the uncertainty around the size of the impact on revenue and is therefore accounted for in the quantitative risk assessment.	Operating Model	Yes	No
F095	Provision of defined contribution pension entitlement under franchising becomes cumbersome and disjointed for employees.	Franchise succession means different employers may have different schemes / providers.	1. Provision becomes disjointed/ artificially complex requiring continuing transfers between schemes upon franchise succession 2. employees build up provision with multiple providers.	1. GMCA could provide franchising wide 'Master Trust' defined contribution scheme to facilitate transfers more readily and minimise administration for bidders. There would be a cost to set up, but reduced administration/ complexity on an ongoing basis. 2. GMCA could request information from operators in accordance with the provisions of the 2000 Act to ascertain terms of operator's pension schemes.	Finance	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F096	Franchise bidders are unable to meet the statutory requirement to provide broadly comparable pension arrangements, particularly in relation to Defined Benefit arrangements which it is assumed must be replicated under franchising.	The 2000 Act necessitates that the same or broadly comparable pension arrangements must be provided upon the transfer of an existing employee between operators under a Franchising Scheme.	1. Transferring employees with a defined benefit pension scheme must be provided with a broadly comparable scheme, which having received advice is likely to be a comparable defined benefit scheme. 2. Complexity for bidders 3. Uncertainty - to what extent are bidders exposed to cost fluctuations, succession of liabilities 4. Barrier to entry	1. Option for operators to become classed as an Admitted Body to join the LGPS upon the successful award of a franchise contract 2. GMCA can be a party to any admission agreement between the operator and the LGPS provider to promote the use of universal terms across the market 3. Possibility that GMCA could act as guarantor if required when entering into an admission agreement 4. GMCA could request information from operators in accordance with the provisions of the 2000 Act to ascertain terms of operator's pension schemes.	Finance	Yes	No
F097	Risk that existing defined benefit pension deficit liabilities of incumbents are 'transferred' to franchised operators.	Past service deficits in group own defined benefit schemes and Local Government Pension Schemes transfer to franchisees due to requirements for broadly comparable pension arrangements.	1. Uncertainty/ complexity for bidders. 2. Pension costs higher than a current service cost level of contribution.	1. No legal basis for succession where arrangements relate to a corporate DB scheme 2. DfT consultation response makes clear it is for existing operators to make good existing deficits 3. To the extent any past service liability transfers, GMCA could adopt a risk allocation approach to carve out past service from a franchising contract 4. GMCA could request information from operators in accordance with the provisions of the 2000 Act to determine the extent of deficits 5. Engage with GMPF actuary at the appropriate time to ascertain the terms of any transfer.	Finance	No	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F098	Bus franchising market: there is a risk that GMCA is unable to create a sustainable and long-term market for bus franchising and not meet the Vision for Bus.	1. Risk/ Reward model. 2. Asset Management. 3. Customers demand variations by area.	1. Reputational impact. 2. Additional costs to Project.	1. Development of commercial model based on other experiences and market testing. 2. Early engagement with Operators including non-Greater Manchester operators. 3. Engagement with stakeholders through consultation.	Operating Model	No	No
F103	Greater Manchester Pension Fund requires additional security / guarantees to allow franchisees as Admitted Bodies.	Broadly comparable pensions provision requirements under the 2000 Act may leave Greater Manchester Pension Fund as the likely, or most practicable, pension provider for Local Government Pension Scheme employees. GMPF's assessment of a franchisee's financial strength / covenant to allow the employer as an Admitted Body requires indemnities or bonds.	1. Additional costs of indemnities / bonds in franchise bids 2. More complex process/ delay if alternative "broadly comparable" arrangements were sought as a last resort and associated risk of challenge from transferring employees 3. GMPF seek additional assurances/ guarantees from the letting authority. 4. Barrier to entry	1. Engage with GMPF actuary at the appropriate time to ascertain any security requirements. 2. GMCA is a party to the Admission Agreement and provide the appropriate security to mitigate the identified consequences upon franchisees 3. Consideration of operator data for the extent/ numbers of LGPS actives..	Finance	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F104	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue. 2. Potential worsening of air quality if there is a shift to other modes.	1. Fares and ticketing adjustments. 2. Changes to the network. 3. Increased marketing. 4. Phase two interventions where deemed appropriate.	Operating Model	No	No
F105	The risk that it is not possible to procure a combined AVL/Ticketing solution.	A combined AVL/Ticketing system to meet full set of requirements is not available on the market at appropriate price.	GMCA needs to procure a separate AVL and separate ticketing system.	GMCA would procure a separate AVL and separate ticketing system in order to ensure that systems are in place that meet GMCA's requirements.	Implementation	Yes	No
F106	The Risk that the costs for the procurement of the IS systems is more cost than was originally budgeted for.	Prices and delivery timescales may differ to assumptions made.	Extra cost to create the IS Landscape required for Bus Reform.	1. On Mayoral Decision immediately approach market place for an understanding of the costing and programme timeframe anticipated. 2. Use of industry experts to provide an understanding of the range of costs for IS currently used in Bus Industry. 3. More detailed work on the IS Requirements for franchising allowing a deeper understanding of what is required. 4. Minimise change where appropriate and maximise the use of existing systems were possible and practicable.	Implementation	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F107	The Risk that the delivery of Interfaces into the appropriate systems are more complex to deliver than has been estimated.	Prices and delivery timescales may differ to assumptions made.	1. Delivery of franchising model will be delayed and therefore the benefits will be delayed Extra cost to create the IS Landscape required for Bus Reform. 2. There is a delay of information to drive the ongoing management of franchising due to lack of IS Infrastructure. 3. Potential reduction in service quality in the important transition phase.	1. Extra time for team to deliver the required Systems. 2. On Mayoral Decision immediately approach market place for an understanding of the costing and programme timeframe anticipated. 3. Use of industry experts to provide an understanding of the range of costs for IS currently used in Bus Industry. 4. More detailed work on the IS Requirements for franchising allowing a deeper understanding of what is required. 5. Minimise change where appropriate and maximise the use of existing systems were possible and practicable. 6. Early operator engagement - to validate the requirements.	Implementation	Yes	Yes
F108	Risk that the ongoing operating costs have been underestimated.	Prices and delivery timescales may differ to assumptions made.	Increase in the annual operating costs.	1. On Mayoral Decision immediately approach market place for an understanding of the costing anticipated. 2. Use industry experts to provide an understanding of the range of costs for IS currently used in Bus Industry. 3. More detailed work on the IS Requirements for franchising allowing a deeper understanding of what is required.	Operating Model	Yes	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F109	Some employees delivering non franchised / neighbouring authority services are made redundant.	Definition of 'principally connected', allocation arrangements and application of TUPE on commencement of franchising results in incumbent / neighbouring authority operators making redundancies.	1. Reputational impact. 2. Adverse impact on employees not principally connected with franchised services.	1. Phased introduction of franchising reduces potential impact given that operators would not necessarily need to make any individuals redundant at once. 2. Engagement with operators.	Implementation	No	No
F110	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	1. Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet. 2. TfGM would most likely specify that vehicles had to meet standards as part of the CAZ plans, if implemented	Operating Model	No	No
F111	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 increases the costs of franchise tenders if vehicles not already meeting the standards.	TfGM would most likely specify that vehicles had to meet standards as part of the CAZ plans, if implemented.	1. Increase the price of tenders received.	1. Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet. 2. If funding request not met in full, GMCA to consider other funding sources in order to ensure sufficient funding to cover any price increases.	Operating Model	No	No
F112	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	1. Engagement with TfN on smart ticketing proposals. 2. Engagement with bus operators on smart ticketing proposals through GMTL and other bus forums.	Operating Model	No	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?	Revenue impact?
F113	Short-term increases in fares – The risk that operators increase fares after mayoral decision before transition to franchising.	Operators decide to maximise revenue ahead of introduction of franchising.	1. Potential fall in patronage. 2. Customer impacts. 3. Reputational impact.	Pricing is in control of commercial operators pre transition and there are therefore limited mitigation actions GMCA could take until franchising is implemented.	Implementation	No	No

