

HAVE YOUR SAY ON HOW YOUR BUSES ARE RUN

Consultation Document

Consultation runs from Monday 14 October 2019 to
Wednesday 8 January 2020



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This Consultation Document sets out why Greater Manchester Combined Authority (“GMCA”) believes it needs to change Greater Manchester’s bus market, and the reasons why it believes bus franchising is the right way to do this. It also sets out the Proposed Franchising Scheme and how it could be introduced, and seeks views on the proposals.

The consultation runs from 12 noon on 14 October 2019 to 23:59 on 8 January 2020.

It is important to understand what is covered by this consultation.

The consultation is about how GMCA proposes buses in Greater Manchester should be run in the future. This is set out in the Proposed Franchising Scheme. The consultation questions are about the Assessment of the Proposed Franchising Scheme and the contents of the Proposed Franchising Scheme itself, both of which were prepared by Transport for Greater Manchester (“TfGM”) on behalf of GMCA.

Any responses that do not fall within the scope of the consultation will be duly considered but only included in the consultation analysis to the extent that it is considered relevant to do so.

This is a formal consultation as required by the Transport Act 2000 as amended by the Bus Services Act 2017 (“the Act”) and has been prepared in accordance with the Act and the supporting The Bus Services Act 2017: Franchising Scheme Guidance (“the Guidance”).

The consultation questions

There are two versions of the consultation questionnaire:

- A short version which contains nine questions as set out at the end of the Executive Summary section of this document. (See pages 30 and 31)
- A long version which contains 48 questions (including those in the short questionnaire which are marked with an *). These are set out in the remainder of the document at appropriate points within each section. (See Appendix 1 for a full list of questions.)

You can decide which version of the questionnaire to answer, and you do not have to answer all the questions in either questionnaire in order to submit a response. The other ways you can also respond are set out below.

The questions for this consultation have been prepared around the requirements of the Act. An independent agency, Ipsos MORI, has reviewed the questions to ensure they are clearly worded and neutrally constructed. They will also process and analyse the responses.

Who can take part?

Anyone can take part in the consultation. You do not have to live in Greater Manchester or be a regular bus user. In fact, we would like to hear from people who don't currently travel by bus.

You can answer as a member of the public or in an official capacity (e.g. as an elected representative, statutory consultee, business or other organisation).

Please be aware that if you are answering in an official capacity your response may be published. Decision makers will have access to all responses during and following the close of the consultation period. References or quotes from responses from a member of the public will be done on an anonymised basis.

Where do I get more information?

This consultation document includes information you need to answer the consultation questions. Some people will want more detail. For further information, the following documents are available at gmconsult.org and in designated public buildings across Greater Manchester (a full list is included in this document in Appendix 2):

- Assessment and supporting papers
- Draft Proposed Franchising Scheme
- Draft Equality Impact Assessment on the Proposed Franchising Scheme
- Auditor's report
- Auditor's observations
- TfGM's response to Auditor's observations

If you have any questions, please email

gmbusconsultation@greatermanchester-ca.gov.uk or call **0161 244 1100**.

How do I respond?

Responses will be accepted through the following channels:



Complete and submit a questionnaire at gmconsult.org



Email a completed questionnaire or your comments to gmbusconsultation@ipsos-mori.com



Post a completed questionnaire or your comments to: **Freepost GM BUS CONSULTATION** (You do not need a stamp)



Paper copies of the questionnaires are available in designated public buildings in Greater Manchester (listed in Appendix 2 of this document) or both versions can be downloaded at gmconsult.org.

Access for all

If you need to respond in a different way, or require the consultation materials in a different format, please contact gmbusconsultation@greatermanchester-ca.gov.uk or call **0161 244 1100** to discuss your requirements.

What happens to my response?

All responses received through the channels outlined above go direct to Ipsos MORI – the independent agency who are managing and analysing the responses.

What happens next?

Your response will be independently assessed as part of the consultation process. This will be reported to GMCA when it considers its response to the consultation.

The GM Mayor will also take the responses into account when taking any decision on whether to introduce the Proposed Franchising Scheme. This decision is currently expected in March 2020. However, this is subject to change depending on the progress and outcome of the consultation and any subsequent decision-making process.

It is also important to be aware that the Act allows the Proposed Franchising Scheme to be amended after the consultation closes, for example, to reflect the bus network at that moment in time or to amend the network to reflect consultation responses.

The contents of this document

This is the consultation document on a proposed bus franchising scheme for Greater Manchester. It is split into the following sections:

- **Introduction** – This sets out the background to the consultation, including the process that must be followed to make a statutory change to the way buses in Greater Manchester are run. It also provides an overview of the current state of the bus market, why GMCA believes change is needed and the consultation process. (11 pages)
- **Executive summary and questions** – This provides a summary of the key points raised throughout the document and sets out the questions that are included in the short version of the consultation questionnaire. (12 pages)
- **Description of the Proposed Franchising Scheme and related questions** – This provides information about the Proposed Franchising Scheme for Greater Manchester. (6 pages)
- **Assessment summary, the proposed funding for the introduction of a fully franchised system, and related questions** – This provides a summary of the Assessment of the Proposed Franchising Scheme (this is referred to as “the Assessment” in this document) and the case for introducing the Proposed Franchising Scheme. It compares the Proposed Franchising Scheme against the other available options and recommends that the preferred option for the future of Greater Manchester’s bus network is for all buses, with a small number of exceptions, to be run under a franchised system. This section also includes the proposal, which was approved by GMCA in advance of this consultation, about how GMCA would fund the introduction of a fully franchised system. (54 pages)
- **Equality Impact Assessment and related question** – This sets out the potential equality impacts of the Proposed Franchising Scheme. (1 page)
- **Outcome of audit** – A summary of the outcome of the independent audit of the Assessment. (1 page)
- **Final questions** – The final questions taking into account all of the above. (1 page)
- **Appendices**



1. INTRODUCTION

Background

This section sets out the background to the consultation, including the process that must be followed to make a statutory change to the way buses in Greater Manchester are run.

This process is set out in the Transport Act 2000 (as amended by the Bus Services Act 2017); described as “*the Act*” in this document. The Act gives Mayoral Combined Authorities, including Greater Manchester, powers to improve bus services by reforming the current bus market. The options available include franchising – the system used in London and other cities globally – and various forms of partnerships.

In June 2017, GMCA decided to consider the use of the powers under the Act and instructed TfGM to prepare an assessment of a proposed bus franchising scheme for Greater Manchester.

That Assessment was completed in June 2019, as was a draft Proposed Franchising Scheme which identified (amongst other things) which services would be franchised under that scheme. The Assessment was then provided to an independent auditor for it to review it as required by the Act and, as described later in this document, a report including the auditor’s opinion on the Assessment was issued on 26 September 2019.

Since completion of the Assessment, revisions to the draft Proposed Franchising Scheme have been made. These revisions are explained in this document, and for the purposes of this consultation, it is the Proposed Franchising Scheme including those revisions which is being consulted on.

Greater Manchester Combined Authority (GMCA) is made up of the ten Greater Manchester local authorities and the GM Mayor and works with other local services, businesses, communities and other partners to improve the city-region. It is a strategic authority with powers including public transport, skills, housing, regeneration, waste management and the environment as well as fire services. GMCA is also the Integrated Transport Authority as set out in the Local Transport Act 2008 and makes decisions about public transport policies, strategies and funding. GMCA is responsible for making some decisions under the Act, including considering and reporting on the outcome of the consultation process on a Proposed Franchising Scheme for Greater Manchester.

Transport for Greater Manchester (TfGM) is Greater Manchester's Passenger Transport Executive, the public body responsible for coordinating Greater Manchester's transport strategy and delivering its objectives. TfGM also owns the Metrolink system, as well as other assets including interchanges, bus shelters and bus stops. It is accountable to and directed by the GMCA, the ten Greater Manchester Councils and the GM Mayor. TfGM prepared the assessment of the Proposed Franchising Scheme on behalf of GMCA. It is also delivering this consultation on GMCA's behalf.

The Greater Manchester Mayor (GM Mayor) chairs GMCA. The GM Mayor has specific executive powers, including some relating to transport. The GM Mayor has the power under the Act to decide whether to introduce the Proposed Franchising Scheme.

Greater Manchester Strategy

Greater Manchester has a bold plan to make Greater Manchester one of the best places in the world to grow up, get on and grow old. The Greater Manchester Strategy: Our People, Our Place, has been written by the 10 Councils, the GM Mayor, the NHS, TfGM, the police and fire services with help from businesses, voluntary, community and social enterprise organisations and members of the public.

The Strategy explains our ambitions for the future of the city-region and the 2.8m of us who live in the towns, cities, communities and neighbourhoods that make up Greater Manchester. It covers health, wellbeing, work and jobs, housing, transport, skills, training and economic growth.



The Greater Manchester Transport Strategy 2040

World-class public transport is central to our ambitions for Greater Manchester so that everyone can get to where they need to go. The Greater Manchester Transport Strategy 2040 and Delivery Plan – the Local Transport Plan – describes how we'll make travel easier across Greater Manchester and shows how a sustainable and accessible network will support economic growth.

Our Network

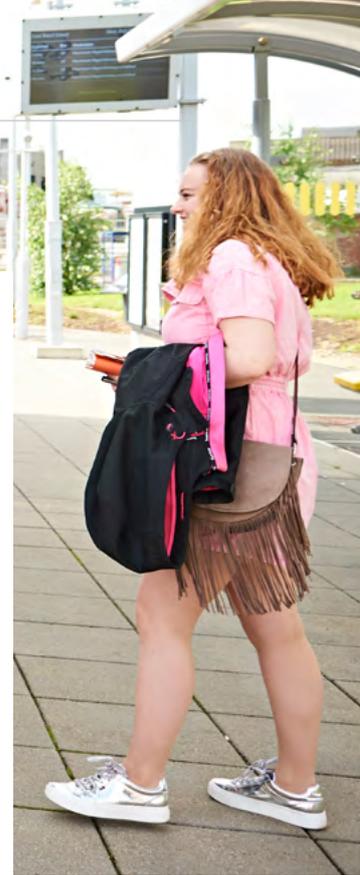
Launched in June 2019, and aligned to the Greater Manchester Transport Strategy 2040, Our Network is Greater Manchester's vision for public transport in 2029.

To keep Greater Manchester moving, we need a truly integrated public transport system so that getting around our city-region is easy, accessible and affordable. We also need excellent walking and cycling links in our local neighbourhoods so that we can walk and cycle easily and safely for shorter journeys.

This means having the right connections in the right places, simple ticketing that works across different modes of transport, and the necessary powers to ensure our transport network works together for the benefit of Greater Manchester's people and businesses.

A truly integrated transport network has the potential to transform Greater Manchester. By allowing people to move quickly and easily on public transport, by bike or on foot, we can unlock growth, cut congestion and air pollution and enable our residents to lead fulfilling and rewarding lives.

**OUR
PEOPLE
OUR
PLACE
OUR
NETWORK**



Greater Manchester's current bus services



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



There is no single brand
or source of travel information.



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



Customer standards vary.



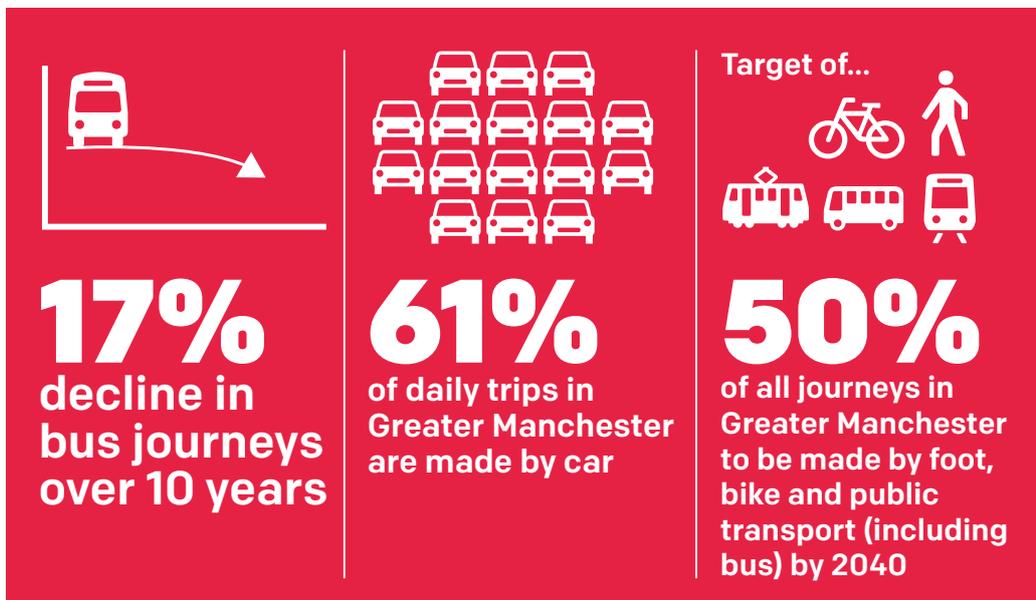
Difficult to plan a network that meets the
future needs of the city region.

Buses in Greater Manchester

Three out of every four journeys made by public transport in Greater Manchester are made by bus and so buses are an important part of the Our Network vision for public transport and the Greater Manchester Transport Strategy 2040 (*“the 2040 Strategy”*).

But bus use in Greater Manchester is falling. Between 2008-09 and 2017-18 there was a decline of 39m journeys, a reduction of 17%.

To deliver the 2040 Strategy, 50% of all journeys in the city-region will need to be made by foot, bike and public transport (including bus) by 2040. Currently, 61% of daily trips in Greater Manchester are made by car. Meeting that ambition requires one million more journeys every day to be made on foot, bike or public transport.

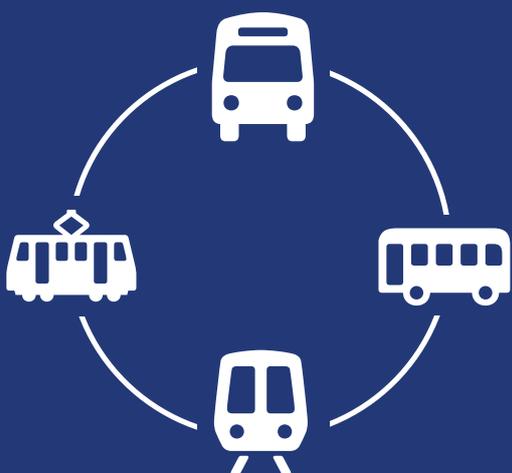


Greater Manchester’s vision for buses in the future

As set out in the 2040 Strategy, GMCA has a Vision for Bus with ambitions for:

- Network integration
- A simplified and integrated fares system
- A consistent customer experience
- Value for money.