Table 72: Partnership Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
Partnership Risk Register						
P001	Reputation - Poor transition implementation of key changes (e.g. ticketing/ re-branding) impacts customers and causes significant loss of confidence in Partnership to achieve a step change in Greater Manchester bus services.	1. Poor transition planning. 2. Lack of resource/ skills from TfGM. 3. Lack of resource / skills from operators.	1. Reputational damage. 2. Additional cost to manage situation. 3. Poor public perception.	Production of a transition plan to be included within partnership agreement (to include clarity on rollout and funding) so that key changes can be implemented.	Implementation	No
P002	Reputation - Small/medium sized operators impacted detrimentally and publicly lobby against position in relation to Partnership.	1. Small operators having a minor role and therefore little influence in the Partnership. 2. Misinformation in public domain unchallenged. 3. Lack of engagement with operators/groups 4. Poor stakeholder communication (esp. local politicians and mayoral office).	1. Reputational damage. 2. Cost and time of managing issue including any legal challenge. 3. Raised in Parliament by a local MP.	1. Any partnership agreement to be tested legally. 2. Assessment made of the impact on smaller operators, informing a decision how to proceed and engagement opportunities 3. Application of statutory tests before proceeding.	Implementation	No
P003	Reputation - Risk that all current stakeholder expectations (particularly political expectations) in respect of partnership exceed the actual service proposals.	1. Lack of clarity around what can be achieved/delivered, and recognition that partnership proposals will have different impacts on different groups. 2. Poor stakeholder communication (especially local politicians and mayoral office). 3. Operators do not abide by partnership.	Reputational damage and poor public perception.	1. MP drop-in session and TfGM stakeholder engagement approach. 2. Effective communication of proposals to the public. 3. Strong public relations to manage public image and influence opinion during transition, based upon consumer research as appropriate. 4. Engagement with operators and agreed approach to stakeholder communication.	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
		4. Lack of contractual recourse or not easily enforceable.				
P004	Implementation - risk that TfGM has insufficient resource to manage implementation.	1. Shortage of required skills in TfGM and in the market. 2. Lack of experience in implementing similar projects.	1. Delays to implementation period. 2. Additional costs. 3. Inappropriate operational structures put in place hampering GMCA / TfGM s ability to manage Partnership.	1. Identify implementation process. 2. Ensure sufficient resource and skills within TfGM to manage implementation.	Implementation	Yes
P005	Implementation - risks that the organisational change required in TfGM does not take place within budget / timescales.	1. Lack of change management leadership. 2. Poor engagement with staff 3. Difficulties to recruit and/or retrain staff. 4. Insufficient planning for the organisational changes required and the associated costs. 5. Lack of clarity over operator responsibility and TfGM responsibility.	1. Delays to implementation period. 2. Additional costs and/or delay to benefits being realised. 3. Inappropriate operational structures put in place hampering TfGM / GMCA's ability to manage partnership. 4. Other areas of TfGM spend have to be reduced in order to cover additional costs on Bus. 5. Potential breach of VPA/EPS if not operationally ready in time.	1. Identify implementation process. 2. Ensure sufficient resource and skills within TfGM to manage implementation.	Implementation	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P006	Network design - Risk that any network design change reduces customer satisfaction and/or patronage.	Inappropriate changes to the network are made as a result of the partnership.	1. Lack of public confidence. 2. Lower than expected patronage. 3. Limited integration benefits. 4. Reduced funding potential for future schemes. 5. Inability to improve network in the future to drive multi-modal integrated transport system.	1. Network changes developed jointly between TfGM and Operators to leverage collective knowledge and insight. 2. Customer satisfaction monitored as part of Partnership and interventions developed to overcome. 3. Customer engagement and feedback collated as part of network design approach.	Implementation	No
P008	Communication - Risk that communication to current bus users during implementation is inadequate, causing disruption on transition.	1. Poor communication strategy. 2. Roles and responsibilities of parties (TfGM, operators) involved not clearly defined.	1. Loss of customer confidence and poor public perception/confusion of option to be implemented. 2. Additional costs. 3. Reduced fare income for operators.	1. Customer communications to be included within Partnership agreement / any EPS (to include roles, responsibilities, funding and intervention examples). 2. Effective marketing campaign deployed to ensure bus users/public are informed of partnership implementation and timetables.	Implementation	No
P009	Risk that the relationship between TfGM and operator(s) or between operators is poor, increasing risk of partnership disputes or failure.	1. In the case of a VPA, partnership management processes not agreed in advance and/or inappropriate governance. 2. Standards too ambitious. 3. No pre-agreed mechanisms to deal with likely changes to the partnership requirements.	1. Increased management time and cost devoted to partnership management. 2. Service performance suffers /services withdrawn as issues remain unresolved.	Partnership agreement to include dispute resolution processes.	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P010	Risk that the change mechanism is not capable of managing changes desired meaning that the ability to make changes to the partnership is reduced.	1. Lack of consideration of likely changes required. 2. Mechanism too complex or unworkable in practice. 3. Change mechanism too vague, lacks detail.	1. Inability to make required changes. 2. Key changes are not able to be implemented under the partnership.	Any model of partnership would include some mechanism whereby changes could be made based on best practice commercial principles.	Operating Model	No
P011	Risk that operators in the partnership cannot comply with its specification (e.g. bus type).	1. Lack of investment. 2. Buses allocated to inappropriate routes.	1. Service quality drops. 2. Could lead to termination of VPA or a breach of any EPS.	1. Engagement with operators. 2. Ensure reasonable justification for including a specification in the partnership. 3. Specification in line with what can be delivered by the market and consideration of appropriate timescales.	Operating Model	No
P012	Risk that additional funding is not available (GMCA or operator funding) to deliver planned programme promised in partnership agreement.	1. Funding not available. 2. Any additional profits made by operators not reinvested into the network.	1. Partnership not deliverable. 2. Loss of public confidence. 3. Potential loss of network capacity.	1. Engagement with operators to understand partnership proposed. 2. Both provision for public funding and operator funding to be included within the partnership proposal as well as assessment of sustainability. This will include other funding sources to be utilised by the Partnership as and when become available.	Finance	No
P013	Lack of contractual recourse mechanisms under partnership agreement risks one or more operators not delivering on Partnership commitments (in the short-term).	Lack of contractual obligation under partnership agreement.	1. Partnership ends. 2. Partnership does not deliver intended benefits. 3. Potential loss of network capacity.	Agreement to include provisions regarding what would happen if an operator did not meet the partnership commitments including appropriate mechanics to incentivise continued compliance.	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P014	GMCA is unable to obtain the agreement with key operators to either agree to enter into a partnership of consent to implementation of a scheme.	Operators are not willing and/ or incentivised to enter into a partnership agreement / consent to implementation of a scheme.	1. Partnership is not implemented or a weaker form of partnership is implemented. 2. Partnership involves only a subset of operators. 3. Reputational damage. 4. Any VPA may not pass the competition tests.	Ongoing engagement with operators to determine nature of partnership agreement and levels of commitment.	Implementation	No
P015	Risk that operators do not honour Partnership / scheme in the future (in the long-term).	Partnership framework does not guarantee long-term commitment due to limited binding contractual nature.	1. GMCA can not create an enduring partnership. 2. Benefits are not enduring	1. The mitigation would depend on the exact legal framework of the Partnership, but legal advice would be sought to ensure that the Partnership is, binding, so far as is possible. 2. Agree on what basis the partnership would be revisited / renewed.	Operating Model	No
P015a	Risk that contractual tie to ambitious standards could make the partnership more prone to collapse.	1. Contractual mechanisms to enforce partnership 2. Bus operators deciding that it is optimal for them to exit the partnership rather than abide by its terms. 3. Unrealistic standards set.	1. Some operators exit the partnership. 2. Partnership collapses.	1. Regular meetings with operators to help prevent the Partnership from collapsing. 2. Change mechanisms included in the Partnership.	Operating Model	No
P016	Operator goes out of business.	1. Liquidation. 2. Operator loses operating licence. 3. Operator decides to withdraw from market.	1. Disruption to the market. 2. Reduced services.	Contingency plan to implement emergency contracts to respond to insolvency or performance issues - aligned to current processes and procedures.	Operating Model	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P017	Insufficient statutory and local discretionary funding.	1. Statutory and local discretionary funding to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme.	1. Although funding is within control of GM functions (GMCA / Mayoral office) rather than external to GM other pressures on the public purse and mean that the GMCA would have to reallocate funding from another sources. 2. If no additional funding could be secured local discretionary funding may need to be reduced to cover statutory requirements. 3. Budgetary cycle framework and regular reporting to manage change.	Finance	No
P017a	Insufficient tendered services funding.	1, Tendered services funding to GMCA does not increase in line with the modelled assumptions. 2. If commercial mileage falls significantly there is a stakeholder / political pressure to intervene by increasing tendered services. No legal obligation to intervene however.	1. Funding gap appears. 2. Reputational damage through reduced network.	1. Although funding is within control of GM functions (GMCA / Mayoral office) rather than external to GM, other pressures on the public purse mean that the GMCA would have to reallocate funding from other sources. 2. Budgetary cycle framework and regular reporting to manage change.	Finance	No
P018	Traffic congestion - greater level of disruption than anticipated.	1. Economic growth leading to changes in transport modes. 2. Changes in road network increases congestion. 3. Roadworks etc.	1. Operators' costs increase. 2. Poor operating performance. 3. Potential fall in patronage. 3. Revenue loss to operators. 4. Fall in customer satisfaction. 5. Mileage reductions or increases if road diversions in place.	1. Active programme to identify where bus priority measures could be applied if funding is available. 2. Identification of traffic hotspots using the Operational Control Centre to manage operational issues. 3. Bus services team to communicate where issues are so can invest where required. 4. Where possible, communicating issues to operators in advance to allow forward planning and customer communications.	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P019	In the case of a VPA, the risk that there is not consistency between the operators, if terms area agreed with different operators.	Different terms agreed with different operators in partnership.	1. Operator disputes/ unstable partnership. 2. A differential market.	Having a VPA that seeks to achieve the same end point for all operators, even if it takes longer for some than others.	Implementation	No
P020a	Withdrawal or reduction in value of Tendered Devolved Bus Service Operator Grant from DfT.	DfT withdraw or reduce Bus Service Operator Grant.	1. Funding gap appears. 2. Reputational damage through reduced network.	Reduced / removal of funding this would occur nationally and would be challenged by operators along with TfGM and other Transport Executives.	Finance	Yes
P020	Insufficient commercial Bus Service Operator Grant from DfT.	1. DfT withdraw or reduce Bus Service Operator Grant 2. Fixed amount granted to GMCA for commercial BSOG grant, if mileage is in excess of this GMCA is liable for the additional funding.	1. Reduced funding relative to forecast therefore increasing costs to operators (higher net fuel costs) which could lead to either fare increases or reduced network. 2. If GMCA is unable to secure additional funding from DfT for the increased mileage then funding will have to be reallocated as TfGM / GMCA are liable for any additional funding requirements.	1. Reduced / removal of funding this would occur nationally and would be challenged by operators along with TfGM and other Transport Executives. 2. There is currently a legal obligation to fund commercial BSOG mileage and therefore would endeavour to secure additional funds from DfT. If not this would have to be funded by TfGM or GMCA. Current forecast for mileage is that this will decrease and not increase.	Finance	Yes