GMCA's Vision for Bus is...



**Network
integration**



**A simplified and
integrated fares system**



**A consistent
customer experience**



**Value for
money**

How buses are run now

Since 1986 bus services in Greater Manchester have been deregulated. That means the buses are run by commercial bus companies who decide the routes, timetables, fares and standards. The bus companies receive the revenue from fares and retain the profits.

For passengers this means that:

- Standard tickets can only be used on buses run by the same operator.
- Having a ticket to travel on buses run by different operators costs more.
- Fares and ticketing are complex. There are more than 150 types of ticket.
- There is no single brand or source of travel information.
- Bus companies decide which routes to run based on commercial reasons meaning some routes are well served and others less so.
- Customer standards vary.

And GMCA:

- Cannot fully integrate buses with the rest of the public transport network.
- Cannot effectively and efficiently deliver a long-term transport strategy to support economic growth and meet the future needs of the city-region.

Current public sector funding

The bus companies decide which services to run and they can cut the services as they wish, including where they are not profitable. At times of the day and in areas where there is a social need, GMCA pays operators to run services on those routes. These are known as subsidised services. Around 20% of services would not run if not for GMCA's intervention. In the 2018/19 financial year, the total spend on subsidised services in Greater Manchester was approximately £27m.

GMCA also funds much of the infrastructure to support bus services – for example building new and improved interchanges at Altrincham, Wythenshawe, Wigan, Rochdale; and bus priority schemes such as the Leigh Guided Busway and the Cross City Bus scheme. Since April 2014, over £250m has been spent on bus priority measures, bus stations and interchanges, including the schemes referred to above.

In addition, the public sector pays for concessionary fare schemes for free or low-cost travel. For bus travel this cost approximately £46m in the 2018/19 financial year.

Alongside this, central government funds the Commercial Bus Services Operating Grant (“BSOG”). This refunds some of the Fuel Duty incurred by operators. In the last financial year 2018/19, across Greater Manchester this came to approximately £16m.



Proposals to change the way buses in Greater Manchester are run

On behalf of GMCA, TfGM prepared an assessment of a draft Proposed Franchising Scheme for Greater Manchester. The Act requires the Assessment to:

- Describe the effects that the Proposed Franchising Scheme is likely to produce.
- Compare the Proposed Franchising Scheme to one or more other options.
- Consider how the Proposed Franchising Scheme would contribute to other policies of GMCA and those of nearby neighbouring authorities.
- Consider how GMCA would make and operate the Proposed Franchising Scheme.
- Consider whether GMCA could afford to make and operate the Proposed Franchising Scheme, and whether the Proposed Franchising Scheme would represent value for money for GMCA.
- Consider whether GMCA would be likely to secure the provision of services under the Proposed Franchising Scheme through franchise contracts.

A summary of this Assessment is included in this document from pages 38 to 91.

The Assessment has concluded that the preferred option for the future of Greater Manchester's bus network is for all buses, with a small number of exceptions, to be run under a franchised system. It also sets out how the Proposed Franchising Scheme would work and how bus franchising would be paid for.

The Assessment has been independently audited and the outcome of this is summarised in Appendix 3.

Reforming the bus market

The Assessment prepared in accordance with the requirements of the Act gives Mayoral Combined Authorities including Greater Manchester powers to reform their bus markets. The Assessment looks at the implications of the following options:

- **Do Minimum (also described in the Assessment as the 'reference case')**
 - bus services in Greater Manchester would continue to be deregulated, with bus operators choosing the services they provide. The Do Minimum option does not contribute to the achievement of GMCA's objectives but carries no additional cost or risk.
- **New partnership** – Working with the bus operators in different ways to improve services, either through a voluntary agreement or through a legal scheme. There are different types of partnership and these are explained in the Section 4 of this document.



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- **The Proposed Franchising Scheme** – Taking bus services under Greater Manchester’s control – whereby TfGM on behalf of GMCA would set routes, timetables, fares and standards. The bus companies would competitively bid for contracts in order to run services on GMCA’s behalf.

What it would cost to introduce the Proposed Franchising Scheme

The Financial Case for the Assessment includes a range of credible funding sources which could be used to fund the costs associated with the Proposed Franchising Scheme, should a decision be taken to introduce it. In identifying these options, the Assessment concludes that the Proposed Franchising Scheme, including the transition phase, would be affordable and represent value for money for the public purse.

The forecast net costs over the transition period up to 2024/25 are approximately £134.5m (including £122m for moving to a franchised bus market in Greater Manchester by 2024/2025, and a £12.5m forecast increase in costs over the same period relating primarily to travel concessions and supported bus services).

Since the Assessment was completed GMCA has approved a proposal for how these costs would be funded, should a decision be taken to introduce the Proposed Franchising Scheme.

The majority of the proposed funding would come from earn back funding, provided by central government as part of Greater Manchester’s Devolution Agreement. Additional funding could come from the Mayoral precept and a one-off contribution from Greater Manchester’s local authorities. The precept / council tax requirement for an average Greater Manchester Band B household could be approximately £14.20, phased over a four year period to 2024/25.

Since the Assessment was completed, the government has indicated that it will support Greater Manchester to ‘deliver a London-style bus system in the area’ which could include revenue funding. If government funding does become available this could offset any local contribution including council tax/ precept requirement.

Consultation structure

The information provided to answer the consultation questions is structured in the following way:

Proposed Franchising Scheme description		The Proposed Franchising Scheme includes the area and services covered, and how and when the Proposed Franchising Scheme would be implemented.
The summary of the Assessment, which follows the structure in the Guidance	Strategic Case	What the case is for change and for intervening in the bus market, and what the options are for doing this.
	Economic Case	How the options compare in terms of forecasts of demand, benefits and economic value for money.
	Commercial Case	What the commercial arrangements would be for the different options.
	Financial Case	How affordable the different options are.
	Management Case	How the different options would be implemented and managed, how risks would be managed and how transition would be managed for the different options.
	Comparison of options and recommendation	A summary of the options against the objectives for bus reform set out in the Strategic Case and a recommendation for reform, being the Proposed Franchising Scheme.
Equality Impact Assessment		This sets out the potential equality impacts of the Proposed Franchising Scheme for Greater Manchester.

Whilst the Proposed Franchising Scheme is the preferred option, throughout the summary of the Assessment (pages 38 to 91), we also ask questions about partnership options where relevant.

Sections of the Assessment related to the commencement of procurement and other activities were based on a number of assumed dates, including a decision by the GM Mayor in December 2019 on whether or not to introduce the Proposed Franchising Scheme. Since completion of the Assessment, these dates have been revised by three months, as outlined in Section 3 of this document. The change of these dates has no material impact on the Assessment.

Whilst having at one time been the largest single operator of bus services in Greater Manchester, FirstGroup during 2019 confirmed that it adopted a policy of disposing of parts of its operations in Greater Manchester. As a result of transactions completed in June and August 2019, its operations in North Manchester and Bolton have been transferred to Go-Ahead and Rotala respectively. FirstGroup continue to operate services in and from Oldham, as well as services on the Leigh Guided Busway. All three operators are in dialogue with TfGM regarding partnership options.