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P021	Market Attractiveness - Insufficient operators attracted to bid for a tendered service because of perception that incumbents will win due to conditions associated with VPA/EPS.	1. Poor market briefings. 2. Perception that incumbents will win. 3. Commercial structure unattractive. 4. Bid process overly cumbersome.	1. Failed procurement of tendered services. 2. Less competitive bids - price and quality.	Mitigated in Business As Usual scenario through designing tendered services contracts that are competitive in the market place.	Operating Model	Yes
P022	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue for operators. 2. Services not deliverable and potential breakdown of partnership. 3. Potential worsening of air quality if there is a shift to other modes. 4. Services withdrawn by operators. 5. Pressure and/or reliance on subsidised services.	1. GMCA may decide there is a need to subsidise additional services if the fall in patronage results in services being cut.	Operating Model	No
P023	Major transport projects coincide with the procurement cycle for tendered services.	Large highway or MetroLink schemes are planned and cause serious disruption to tendered service.	1. Serious customer disruption. 2. Loss of revenue. 3. Loss of public confidence. 4. Performance issues with operator.	This is a risk borne by the operators and can be mitigated by adjusting fares or services offered.	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P024	Risk that in the case of an EPS, a new operator applies to register a local bus service which could breach any route and/or frequency requirements imposed under that EPS.	A route and/or frequency requirement is implemented on a particular part of the network which is being met in full by incumbent operators.	1. GMCA could not refuse the registration because to do so could confer an exclusive right on the incumbent operator(s). 2. Service registration of existing services may need to be cancelled in compliance with EU Regulation 1370/2007. 3. Disruption to services 4. Reputational damage. 5. Potential cost and time consequences.	1. Discuss services with appropriate operators and if operator wishes to pursue registration, seek voluntary arrangement with incumbent operator(s) with a view to varying their services so that any additional service registration could be granted without having to cancel the existing services. Note that this may be supported by an appropriate qualifying agreement. 2. If this is not possible, GMCA would have to issue a tender and seek to award a contract for the operation of services to comply with any route and/or frequency requirement in compliance with The Public Service Vehicles (Registration of Local Services in Enhanced Partnership Areas) (England and Wales) Regulations (which at time of writing are not yet in force). 3. Communication with appropriate stakeholders.	Operating Model	No
P025	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet. Operators commit to a forward plan of investment as part of the partnership	Operating Model	No