Given the timing of both transactions these changes are not reflected in, nor would they materially impact, the Assessment. These disposals have, however, resulted in the network across parts of Greater Manchester being operated by more bus companies, further contributing to the complexity experienced by passengers.



2. EXECUTIVE SUMMARY

To recap, the Act gives Mayoral Combined Authorities including Greater Manchester powers to reform their bus markets. On behalf of GMCA, TfGM has prepared an Assessment of a proposed bus franchising scheme for Greater Manchester.

The Act requires the Assessment to:

- Describe the effects that the Proposed Franchising Scheme is likely to produce.
- Compare the Proposed Franchising Scheme to one or more other options.
- Consider how the Proposed Franchising Scheme would contribute to any policies of GMCA and nearby neighbouring authorities.
- Consider how GMCA would make and operate the Proposed Franchising Scheme.
- Consider whether GMCA could afford to make and operate the Proposed Franchising Scheme, and whether the Proposed Franchising Scheme would represent value for money for GMCA.
- Consider whether GMCA would be likely to secure the provision of services under the Proposed Franchising Scheme through local service contracts (or franchise contracts).

The Assessment compares the Proposed Franchising Scheme with other options, including entering into a new partnership with the bus companies or a Do Minimum option. These are explained below:

- Do Minimum – the market would be left as it is now and bus services in Greater Manchester would continue to be deregulated, with bus operators choosing the services they provide (this is also described in the Assessment as the 'reference case'). Do Minimum does not contribute to the achievement of GMCA's objectives but carries no additional cost or risk.
- New partnership – Working with the bus operators in different ways to improve services, either through a voluntary agreement or through a legal scheme. There are different types of partnership and these are explained in Section 4 of this document.
- The Proposed Franchising Scheme – Taking bus services under Greater Manchester's control – whereby TfGM on behalf of GMCA would set routes, timetables, fares and standards. The bus companies would competitively bid for contracts to run services on GMCA's behalf.

The Proposed Franchising Scheme

This section provides an executive summary of the Proposed Franchising Scheme. This provides technical and practical details of how it is proposed that bus franchising would work in Greater Manchester. It also sets out the process of moving from the current deregulated bus market to a fully franchised system (which is known as transition).

The Proposed Franchising Scheme has been prepared in accordance with the requirements of the Act which says that it must describe, amongst other things:

- The geographical area that would be covered by the Proposed Franchising Scheme.
- It is proposed that the Proposed Franchising Scheme covers all of Greater Manchester.
- The local bus services that would be provided under franchise contracts and which local services which are proposed to be excepted from regulation under the Proposed Franchising Scheme.
- The services which would be franchised are listed in the appendices to the Proposed Franchising Scheme. The proposal is that these services would reflect the local services being run in Greater Manchester. Services which would be excepted from the Proposed Franchising Scheme include dedicated school services and some services which would be franchised at a later date, which are excepted temporarily for transition purposes.
- The dates on when it is proposed that the Proposed Franchising Scheme would be made.
- It is currently proposed that the Proposed Franchising Scheme could be made on 6 March 2020.
- The date or dates by which it is proposed that franchise contracts may first be entered into.

To make sure the transition from the current deregulated system to a fully franchised system is as smooth as possible, the Proposed Franchising Scheme proposes that it is done in three phases. This means that Greater Manchester would be split into sub-areas (A, B and C). These sub areas are set out in the map on page 138. The dates currently proposed for entering into franchise contracts for these sub-areas are:

- Sub-Area A – 2 April 2021
- Sub-Area B – 25 March 2022
- Sub-Area C – 10 March 2023

Once franchising becomes operational in Sub-Area C, there would no longer be three sub-areas and instead there would be just one area which would cover the entirety of Greater Manchester.

The description of the Proposed Franchising Scheme in Section 3 of this document also describes other elements of the Proposed Franchising Scheme, including:

- The additional facilities which it is considered are appropriate to be provided by the GMCA.
- The period that is proposed to expire between the making of a franchise contract and the provision of services under such contracts.

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- A description of GMCA's proposed plans for consulting in order to seek views on how well the Proposed Franchising Scheme is working.
 - A statement about how GMCA proposes to involve small and medium sized operators in the Proposed Franchising Scheme.

The Assessment summary

The Assessment recommends introducing the Proposed Franchising Scheme for the entirety of Greater Manchester on the following basis:

THE STRATEGIC CASE

The Strategic Case sets out the implications of declining bus use and challenges facing network integration in Greater Manchester. It also provides a full review of the options available to address these problems. Three options are shortlisted in the Assessment, which are the Do Minimum option, a new partnership and the Proposed Franchising Scheme.

Under a new partnership two options are assessed, both covering the whole of Greater Manchester, which illustrate the range of potential outcomes that could be achieved. The first partnership option reflects current propositions that have been discussed with the operators, incorporating the consolidated proposal put forward by operators and outputs of ongoing dialogue (Operator Proposed Partnership). The second option has been developed by TfGM because a partnership could theoretically deliver more than the Operator Proposed Partnership. This partnership has been developed to better inform decision making (Ambitious Partnership).

The Strategic Case concludes that the Proposed Franchising Scheme would be the best option to deliver Greater Manchester's Vision for Bus, which is a major component of the 2040 Strategy vision for integrated travel in the city-region.

The analysis set out in the Strategic Case found that the Proposed Franchising Scheme would enable the integration of the bus network both across bus services and with other modes of transport. It would also ensure the network is as efficient as possible and does not compete against itself, as it does currently.

The Proposed Franchising Scheme would also allow the introduction of integrated ticketing, a unified bus brand and provide a single, clear point of customer information. The Proposed Franchising Scheme would also provide clear local accountability for passengers.

Alongside this the Proposed Franchising Scheme would mean GMCA could confidently invest in both capital projects and revenue spending with the confidence they have control of the strategic delivery.

The full summary of the Strategic Case is on pages 40 to 49 of this document.

Defining economic and financial pounds

- The pound values in the Financial Case reflect the expected amount that will be paid or received in the year that the amount occurs. These values take account of inflation. For further detail on inflation rates assumed, see the Assessment at section 41.1.9.
- The pound values in the Economic Case instead reflect a standardised pound in 2010 prices. The impacts of inflation have been removed and the values are discounted in accordance with HM Treasury guidance.
- The result of this is that the costs reported in the Economic and Financial Cases cannot be directly compared.

THE ECONOMIC CASE

The Economic Case sets out the findings of an assessment, following an approach recommended by government, of the economic impact of the options.

An appraisal of the benefits and costs to the public purse (including allowances for risk) over a 30-year period was completed.

The appraisal assessed impacts to passengers of investing in improvements to the bus system through franchising and partnership arrangements, including quicker journeys and time saved for passengers due to a wider choice of services, simpler fares, an easier to understand network and centralised information and improvements to other quality of service attributes. It also assessed impacts to operators, wider society and the GMCA.

The level of benefits is set out for each option and then also compared against the capital and operating costs to the public purse of the options to derive an understanding of how well each option performed economically.

As the table below shows, the Proposed Franchising Scheme has a Net Present Value (the benefits minus the costs) almost three times higher than the Operator Proposed Partnership. In addition, in terms of value per pound spent by GMCA, all options have a 'high' benefit cost ratio rating, with the partnership option performing slightly better in this regard.

Quantified Economic Impacts	The Proposed Franchising Scheme	Operator Proposed Partnership	Ambitious Partnership
Present Value of Benefits (PVB 2010)	£345m	£113m	£142m
Present Value of Costs (PVC 2010)	(£111m)	(£33m)	(£39m)
Net Present Value (NPV 2010 = PVB - PVC)	£234m	£80m	£103m
Benefit Cost Ratio (PVB/PVC)	3.1	3.5	3.7

The appraisal showed that the Proposed Franchising Scheme performs significantly better than the other options in boosting patronage, generating passenger benefit and creating wider economic value for Greater Manchester.

None of the options are forecast to arrest the decline in bus patronage, and further interventions are likely to be needed to more fully arrest the decline in the market including investment. The Proposed Franchising Scheme would create a much stronger platform for this additional investment.

The full summary of the Economic Case is on pages 50 to 54 of this document.

THE COMMERCIAL CASE

Franchise model

The Commercial Case looks at the options from a commercial perspective and assesses their viability.

It sets out the commercial objectives for the Proposed Franchising Scheme, including driving competition between franchises; creating and sustaining an enduring market; providing flexibility to adapt to changing demand, and enabling access for small and medium-sized operators.

It covers areas including how the franchises could be packaged; their length; the procurement process; the assets that would need to be acquired by GMCA such as depots and information systems, and the treatment of bus operator employees.

The Commercial Case concluded that the GMCA would be able to secure the operation of services under franchise contracts for the following reasons:

- The franchise structure, asset strategy, and procurement approach would support delivery of franchised bus operations that offer quality of service and value for money, and allow access to the market for small and medium-sized operators.

-
- Analysis of the potential bidding market indicates a high degree of appetite from the operator market.
 - The franchise model would be deliverable, including during the transition period.

Partnership model

The Commercial Case also considers the partnership models that could be used to deliver the current Operator Proposed Partnership and the Ambitious Partnership. It sets out the key features from a commercial perspective, including process, timescales and performance management. GMCA has concluded that in respect of the commercial proposition for a partnership model:

- A voluntary partnership agreement (VPA) would be used for the Operator Proposed Partnership and, most likely, an enhanced partnership scheme (EPS) for an Ambitious Partnership.
- A VPA would involve relatively short timescales to implement the partnership itself given the work undertaken with operators over the past 18 months.
- For an EPS, the process would be much longer as it requires a plan to be developed, and then consulted upon. It also requires operator support for it to proceed. As referred to above, the use of an EPS was discussed with, but has currently been ruled out by, those incumbent Greater Manchester operators who have been engaged with OneBus in the partnership discussions with TfGM.

The full summary of the Commercial Case is on pages 55 to 66 of this document.

THE FINANCIAL CASE

The Financial Case sets out whether the GMCA would be able to afford the transition to, and to operate, any of the options, including the Proposed Franchising Scheme. The Financial Case considers the forecast income, costs and risks of each option and the associated funding requirements. All options would require additional funding.

The Proposed Franchising Scheme would require additional funding of £122m over a transition period that covers the first five years of the scheme. The position across subsequent years is a forecast cumulative net surplus of approximately £94m, with a mixture of forecast surpluses and deficits in specific years.

The Operator Proposed Partnership would require additional funding of £97.4m over the full appraisal period to 2051 and the Ambitious Partnership would require £112.5m over the same period.

The Financial Case sets out a range of credible additional funding sources that could, in principle, be used to fund any of the options, such that the GMCA could afford to transition to and operate any of the options.

In the case of the Proposed Franchising Scheme, the additional funding sources could fully fund the forecast transition requirement of £122m, without relying on any future modelled surpluses.

In the case of the partnership options, the funding requirement principally reflects an ongoing annual funding requirement. A number of the additional funding sources could be applied on an ongoing basis to fund either of the partnership options.

The full summary of the Financial Case is on pages 67 to 77 of this document.

THE MANAGEMENT CASE

The Management Case sets out how the Proposed Franchising Scheme would be implemented during transition and subsequently managed.

Under the Proposed Franchising Scheme GMCA and TfGM would take on significant additional responsibilities in overseeing the commercial performance of the network, managing the contractual relationship with franchisees, and communicating with customers. This would require 57 additional full-time equivalent (FTE) employees.

The Management Case also looks at how the transition would be managed and how any disruption to services would be mitigated.

The Management Case concludes that TfGM would be able to manage the Proposed Franchising Scheme on behalf of GMCA.

The Management Case also looks at how TfGM would manage a partnership approach. This would again involve the employment of key staff (between six and eight FTEs depending on the type of partnership) as well as additional ongoing investment from GMCA and the bus operators. Again, the Management Case concludes that TfGM could manage a partnership approach on behalf of GMCA.

The full summary of the Management Case is on pages 78 to 82 of this document.

ASSESSMENT CONCLUSION: THE PERFORMANCE OF THE OPTIONS AND RECOMMENDATION

The Assessment concludes that the Proposed Franchising Scheme is the option which is most likely to:

- Support the delivery of GMCA's strategic objectives for Greater Manchester set out in the Greater Manchester Strategy.
- Support the delivery of the objectives of the 2040 Strategy, which are supporting sustainable economic growth, improving quality of life for all, protecting the environment and developing an innovative city-region.
- Achieve the outcomes set out in Greater Manchester's Vision for Bus.

The Assessment concludes that the Proposed Franchising Scheme would be the best option to support these long-term objectives, and that the benefits of the Proposed Franchising Scheme would continue over time. The Proposed Franchising Scheme puts key decisions about buses in the hands of GMCA, providing local accountability for decision making on all aspects including those about the network, fares and standards. By comparison, in the partnership options, decisions about the network, fares and standards would continue to be made primarily by commercial operators. Whilst the partnership options have been assessed over the same 30-year appraisal period as the other options, the Assessment also sets out that there would be no guarantee that the partnership options would remain in place over the long term, and even if they did, that the level of benefit would stay the same.

The Assessment concludes that while the Proposed Franchising Scheme creates more benefit for Greater Manchester, the financial risk of the bus network would largely transfer from private sector bus operators to GMCA. GMCA would also incur costs to transition to a fully franchised model. This means that it carries more cost and risk than either partnership option.

The reasons the Assessment concludes that the Proposed Franchising Scheme is the option most likely to deliver GMCA's objectives are summarised below.

Network:

The scale of the changes that could be made to the current bus network are greater under the Proposed Franchising Scheme than under either of the partnership options. The Proposed Franchising Scheme also offers the long-term potential to develop the network so as to better support the economic development of the city-region. This is because unlike either of the partnership options, GMCA would be responsible for planning the whole bus network as part of an efficient, integrated transport system that supports Greater Manchester's long-term objectives. It would also enable higher environmental standards for buses to be introduced as quickly as possible.

Simplified and Integrated Fares:

The Proposed Franchising Scheme would enable simpler and integrated fares

and ticketing for customers than either of the partnership options. This is because the structure of the current bus market does not allow bus operators to fully integrate fares and ticketing. The Proposed Franchising Scheme also provides the greater potential to competitively price tickets that cover the whole network as well as tickets that offer travel on other modes of transport, such as the Metrolink system.

Customer Experience:

The Proposed Franchising Scheme would enable GMCA to set consistent standards of customer experience. The customer would be able to plan their journey and travel more easily on a network that has a clear unified brand. A partnership option could improve customer standards to some extent, provide improvements to customer information and contact arrangements and potentially provide some common elements of branding and standards.