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY	In QRA?
P026	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 results in a risk of withdrawal of some services as operators decide how best to react to the charge or continuing to use non Euro VI vehicles and pay the charge. Also increase in tendered service costs.	1. Buses will be subject to a charge on the introduction of a CAZ and operators will have a choice as to whether to upgrade fleet, pay the charge or withdraw a service.	1. Increase the price of tenders received. 2. Risk that TfGM needs to subsidise more services	Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet.	Operating Model	No
P027	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	1. Engagement with TfN on smart ticketing proposals. 2. Engagement with bus operators on smart ticketing proposals through GMTL and other bus forums.	Operating Model	No

Table 73: Do Minimum Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
Do Minimum Risk Register					
DM001	Reputation - Risk that current stakeholder expectations in respect of the bus service exceed tendered services provided by GMCA.	1. Poor stakeholder communication/ expectation management. 2. Commercial bus market reduces / operators withdraw services. 3. Poor performance by commercial bus operators. 4. Market not reformed and/or improved. 5. Lack of understanding of the rate at which the bus market in GM is currently declining.	1. Reputational damage. 2. Reduction in patronage. 3. Reduction in revenue. 4. Modal shift to other forms of transport.	1. MP drop-in session and TfGM stakeholder engagement approach. 2. Strong public relations to manage public image and influence opinion, based upon consumer research as appropriate. 3. Communicate reference case in the Strategic Case.	Operating Model
DM002	Insufficient statutory and local discretionary funding.	1. Statutory and local discretionary funding to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme.	1. Although funding is within control of GM functions (GMCA / Mayoral office) rather than external to GM other pressures on the public purse mean that and GMCA would have to reallocate funding from another sources. 2. If no additional funding could be secured, local discretionary funding may need to be reduced to cover statutory requirements. 3. Budgetary cycle framework and regular reporting to manage change.	Finance

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
DM002a	Insufficient tendered services funding.	1. Tendered services funding to GMCA does not increase in line with the modelled assumptions. 2. While there is no legal obligation to intervene, If commercial mileage falls significantly there is a stakeholder / political pressure to intervene by increasing tendered services.	1. Funding gap appears. 2. Reputational damage through reduced network.	1. Although funding is within control of GM functions (GMCA / Mayoral office) rather than external to GM, other pressures on the public purse mean that the GMCA would have to reallocate funding from another sources. 2. Budgetary cycle framework and regular reporting to manage change.	Finance
DM003	Withdrawal or reduction in value of Tendered Devolved Bus Service Operator Grant from DfT.	DfT withdraw or reduce Bus Service Operator Grant.	1. Funding gap appears. 2. Reputational damage through reduced network.	Reduced / removal of funding this would occur nationally and would be challenged by operators along with TfGM and other Transport Executives.	Finance
DM003a	Insufficient commercial Bus Service Operator Grant from DfT.	1. DfT withdraw or reduce Bus Service Operator Grant 2. Fixed amount granted to GMCA for commercial BSOG grant, if mileage is in excess of this GMCA is liable for the additional funding.	1. Reduced funding relative to forecast therefore increasing costs to operators (higher net fuel costs) which could lead to either fare increases or reduced network. 2. If GMCA is unable to secure additional funding from DfT for the increased mileage then funding will have to be reallocated as TfGM / GMCA are liable for any additional funding requirements.	1. Reduced / removal of funding this would occur nationally and would be challenged by operators along with TfGM and other Transport Executives. 2. There is currently a legal obligation to fund commercial BSOG mileage and therefore would endeavour to secure additional funds from DfT. If not this would have to be funded by TfGM or GMCA. Current forecast for mileage is that this will decrease and not increase.	Finance

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
DM004	Tendered service is not provided and/or service contract is terminated.	1. Corporate insolvency of operator. 2. Material breaches to any terms and conditions and/or other events of termination. 3. Decline in performance meaning that operators do not meet performance thresholds.	1. Unable to provide the service. 2. Increase in price paid for tendered services. 3. Reduced consumer confidence. 4. Gap in the market. 5. Potential need to re-tender service and/or provide interim service.	1. Contingency plan to implement emergency contracts to respond to insolvency or performance issues. 2. Monitoring of performance of operators on an ongoing basis.	Operating Model
DM005	Major transport projects influence services.	Large highway or MetroLink schemes are planned and cause serious disruption to tendered service.	1. Serious customer disruption. 2. Loss of revenue. 3. Loss of public confidence. 4. Performance issues with operator.	1. TfGM has visibility of major transport projects within Greater Manchester. 2. Inform operators of planned works giving advance notice to adjust routes and inform customers.	Operating Model
DM006	Market Attractiveness - Insufficient operators attracted to bid for a tendered service and/or GMCA fails to promote competitive procurement process.	1. Poor market briefings. 2. Perception that incumbents will win. 3. Bid process overly cumbersome. 4. Lack of resource influencing operators' ability to bid. 5. Inability to meet performance thresholds. 6. Insolvency of operators reducing the number of operators in the market.	1. Failed procurement. 2. Less competitive tendered services bids - price and quality. 3. Gap in the market. 4. Value for money basis of contract award may not be achieved to full extent possible.	1. Mitigated through design of tendered services contracts that are competitive in the market place. 2. Continued market engagement to streamline the procurement process.	Operating Model

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
DM007	Traffic congestion - greater level of disruption than anticipated affects performance of tendered services.	1. Economic growth leading to changes in transport modes. 2. Changes to road network increases congestion. 3. Roadworks etc.	1. Cost increases. 2. Poor operating performance. 3. Revenue loss. 4. Fall in customer satisfaction. 5. Mileage reductions or increases if road diversions are in place.	1. Active programme to identify where bus priority measures could be applied if funding is available. 2. Identification of traffic hotspots using the Operational Control Centre to manage operational issues. 3. Bus services team to communicate where issues are so can invest where required. 4. Where possible, communicating issues to operators in advance to allow forward planning and customer communications.	Operating Model
DM008	Network performance functionality of OPTIS is not fit for purpose.	1. Operators provide AVL (Automatic Vehicle Location) data in an inconsistent format. 2. Supplier unable to deliver required network performance monitoring functionality. 3. Supplier relationship breaks down.	1. Unable to produce robust performance figures. 2. Reputational damage if limited data has knock-on effect on passengers. 3. Impact on customer service.	1. Data sharing agreements in place. 2. Work with operators to ensure consistent outputs between their own systems and OPTIS. 3. Dedicated resource to work with supplier/operator to identify operator and supplier issues. 4. Use OPTIS team and dedicated resource.	Operating Model
DM009	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue for operators. 2. Potential worsening of air quality if there is a shift to other modes. 3. Services withdrawn by operators. 4. Pressure and/or reliance on subsidised services.	1. GMCA may decide there is a need to subsidise additional services if the fall in patronage results in services being cut.	Operating Model

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
DM10	Risk that vehicles operating tendered services do not comply with GMCA's standards.	1. Maximum vehicle age limit stipulated means operators may have to invest in their fleet. 2. Reduction of funding available to GMCA to purchase and/or maintain vehicles owned by TfGM. 3. Lack of funding or resources available to operators.	1. Increase in costs against reduced budget. 2. Reduction in service levels. 3. Reduction in low emission vehicles. 4. Loss of reputation. 5. Less competitive bids received for tendered services.	1. TfGM Service Planning team to reduce impact by co-ordinating routes, attracting commercial interest in supplying newer vehicles. 2. Successful ULEV bid will introduce new vehicles, however there is a match-funding implication.	Operating Model
DM11	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet.	Operating Model
DM12	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 results in a risk of withdrawal of some services as operators decide how best to react to the charge or continuing to use non Euro VI vehicles and pay the charge. Also increase in tendered service costs.	1. Buses will be subject to a charge on the introduction of a CAZ and operators will have a choice as to whether to upgrade fleet, pay the charge or withdraw a service.	1. Increase the price of tenders received. 2. Risk that TfGM needs to subsidise more services	Funding requested from central government as part of the Clean Air Plan OBC to upgrade bus fleet.	Operating Model

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	MITIGATION	CATEGORY
DM13	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	1. Engagement with TfN on smart ticketing proposals. 2. Engagement with bus operators on smart ticketing proposals through GMTL and other bus forums.	Operating Model

Appendix B: Qualitative risk assessment

64.3.2 There are 15 risks for the Do Minimum option, 23 risks for the Partnership option and 20 risks for the franchising option that have been qualitatively assessed. These risks have been assessed in line with TfGM's Risk Management Policy and Strategy, as explained in Section 46.7. The impact and probability are scored on a scale of very low, low, medium, high and very high. Based on these scores risks are assigned an overall rating of low, medium, high or critical.

64.3.3 The risks are shown below:

Table 74: Franchising Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
Franchising Risk Register						
F007	Expectation Management - Unreasonably high expectations from influential stakeholders on what the option of franchising could achieve (on its own or without additional funding) and associated timings.	1. Lack of clarity around what can be achieved/delivered, and lack of recognition that franchising will have different impacts on different groups. 2. Poor communication of proposals and Assessment outcomes. 3. Poor stakeholder communication (especially local politicians and mayoral office).	1. Reputational damage 2. Poor public perception. 3. Potential for any mayoral decision on bus reform to be challenged.	M	M	Medium
F018	Implementation - incumbent large operators do not win franchise contract and subsequently acts in an uncooperative manner.	Failure of an incumbent operator to win a franchise tender.	1. Fully scoped and defined approach will be adopted, committing adequate resources. 2. Detailed mobilisation plan to mitigate risks associated with incumbent operators. 3. Any voluntary agreement of depot transfer would build in obligations in relation to the existing operator to cooperate in depot and operational transfer. 4. Engagement with incumbent operators.	M	H	High

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
F029	Fleet Specifications - risk that the specification for fleet is not deliverable by the market.	1. Inadequate research into ability/appetite of the market to deliver required fleet. 2. Lack of consultation with manufacturers and operators.	1. Failure of the procurement process. 2. Higher than expected cost.	VL	M	Low
F048	Risk that a franchise contract is not managed appropriately, increasing the risk of contractual disputes.	1. Contract management processes not agreed in advance. 2. Inappropriate governance of the overall contract leading to issues escalating unnecessarily. 3. Too little due diligence on the bid solutions leading to risk of mismatched expectations. 4. No pre-agreed mechanisms to deal with likely changes to the requirements during the franchise period. 5. Recruitment of the wrong people without ability to work both commercially and collaboratively.	1. Increased management time and cost devoted to contract management. 2. Service performance suffers as issues remain unresolved. 3. Contractual relationship, suffers and becomes more confrontational 4. Difficulties in implementing changes to service provision. 5. Reputational damage.	L	M	Medium
F063	Fuel Price Risk - Unpredictable fuel costs.	1. Fuel costs higher than expected. 2. Fuel risk not shared.	1. Increased costs. 2. Services are decreased to maintain affordability.	L	M	Medium
F069	Inability to respond to changes in technology.	1. Advances in technology. 2. Inability to plan/ change the network with a high level of certainty of the benefits.	1. Revenue loss. 2. Fall in public confidence. 3. Quality of network below that which could be achieved with alternative technologies.	H	H	Critical
F071a	Transition Risk - risk that incumbent operators require a price higher than anticipated for their fleet to enter the Residual value mechanism.	Operators' desire to maximise the transfer price of their fleet.	The underlying cost of running the bus service would rise resulting in GMCA needing to pay operators more for running the services.	VL	M	Low

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
F072	Insufficient statutory and local discretionary funding. Insufficient tendered services funding.	1. Statutory and local discretionary funding (including tendered services revenue) to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme. 3. Tendered services mileage has to be withdrawn or reduced to fund statutory scheme.	M	H	High
F077	Legal risk - Injunction(s) may be placed on GMCA and/or TfGM stopping the implementation of bus franchising whilst a judicial review process takes place.	Operators applying for an injunction(s) to be placed on GMCA and/or TfGM from implementing any proposed bus Franchising Scheme at same time as proceeding with a claim for judicial review of any Mayoral decision~~.~~	1. Implementation is delayed. 2. Costs of having to defend injunctive proceedings. 3. Ongoing costs incurred by project team by not being able to implement scheme. 4. Potential costs on GMCA having to subsidise services during interim period.	VL	VH	Medium
F078	Implementation Risk - The Bus Reform Project is not in control of all the change required to manage the franchised operation and is dependent upon deliverables from others.	1. A lack of understanding of the dependencies that franchising has in other areas. 2. Lack of understanding of the bus franchising timescales. 3. Lack of an integrated plan.	1. Delay to implementation. 2. Poor management control during transition and with the initial franchises. 3. Increased revenue risk. 4. Increased costs due to overcoming a technical or process shortfall.	L	H	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
F080	The GMCA needs to proceed with use of compulsory purchase powers to acquire depots owned by bus operators.	1. GMCA is unable to negotiate voluntary purchase of depots from bus operators. 2. GMCA decides not to acquire own land to construct depots as may be required to operate services from.	1. Objection(s) received leading to Public Inquiry. 2. Claim for compensation for business extinguishment leading to referral to Upper Tribunal. 3. Delay to acquisition of depots leading to delays to implementation of scheme and operation of services. 4. Potential cost consequences of GMCA dealing with a Public Inquiry and Upper Tribunal referral and risk of additional compensation for operators.	L	H	Medium
F082	System Specification - risk that the specification of systems (e.g. Automatic Vehicle Location (AVL), ETM, RTPI) does not meet requirements for managing and monitoring franchise services.	1. Lack of clear strategy, future needs of systems and in particular, in relation to ticketing needs. 2. Lack of expertise and in-house resources to specify appropriate requirements. 3. Timing or contractual issues across modes do not facilitate integration. 4. Specification not detailed enough or not fit for purpose.	1. Inability to manage the contracts. 2. Failure to improve services due to lack of data. 3. Additional cost. 4. Delay in effective management of contracts. 5. Lack of revenue management control. 6. Systems cannot be integrated into the wider Greater Manchester system.	L	H	Medium
F097	Risk that existing defined benefit pension deficit liabilities of incumbents are 'transferred' to franchised operators.	Past service deficits in group own defined benefit schemes and Local Government Pension Schemes transfer to franchisees due to requirements for broadly comparable pension arrangements.	1. Uncertainty/ complexity for bidders. 2. Pension costs higher than a current service cost level of contribution.	L	VH	High