Value for Money:

The Proposed Franchising Scheme delivers more benefits than either of the partnership options. The difference between the monetised benefits of the Proposed Franchising Scheme is significant. The Assessment shows that the Proposed Franchising Scheme delivers economic benefits valued at £345m compared to benefits of £113m for the Operator Proposed Partnership. The Proposed Franchising Scheme also delivers an additional £208m of wider economic benefits compared to £51m for the Operator Proposed Partnership.

The Proposed Franchising Scheme demonstrates better value for money than the other options because:

- It would also offer a higher 'net present value' (the benefits minus the costs) than the other options (more than three times as much as the partnership options).
- The benefit to cost ratio 'rating' is 'high' (as for all the reform options appraised).
- It would also create the platform for GMCA to obtain the best value for money and economic value from any 'Phase 2' interventions.

The Proposed Franchising Scheme is affordable, commercially viable and deliverable. While it carries risks and costs, these are affordable to GMCA and capable of being effectively mitigated and managed.

While there are uncertainties on the direction of the bus market in the future, the Proposed Franchising Scheme remains the option with stronger economic value for money and is affordable for GMCA to implement.

The Proposed Franchising Scheme could also have benefits in terms of neighbouring authorities, in that it would make new fares arrangements more likely. As set out above in the impacts on passengers and operators sections, there could be an impact leading to changes to some of the current commercial cross-boundary services. GMCA would work with neighbouring authorities to mitigate any adverse impact.

SUMMARY OF WHAT THE OPTIONS FOR REFORM WOULD INCLUDE

The paragraphs below set out some of the key characteristics of the three reform options against GMCA's main objectives for bus – Network, Simplified and Integrated Fares, Customer Experience and Value for Money. More information is set out in sections 8 and 13 of the Assessment and the TfGM (2019) Operator Information Supporting Paper.

Network

The Proposed Franchising Scheme

- Planned by GMCA as a single network – enabling more efficient resource allocation to optimise passenger benefits
- Improved efficiency and integration, balancing affordability with social and economic objectives
- Performance regime for operators under contract to GMCA with financial penalties to manage their reliability and punctuality
- GMCA would specify the vehicles to be used, with the base level of investment being that required to renew fleet on a rolling basis, as operators would in the Do Minimum option

Operator Proposed Partnership

- Network review process agreed but no network changes established
- Significant improvement is unlikely as there would not be any redistribution of resources between operators, and operators would only reappportion routes in exceptional circumstances
- Reliability would be monitored, and targets could be agreed, but there remains uncertainty over any potential enforcement mechanism
- Operators would commit to invest £100m in fleet over three years (broadly equating to 150 new buses a year) and reduce the average vehicle age to 7 years. This is broadly in line with the levels of investment required to renew fleet on a rolling basis, as operators would be likely to do in the Do Minimum option. TfGM's analysis suggest that this level of capital investment would not reduce the average age to seven years

Ambitious Partnership

- Some network changes and resource reallocation to improve passenger benefits but still constrained by market structure
- Reliability to be monitored, same as in the Operator Proposed Partnership

Simplified and Integrated Fares

The Proposed Franchising Scheme

- Period fares would be set at the same price as the lowest of the large incumbent operators
- All period tickets (e.g. day or week) would be valid on all franchised buses
- Simpler fares – universal ticket and fares structure across Greater Manchester and a significant reduction in number of tickets available
- No change to fares on discount corridors

Period tickets or products are valid over a defined period of time, such as a day, week, month or year.

Operator Proposed Partnership

- No change to operator period fares and tickets - passengers can only use tickets on buses run by the operator who issued the ticket
- Each operator would produce a ticketing simplification roadmap
- Potential two-year fare freeze on an all (bus) operator SystemOne tickets (which cost more than operators' own tickets)

Ambitious Partnership

- Same as the Operator Proposed Partnership with exception of a limited number of bus services where an operator ticket is valid on other operator buses

Customer Experience

The Proposed Franchising Scheme

- Improvements in driver training
- Accelerated roll out of Wi-Fi
- Comprehensive unified branding for the bus network
- Additional customer service staff
- A single point of contact for customers to resolve all issues
- Consistent and comprehensive information provision
- Additional ticketing inspectors
- Additional resource to monitor and manage performance
- Consistent service standards
- A single accountable organisation for all franchised bus services in Greater Manchester

Operator Proposed Partnership

- Improvements in driver training
- Accelerated roll out of Wi-Fi
- Partial partnership branding
- Customer service staff remain the same
- Single point of contact for customers to resolve some issues alongside existing operator points of contact with increased marketing for the single point of contact to raise awareness Greater level of information available in one place
- No additional ticketing inspectors
- Operators in the voluntary partnership agreement commit to service standards, but there remains uncertainty over any potential enforcement
- Each operator accountable for own service provision

Ambitious Partnership

- Same as the Operator Proposed Partnership

Value for Money

The Proposed Franchising Scheme

- Bus service run with a view to being net revenue neutral – not generating surplus over time but reinvesting any funds available or reducing fares
- All of the income for the bus service would be used to provide the best service possible

Operator Proposed Partnership

- The fundamental market dynamics would not change. Operators continue to run the network with an aim of making a profit
- The longevity of any improvements is not clear. Notwithstanding the uncertainty, partnership has been appraised over the same period as the Proposed Franchising Scheme

Ambitious Partnership

- Same as the Operator Proposed Partnership

THE SHORT QUESTIONNAIRE

There are two versions of the consultation questionnaire. This is the short version which contains nine questions. The long version, which contains 48 questions (including these nine questions below) is set out in Appendix 1. You can decide which version of the questionnaire to answer and you do not have to answer all of the questions for either questionnaire to submit a response. The other ways you can respond are set out on page 4.

The Strategic Case sets out the challenges facing the local bus market and says that it is not performing as well as it could. Do you have any comments on this?

The Strategic Case says that reforming the bus market is the right thing to do to address the challenges facing the local bus market. To what extent do you agree or disagree with this? Why do you say this?

The Economic Case concludes that the Proposed Franchising Scheme provides the best value for money compared to the partnership options because it would:

- offer a 'high' ratio of benefit to the cost to GMCA, one which is broadly comparable with the partnership options,
- provide the most economic value (Net Present Value), and
- create the best platform from which further economic value could be delivered.

Do you have any comments on this?

The Financial Case concludes that GMCA could afford to introduce and operate the Proposed Franchising Scheme. After completing the Assessment and in advance of this consultation, GMCA has proposed how it would fund the introduction of a fully franchised system. Do you have any comments on these matters?

Taking everything into account, the Assessment concludes that the Proposed Franchising Scheme is the best way to achieve GMCA's objectives to improve bus services. Do you have any comments on this?

To what extent do you support or oppose the introduction of the Proposed Franchising Scheme? Why do you say this?

Are there any changes that you think would improve the Proposed Franchising Scheme? Please provide further details as to the changes you think would improve the Proposed Franchising Scheme.

If you oppose the introduction of the Proposed Franchising Scheme, how likely would you be to support it if the changes you suggested in answer to the previous question were made?

Finally, do you have any other comments you want to make?