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
F098	Bus franchising market: there is a risk that GMCA is unable to create a sustainable and long-term market for bus franchising and not meet the Vision for Bus.	1. Risk/ Reward model. 2. Asset Management. 3. Customers demand variations by area.	1. Reputational impact. 2. Additional costs to Project.	L	M	Medium
F104	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue. 2. Potential worsening of air quality if there is a shift to other modes.	M	M	Medium
F109	Some employees delivering non franchised / neighbouring authority services are made redundant.	Definition of 'principally connected', allocation arrangements and application of TUPE on commencement of franchising results in incumbent / neighbouring authority operators making redundancies.	1. Reputational impact. 2. Adverse impact on employees not principally connected with franchised services.	M	M	Medium
F110	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	M	M	Medium
F111	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 increases the costs of franchise tenders if vehicles not already meeting the standards.	TfGM would most likely specify that vehicles had to meet standards as part of the CAZ plans, if implemented.	1. Increase the price of tenders received.	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
F112	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	M	M	Medium
F113	Short-term increases in fares – The risk that operators increase fares after mayoral decision before transition to franchising.	Operators decide to maximise revenue ahead of introduction of franchising.	1. Potential fall in patronage. 2. Customer impacts. 3. Reputational impact.	L	M	Medium

Table 75: Partnership Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
Partnership Risk Register						
P001	Reputation - Poor transition implementation of key changes (e.g. ticketing/ re-branding) impacts customers and causes significant loss of confidence in Partnership to achieve a step change in Greater Manchester bus services.	1. Poor transition planning. 2. Lack of resource/ skills from TfGM. 3. Lack of resource / skills from operators.	1. Reputational damage. 2. Additional cost to manage situation. 3. Poor public perception.	L	L	Low
P002	Reputation - Small/medium sized operators impacted detrimentally and publicly lobby against position in relation to Partnership.	1. Small operators having a minor role and therefore little influence in the Partnership. 2. Misinformation in public domain unchallenged. 3. Lack of engagement with operators/groups 4. Poor stakeholder communication (esp. local politicians and mayoral office).	1. Reputational damage. 2. Cost and time of managing issue including any legal challenge. 3. Raised in Parliament by a local MP.	VL	L	Low
P003	Reputation - Risk that all current stakeholder expectations (particularly political expectations) in respect of partnership exceed the actual service proposals.	1. Lack of clarity around what can be achieved/delivered, and recognition that partnership proposals will have different impacts on different groups. 2. Poor stakeholder communication (especially local politicians and mayoral office). 3. Operators do not abide by partnership. 4. Lack of contractual recourse or not easily enforceable.	Reputational damage and poor public perception.	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
P006	Network design - Risk that any network design change reduces customer satisfaction and/or patronage.	Inappropriate changes to the network are made as a result of the partnership.	1. Lack of public confidence. 2. Lower than expected patronage. 3. Limited integration benefits. 4. Reduced funding potential for future schemes. 5. Inability to improve network in the future to drive multi-modal integrated transport system.	L	M	Medium
P008	Communication - Risk that communication to current bus users during implementation is inadequate, causing disruption on transition.	1. Poor communication strategy. 2. Roles and responsibilities of parties (TfGM, operators) involved not clearly defined.	1. Loss of customer confidence and poor public perception/confusion of option to be implemented. 2. Additional costs. 3. Reduced fare income for operators.	L	L	Low
P009	Risk that the relationship between TfGM and operator(s) or between operators is poor, increasing risk of partnership disputes or failure.	1. In the case of a VPA, partnership management processes not agreed in advance and/or inappropriate governance. 2. Standards too ambitious. 3. No pre-agreed mechanisms to deal with likely changes to the partnership requirements.	1. Increased management time and cost devoted to partnership management. 2. Service performance suffers /services withdrawn as issues remain unresolved.	M	L	Medium
P010	Risk that the change mechanism is not capable of managing changes desired meaning that the ability to make changes to the partnership is reduced.	1. Lack of consideration of likely changes required. 2. Mechanism too complex or unworkable in practice. 3. Change mechanism too vague, lacks detail.	1. Inability to make required changes. 2. Key changes are not able to be implemented under the partnership.	M	H	High
P011	Risk that operators in the partnership cannot comply with its specification (e.g. bus type).	1. Lack of investment. 2. Buses allocated to inappropriate routes.	1. Service quality drops. 2. Could lead to termination of VPA or a breach of any EPS.	VL	L	Low

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
P012	Risk that additional funding is not available (GMCA or operator funding) to deliver planned programme promised in partnership agreement.	1. Funding not available. 2. Any additional profits made by operators not reinvested into the network.	1. Partnership not deliverable. 2. Loss of public confidence. 3. Potential loss of network capacity.	VL	H	Medium
P013	Lack of contractual recourse mechanisms under partnership agreement risks one or more operators not delivering on Partnership commitments (in the short-term).	Lack of contractual obligation under partnership agreement.	1. Partnership ends. 2. Partnership does not deliver intended benefits. 3. Potential loss of network capacity.	VH	L	Medium
P014	GMCA is unable to obtain the agreement with key operators to either agree to enter into a partnership of consent to implementation of a scheme.	Operators are not willing and/ or incentivised to enter into a partnership agreement / consent to implementation of a scheme.	1. Partnership is not implemented or a weaker form of partnership is implemented. 2. Partnership involves only a subset of operators. 3. Reputational damage. 4. Any VPA may not pass the competition tests.	L	VH	High
P015	Risk that operators do not honour Partnership / scheme in the future (in the long-term).	Partnership framework does not guarantee long-term commitment due to limited binding contractual nature.	1. GMCA can not create an enduring partnership. 2. Benefits are not enduring	M	H	High
P015a	Risk that contractual tie to ambitious standards could make the partnership more prone to collapse.	1. Contractual mechanisms to enforce partnership 2. Bus operators deciding that it is optimal for them to exit the partnership rather than abide by its terms. 3. Unrealistic standards set.	1. Some operators exit the partnership. 2. Partnership collapses.	VL	M	Low
P017	Insufficient statutory and local discretionary funding.	1. Statutory and local discretionary funding to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme.	VL	H	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
P017a	Insufficient tendered services funding.	1, Tendered services funding to GMCA does not increase in line with the modelled assumptions. 2. If commercial mileage falls significantly there is a stakeholder / political pressure to intervene by increasing tendered services. No legal obligation to intervene however.	1. Funding gap appears. 2. Reputational damage through reduced network.	L	VH	High
P018	Traffic congestion - greater level of disruption than anticipated.	1. Economic growth leading to changes in transport modes. 2. Changes in road network increases congestion. 3. Roadworks etc.	1. Operators' costs increase. 2. Poor operating performance. 3. Potential fall in patronage. 3. Revenue loss to operators. 4. Fall in customer satisfaction. 5. Mileage reductions or increases if road diversions in place.	H	M	High
P019	In the case of a VPA, the risk that there is not consistency between the operators, if terms area agreed with different operators.	Different terms agreed with different operators in partnership.	1. Operator disputes/ unstable partnership. 2. A differential market.	L	L	Low
P022	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue for operators. 2. Services not deliverable and potential breakdown of partnership. 3. Potential worsening of air quality if there is a shift to other modes. 4. Services withdrawn by operators. 5. Pressure and/or reliance on subsidised services.	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
P023	Major transport projects coincide with the procurement cycle for tendered services.	Large highway or MetroLink schemes are planned and cause serious disruption to tendered service.	1. Serious customer disruption. 2. Loss of revenue. 3. Loss of public confidence. 4. Performance issues with operator.	L	M	Medium
P024	Risk that in the case of an EPS, a new operator applies to register a local bus service which could breach any route and/or frequency requirements imposed under that EPS.	A route and/or frequency requirement is implemented on a particular part of the network which is being met in full by incumbent operators.	1. GMCA could not refuse the registration because to do so could confer an exclusive right on the incumbent operator(s). 2. Service registration of existing services may need to be cancelled in compliance with EU Regulation 1370/2007. 3. Disruption to services 4. Reputational damage. 5. Potential cost and time consequences.	N/A	N/A	N/A
P025	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	M	M	Medium
P026	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 results in a risk of withdrawal of some services as operators decide how best to react to the charge or continuing to use non Euro VI vehicles and pay the charge. Also increase in tendered service costs.	1. Buses will be subject to a charge on the introduction of a CAZ and operators will have a choice as to whether to upgrade fleet, pay the charge or withdraw a service.	1. Increase the price of tenders received. 2. Risk that TfGM needs to subsidise more services	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
P027	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	M	M	Medium

Table 76: Do Minimum Risk Register

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
Do Minimum Risk Register						
DM001	Reputation - Risk that current stakeholder expectations in respect of the bus service exceed tendered services provided by GMCA.	1. Poor stakeholder communication/ expectation management. 2. Commercial bus market reduces / operators withdraw services. 3. Poor performance by commercial bus operators. 4. Market not reformed and/or improved. 5. Lack of understanding of the rate at which the bus market in GM is currently declining.	1. Reputational damage. 2. Reduction in patronage. 3. Reduction in revenue. 4. Modal shift to other forms of transport.	H	M	High
DM002	Insufficient statutory and local discretionary funding.	1. Statutory and local discretionary funding to GMCA does not increase in line with the modelled funding assumptions. 2. Concessionary or local discretionary patronage increases in excess of the modelled assumptions requiring funding in excess of that modelled.	1. Funding gap appears. 2. Local discretionary scheme has to be withdrawn or reduced to fund statutory scheme.	VL	H	Medium
DM002a	Insufficient tendered services funding.	1. Tendered services funding to GMCA does not increase in line with the modelled assumptions. 2. While there is no legal obligation to intervene, If commercial mileage falls significantly there is a stakeholder / political pressure to intervene by increasing tendered services.	1. Funding gap appears. 2. Reputational damage through reduced network.	L	VH	High
DM003	Withdrawal or reduction in value of Tendered Devolved Bus Service Operator Grant from DfT.	DfT withdraw or reduce Bus Service Operator Grant.	1. Funding gap appears. 2. Reputational damage through reduced network.	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
DM003a	Insufficient commercial Bus Service Operator Grant from DfT.	1. DfT withdraw or reduce Bus Service Operator Grant 2. Fixed amount granted to GMCA for commercial BSOG grant, if mileage is in excess of this GMCA is liable for the additional funding.	1. Reduced funding relative to forecast therefore increasing costs to operators (higher net fuel costs) which could lead to either fare increases or reduced network. 2. If GMCA is unable to secure additional funding from DfT for the increased mileage then funding will have to be reallocated as TfGM / GMCA are liable for any additional funding requirements.	M	M	Medium
DM004	Tendered service is not provided and/or service contract is terminated.	1. Corporate insolvency of operator. 2. Material breaches to any terms and conditions and/or other events of termination. 3. Decline in performance meaning that operators do not meet performance thresholds.	1. Unable to provide the service. 2. Increase in price paid for tendered services. 3. Reduced consumer confidence. 4. Gap in the market. 5. Potential need to re-tender service and/or provide interim service.	L	M	Medium
DM005	Major transport projects influence services.	Large highway or MetroLink schemes are planned and cause serious disruption to tendered service.	1. Serious customer disruption. 2. Loss of revenue. 3. Loss of public confidence. 4. Performance issues with operator.	L	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
DM006	Market Attractiveness - Insufficient operators attracted to bid for a tendered service and/or GMCA fails to promote competitive procurement process.	1. Poor market briefings. 2. Perception that incumbents will win. 3. Bid process overly cumbersome. 4. Lack of resource influencing operators' ability to bid. 5. Inability to meet performance thresholds. 6. Insolvency of operators reducing the number of operators in the market.	1. Failed procurement. 2. Less competitive tendered services bids - price and quality. 3. Gap in the market. 4. Value for money basis of contract award may not be achieved to full extent possible.	M	M	Medium
DM007	Traffic congestion - greater level of disruption than anticipated affects performance of tendered services.	1. Economic growth leading to changes in transport modes. 2. Changes to road network increases congestion. 3. Roadworks etc.	1. Cost increases. 2. Poor operating performance. 3. Revenue loss. 4. Fall in customer satisfaction. 5. Mileage reductions or increases if road diversions are in place.	H	M	High
DM008	Network performance functionality of OPTIS is not fit for purpose.	1. Operators provide AVL (Automatic Vehicle Location) data in an inconsistent format. 2. Supplier unable to deliver required network performance monitoring functionality. 3. Supplier relationship breaks down.	1. Unable to produce robust performance figures. 2. Reputational damage if limited data has knock-on effect on passengers. 3. Impact on customer service.	L	L	Low
DM009	Risk of patronage falling by more than forecast.	1. Decline in the number of trips per person. 2. New alternative modes. 3. Increase in car ownership. 4. Shifts in competing modes. 5. Congestion and changes in traffic speeds. 6. Rise in cost of bus travel. 7. Exogenous trends that affect patronage (e.g. changes in population, employment and income).	1. Reduced revenue for operators. 2. Potential worsening of air quality if there is a shift to other modes. 3. Services withdrawn by operators. 4. Pressure and/or reliance on subsidised services.	M	M	Medium