3. DESCRIPTION OF THE PROPOSED FRANCHISING SCHEME

Background

- 3.1 If the Proposed Franchising Scheme is introduced the majority of services and their frequencies would be determined by GMCA. Bus operators would then run these services under a local service contract (“a franchise contract”) awarded by TfGM on the GMCA’s behalf.
- 3.2 Once a franchising scheme becomes effective in an area (which is on the first day on which a local service may first be provided under a franchise contract in that area), no local service which has a stopping place within that area may be provided unless:
- It is provided under a franchise contract.
 - It is an interim service (which may be provided when an operator fails to provide, or stops providing, the service under the terms of the franchise contract and a replacement is required to maintain the original service or part of it).
 - the service is provided under a service permit (which would allow other non-franchised services to operate in that area, provided they satisfy a test set out in the Act).
 - the service is excepted from regulation under that scheme (but it would still need to be registered with the traffic commissioner as required in the current deregulated market).
- 3.3 Local services which operate outside an area in which a franchising scheme has become effective, including those which may operate partly in that area under a franchise contract or service permit, would still need to register their services with the relevant traffic commissioner.
- 3.4 Further details, including which services would be provided under a franchise contract and which services would be excepted from regulation in the Proposed Franchising Scheme are set out below.

Corrections and changes made to the Proposed Franchising Scheme

It is intended that the draft Proposed Franchising Scheme provided to the auditor, if made, will include a number of changes. In addition to the correction of a number of typographical errors, these changes include inserting a clearer map, removing markings from some services in Annex 1 which do not cross a sub-area boundary, and removing unmarked services from Annex 4 of the Proposed Franchising Scheme. These markings, and the inclusion of those services, have no practical effect on the Proposed Franchising Scheme and that is why they have been removed. In addition, the description of the services to be franchised in Annex 1 has been limited to that part of the route which lies within Greater Manchester (as only that part would be affected by the Proposed Franchising Scheme) and any duplicated routes have also been removed. All of these changes clarify the effect that the draft of the Proposed Franchising Scheme provided to the auditor would have had in any event, and provide a simpler presentation of the Proposed Franchising Scheme for the purposes of consultation.

The only other changes that have been made to the draft are to correctly identify 20 services in Annex 1, and 14 services in Annex 4, that do cross a Sub-Area. These changes do not change the principles upon which the Proposed Franchising Scheme is based (which are explained below) and they do not substantially change its practical effect.

The auditor has agreed that the changes to the draft Proposed Franchising Scheme do not affect its opinion, or its observations, on the Assessment.

The draft Proposed Franchising Scheme as intended to be made is included in this document at Appendix 4.

Q1. Do you have any comments on the corrections and changes made to the Proposed Franchising Scheme as set out above?

The Proposed Franchising Scheme

Area

- 3.5 The Assessment found that the best way for Greater Manchester to achieve its objectives as set out in the Vision for Bus, would be to introduce a franchising scheme across the whole of Greater Manchester. This would cover all the Greater Manchester local authorities: Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan.

Q2. Do you have any comments on the proposal that the Proposed Franchising Scheme should apply to the entirety of Greater Manchester?

Local service contracts

- 3.6 Under franchising it is intended that all local bus services provided within Greater Manchester (with some exceptions) would be provided under franchise contracts. These contracts would be awarded in a competitive procurement process in which operators would bid to have the exclusive right to provide those contracted services. The operators would then have to run these services on the terms specified in the contract, including relating to frequency, fares and standards.
- 3.7 The services proposed to be franchised are listed in the Annex 1 and 2 of the Proposed Franchising Scheme. In Annex 1 these routes are identified by a general description of the route. This means that there could be multiple franchised services operating along the same route listed in Annex 1, which for example could run at different times of day or have different frequencies or stopping points. Annex 2 identifies the services based on the school served, which only include services that are also open to the general public. (As explained below, those services that only provide transport for pupils to and/or from schools in Greater Manchester are excepted from regulation under the Proposed Franchising Scheme.)
- 3.8 The services listed in Annex 1 and 2 reflect those operated at the time that the Assessment was completed in June 2019. This was to ensure that the list of services reflected the then existing commercial network. These lists may need to be updated after the conclusion of this consultation and prior to the Proposed Franchising Scheme being implemented to reflect changes to the bus network in the interim.

Q3. Do you have any comments on the local services that are proposed to be franchised?

Transition sub-areas

- 3.9 If the Proposed Franchising Scheme is introduced it is proposed that it would be introduced in stages to allow the bus market to move smoothly and efficiently to the new way of operating. This would be done by splitting the Proposed Franchising Scheme into three sub-areas (as shown in the map on page 138 of this document). Once the Proposed Franchising Scheme is fully introduced the sub-areas would cease to have any effect and there would instead be just one franchised area.
- 3.10 The first area subject to franchising would be Sub-Area A. Some of the services that would be franchised and provided in Sub-Area A would also operate in Sub-Area B and/or C. To the extent that these services ran into Sub-Area B and/or C, GMCA would at the same time procure that an operator awarded a franchise contract to provide the service within Sub-Area A would also run the service in Sub-Area B and/or C. As the Proposed Franchising Scheme becomes effective in respect of the rest of the route, the service would be provided under a local service contract. The same approach is also adopted for services that are franchised and provided in Sub-Area B that also run into Sub-Area C, for a period until Sub-Area C is also subject to franchising.
- 3.11 In summary, this means that the Proposed Franchising Scheme allows for:
- The services marked *in Annex 1 to operate without a franchise contract or service permit in Sub-Area B before franchising becomes effective in that sub-area.

-
- The services marked + in Annex 1 to operate without a franchise contract or service permit in Sub-Area C before franchising becomes effective in that sub-area.
- 3.12 Similarly, services to schools and colleges listed in Annex 2 which are located in Sub-Areas B or C which may also operate in Sub-Areas A or B would not be required to be provided under a franchise contract until franchising becomes effective in the Sub-Area in which the school is located. Those services would therefore need to apply for a service permit in any area in which franchising has become effective.
- 3.13 The Proposed Franchising Scheme also temporarily exempts from regulation some services running from a sub-area which is not yet franchised to a sub-area which is franchised. This is to assist with transition without those services requiring a service permit to operate. This means that the Proposed Franchising Scheme allows for:
- The services marked # in Annex 4 to operate without a franchise contract or service permit in Sub-Area A before franchising becomes effective in Sub-Area B.
 - The services marked ^ in Annex 4 to operate without a franchise contract or service permit in Sub-Area A or B before franchising becomes effective in Sub-Area C.
- 3.14 This means that once franchising becomes operational in those areas, those services exempt from regulation under the Proposed Franchising Scheme would be replaced by franchised services or would require a service permit to operate.

Q4. Do you have any comments on the proposal that the Proposed Franchising Scheme would be split into three sub-areas and on the other arrangements proposed for the purposes of transition?

Services excepted from regulation under the Proposed Franchising Scheme

- 3.15 Some of the services that would operate from a sub-area which is not yet franchised to a sub-area which is franchised would be excepted temporarily as explained above. This would enable those services to continue to run into a franchised area without needing a franchise contract or a service permit to operate.
- 3.16 In addition the Proposed Franchising Scheme excepts from regulation under the Proposed Franchising Scheme services that provide transport for pupils to and/or from schools in Greater Manchester which do not serve the general public (these are defined as "Scholars' Services" in the Proposed Franchising Scheme).

Q5. Do you have any comments on the services which have been excepted from regulation under the Proposed Franchising Scheme?