RISK ID	RISK DESCRIPTION	CAUSE	CONSEQUENCE	POST MITIGATION		
				PROBABILITY	IMPACT	SCORE
DM10	Risk that vehicles operating tendered services do not comply with GMCA's standards.	1. Maximum vehicle age limit stipulated means operators may have to invest in their fleet. 2. Reduction of funding available to GMCA to purchase and/or maintain vehicles owned by TfGM. 3. Lack of funding or resources available to operators.	1. Increase in costs against reduced budget. 2. Reduction in service levels. 3. Reduction in low emission vehicles. 4. Loss of reputation. 5. Less competitive bids received for tendered services.	M	M	Medium
DM11	Bus as a mode does not make a significant contribution to reducing exceedances of NO_2 in GM.	1. Lack of investment in cleaner vehicles 2. Introduction of measures requiring reduction of NO_2 exceedances. 3. Current bus fleet not compliant with measures.	Exceedances of NO_2 in GM are not reduced in compliance with any measures and/or timescales set out.	M	M	Medium
DM12	Action proposed in GM's Clean Air Plan OBC in respect of implementation of a CAZ in August 2021 results in a risk of withdrawal of some services as operators decide how best to react to the charge or continuing to use non Euro VI vehicles and pay the charge. Also increase in tendered service costs.	1. Buses will be subject to a charge on the introduction of a CAZ and operators will have a choice as to whether to upgrade fleet, pay the charge or withdraw a service.	1. Increase the price of tenders received. 2. Risk that TfGM needs to subsidise more services	M	M	Medium
DM13	Risk that TfN's Smart ticketing proposals are delayed and/or do not lead to all the passenger benefits anticipated.	1. Delay to procurement, negotiations or implementation. 2. TfN's specifications are not fully deliverable. 3. Pricing of multi-operator tickets set by commercial operators as members of multi ticketing companies.	1. Delays to implementation of smart ticketing. 2. Customers do not receive the full benefits from smart ticketing anticipated.	M	M	Medium

List of amendments

On 28 June 2019 and upon completion of TfGM's assessment of a proposed bus franchising scheme, the Greater Manchester Combined Authority decided to proceed to the next step under the Transport Act 2000 (as amended by the Bus Services Act 2017) ("the Act") by obtaining a report from an independent audit organisation on the assessment in accordance with section 123D of the Act.

The purpose of this section is to document the minor changes that have been made to the assessment and which are now included in the version of the assessment which has been published in undertaking a consultation on the same in accordance with section 123E of the Act.

Table 77: List of Amendments

Change No.	**Assessment Reference**	**Page**	**Description of Change**
1	All	All	Minor formatting changes carried out to document, including correcting spacing issues and formatting titles for charts, tables and figures etc.
2	List of Abbreviations	12	Change *“Weight Adjusted Cost of Capital”* to *“Weighted Average Cost of Capital”*
3	Section 4.2.18	39	Remove *“5”* from *“2.8million5,”*
4	Section 4.3.3	42	Remove *“ii Travel across the wider city-region”* due to duplication
5	Chart 9	158	Remove chart title *“Impact of Partnership-Patronage”* and replace with *“Market Forecasts”*
6	Chart 9	158	Update chart title (within the chart) from *“Impact of Partnership-Patronage”* to *“Future Year Forecasts (Patronage)”* and legend titles *(no longer abbreviated)*
7	Table 5	160	Add column “Ambitious Partnership” as per content in Table 9
8	Table 9	187	Remove Row 5 *“TfGM Bus Operator”*
9	Table 9	187	Update some figures to remove minor rounding errors
10	Section 15.5.1	195	Remove wording *“Detailed sensitivity test descriptions and demand and revenue impacts of each test are reported in Section 6 of the Economic Case Supporting Paper (TfGM. 2019a).”*
11	Table 10 Table 11 Table 50	199 201 372	Change made to Table 10 and 11 to bring consistency in Table 10, 11, and 50 ST1 – Change *“Lower Population Growth”* to *“Lower Population and Employment Growth”* ST2 – Change *“Higher Population Growth”* to *“Higher Population and Employment Growth”* ST3 – Change *“Lower Car Fuel Increases”* to *“Lower Fuel Increases”*

Change No.	Assessment Reference	Page	Description of Change
			ST4 – Change *“Higher Car Fuel Increases”* to *“Higher Fuel Increases”* ST5 – Change *“Major Scheme Impacts - cycling uptake”* to *“Active Travel Investment”* – This change also applied in Table 50 ST10 – Change *“Lower GMPTM”* to *“Weaker GMPTM”* ST11 – Change *“Higher GMPTM”* to *“Stronger GMPTM”* ST15 – Change *“0.5% growth per annum”* to *“OBR real growth forecast”*
12	16.1.18	206	Replace *“m”* with *“million”* and replace *“quarter”* with *“third”*
13	Table 18	231	Update Operator Proposed Partnership figure to align with Table 9
14	Table 19	234	Update figures for the row *“Wider Society”* to make consistent
15	Table 23	243	Update figures to align with Table 9
16	Table 24	243	Update figures to align with Table 9
17	21.1.2	243	Address inconsistency in *“The Franchising Scheme option produces more benefits than the partnership options, at £453 million against a range of £100 million to £125 million. The Franchising Scheme option has a higher cost at £219 million against the partnership options at £20 to £22 million”* and replace with *“The Franchising Scheme option produces more benefits than the partnership options, at £345 million against a range of £113 million to £145 million. The Franchising Scheme option has a higher cost at £110 million against the partnership options at £33 to £39 million”* to align with Table 9,23, and 24
18	Table 25	244	Remove last row *“Total Benefits”*
19	Section 22.1.2 iii	247	Remove *“Section 00”* and replace with *“Section 34”*
20	Section 23.1.1 ii	247	Remove first *“Section 0”* and replace with *“Section 23.3”*

Change No.	Assessment Reference	Page	Description of Change
21	Section 23.1.1 iii	247	Remove second *"Section 0"* and replace with *"Section 23.4"*
22	Section 23.1.1 iv	247	Remove third *"Section 0"* and replace with *"Section 23.5"*
23	Section 24.1.1 i	258	Remove *"i Section 0"* and replace with *"i Section 25"*
24	Section 24.1.1 iv	258	Remove *"iv Section 0"* and replace with *"iv Section 28"*
25	Section 25.1.3	262	Remove *"Section 0"* and replace with *"Section 23.5"*
26	Section 42.1.10	349	Remove *"£68"* and replace with *"£96"*
27	Section 42.5.5 iv	368	Remove *"see section 43.2.3"*
28	Section 42.7.2	371	Remove *"Section 16"* and replace with *"Section 15.5"*
29	Section 42.7.4	372	Remove *"Section 16"* and replace with *"Section 15.5"*
30	Section 43.6.1	389	Remove *"section 42.5.7"* and replace with *"section 42.7"*
31	Section 43.6.3	389	Remove *"Section 16"* and replace with *"Section 15.5"*
32	Section 51	455	Minor formatting changes applied to section titled *"Part 2 – Partnerships"* and section now numbered as *"Section 51"*
33	Section 51.1	455	Minor formatting changes applied to section titled *"Introduction"* and section number changed from *"Section 51"* to *"Section 51.1"*
34	61.1.19	510	Address inconsistency in *"The Operator Proposed Partnership generates £453.1 million of benefits which compares to £100.5 million for the Franchising Scheme"* and replace with *"The Operator Proposed*

Change No.	Assessment Reference	Page	Description of Change
			Partnership generates £113.3 million of benefits which compares to £344.7 million for the Franchising Scheme. These benefits are less than a third of the total benefits of the Franchising Scheme option"
35	64.1.2 iii	520	Address inconsistency in *"the Franchising Scheme offers a greater degree of benefit – over the lifetime of the scheme in the appraisal giving an NPV of £441.9 million against £131 million for the most likely form of partnership"* and replace with *"the Franchising Scheme offers a greater degree of benefit – over the lifetime of the scheme in the appraisal giving an NPV of £234.0 million against £80.6 million for the most likely form of partnership"*