- 3.17 Services not listed in Annex 1 or 2, including some of those operating from outside Greater Manchester, would need to obtain a service permit to operate within the area of the Proposed Franchising Scheme. It is proposed that the service permit process would be consulted on after any decision to introduce the Proposed Franchising Scheme has been made and before the Proposed Franchising Scheme becomes operational.

Decision date

- 3.18 The date that it is currently proposed the Proposed Franchising Scheme could be made is currently anticipated to be Friday 6 March 2020. This date may change depending on the progress of the consultation and any subsequent decision-making process.

Q6. Do you have any comments on the date on which the Proposed Franchising Scheme is currently proposed to be made?

First local service contracts date

- 3.19 Section 27.3 of the Assessment sets out the dates on which GMCA may first enter into franchise contracts with the bus operators. These dates have been split into sub-areas and have been revised since the Assessment was completed.
- 3.20 When the Assessment was written it was assumed the decision date on introducing the Proposed Franchising Scheme would be made in December 2019. The dates for the first franchise contracts in the Assessment reflected that assumption. As the proposed decision date is now anticipated to be 6 March 2020, the dates in section 27.3 of the Assessment have been revised by three months.
- 3.21 The dates are:
- Sub-Area A – 2 April 2021
 - Sub-Area B – 25 March 2022
 - Sub-Area C – 10 March 2023

Q7. Do you have any comments on the dates by which it is proposed that franchise contracts may first be entered into?

The time between awarding of contracts and the start of services

- 3.22 The Act sets out a minimum period of six months between the awarding of a franchise contract and the provision of a local service under the contract. The Assessment considers how long this period in Greater Manchester should be, especially in regard to how long it would take operators to procure new buses. This period of time is proposed to be nine months. For example, this means that for Sub-Area A, the date on which the first franchised service would be operational would be 2 January 2022, i.e. nine months after 2 April 2021.

Q8. Do you have any comments on the nine month period it is proposed will expire between entering into a franchise contract and the start of a service under such a contract?

Consultation on how well franchising is working

- 3.23 Once the Proposed Franchising Scheme is operational it is proposed that GMCA (which is assumed would be TfGM acting on its behalf) would consult organisations representing bus users immediately after the expiry of the first franchise contracts

awarded during the transition period, and at other appropriate times, to evaluate how well the Proposed Franchising Scheme is working. GMCA would then report on its response to these consultations.

- 3.24 There is more detail on the proposed plan for consulting on the Proposed Franchising Scheme in section 46.8 of the Assessment.

Q9. Do you have any comments on the proposals for how GMCA would consult on how well the Proposed Franchising Scheme is working?

Small and medium-sized operators

- 3.25 To enable small and medium operators to access the Proposed Franchising Scheme, in the first round of franchising GMCA proposes to offer approximately 25 small franchises, 10 large franchises and resource based contracts for schools (circa 300 buses). This would roughly reflect the current subsidised bus market, which is currently part funded by GMCA. This approach would mean that small and medium operators could participate in the Proposed Franchising Scheme and operate services to a similar scale to those currently operated within the Greater Manchester's subsidised bus market.
- 3.26 It is intended that there would be a restriction on how many small franchises could be awarded to a single operator. This would reduce the risk of a single operator being able to dominate the market and enable small and medium operators to participate in the Proposed Franchising Scheme.
- 3.27 The procurement process for the small franchises would be appropriate to the size and scale of small and medium operators. It would set appropriate requirements and simplify the procurement process to reflect the size and scale of these franchises to avoid creating barriers to entry.

Q10. Do you have any comments on GMCA's plans for allowing small and medium sized operators the opportunity to be involved in the Proposed Franchising Scheme?

Additional facilities

- 3.28 The Act also requires authorities to identify any additional facilities that they consider it appropriate to provide under the Proposed Franchising Scheme. The large franchise contracts would require operators to run a comparatively high number of vehicles and therefore the GMCA has considered that it is appropriate to provide depots to facilitate the letting of such large franchise contracts. This would remove a key barrier to entry for operators wanting to bid for these large contacts.

Q11. Do you have any comments on the proposal that it would be appropriate for GMCA to provide depots to facilitate the letting of large franchise contracts under the Proposed Franchising Scheme?

4. ASSESSMENT SUMMARY

BACKGROUND

- 4.1 In June 2017, GMCA decided to consider the use of the powers under the Act and instructed TfGM to prepare an assessment of a proposed bus franchising scheme for Greater Manchester.
- 4.2 That Assessment was completed in June 2019, as was the draft Proposed Franchising Scheme which identified (amongst other things) which services would be franchised under that scheme.
- 4.3 This section summarises the Assessment and compares the different options for reforming the local bus market, which includes the Proposed Franchising Scheme, partnership options, and the 'Do Minimum' option (leaving the market as it is now).
- 4.4 The Assessment considers two different options for partnership, both covering the whole of Greater Manchester, which illustrate the range of potential outcomes that could be achieved:
- One reflecting current propositions that have been discussed with the operators, incorporating the consolidated proposal put forward by the operators (Operator Proposed Partnership).
 - One that reflects a more ambitious potential partnership scheme to show what could be delivered under a partnership (Ambitious Partnership).
- 4.5 Both of these partnership options have been appraised over a 30-year period for the purposes of the Assessment – the same time period as the Proposed Franchising Scheme.
- 4.6 The Assessment (and this summary of it) follows the structure recommended in the Guidance. It contains:
- **The Strategic Case** – what the case is for change and for intervening in the bus market, and what the options are for doing this.
 - **The Economic Case** – how the options compare in terms of forecasts of demand, benefits, and economic value for money.
 - **The Commercial Case** – what the commercial arrangements would be for the different options.
 - **The Financial Case** – how affordable the different options are.
 - **The Management Case** – how the different options would be implemented and managed, how risks would be managed and how transition would be managed for the different options.
 - **A summary of the options** against the objectives for bus reform set out in the Strategic Case and a recommendation for reform, being the Proposed Franchising Scheme.

Phase 1 and 2 interventions

Phase 1

As outlined above, the Assessment compares the different options for reforming the local bus market within Greater Manchester, the partnership options and the Proposed Franchising Scheme. The Assessment sets out how each of these options compares and achieves the objectives in the Vision for Bus and contributes to policies (local and neighbouring authorities), the economic value each option generates, the affordability of each option and how each option would be made and operated. These options of market reform are referred to as 'Phase 1' in the Assessment.

Phase 2

The Assessment also describes 'Phase 2' which sets out further interventions, including investment in the bus market, that could help address the issues the bus system faces and improve the service.

The further interventions would include things like reliability and speed improvements through public investment in infrastructure and bus priority (as well as enforcement and monitoring); network improvements through the creation of additional links, routes and frequencies; improved affordability through fares and ticketing measures; improved reliability through additional resource; improvements to the quality and environmental performance of the fleet; and improvements to customer service in areas such as branding, information and technology.

While some of these interventions would be pursued in the Do Minimum option (leaving the market as it is now), the Proposed Franchising Scheme and partnerships would better enable the interventions to be implemented to different extents. Work to date indicates that the Proposed Franchising Scheme would create a much stronger platform for this additional investment.

- 4.7 Some of the consultation questions included in this section relate directly to specific cases of the Assessment. However, there may be information elsewhere in this summary of the Assessment, that could help inform your answers. References have been included to direct you to the appropriate information. You are encouraged to read all the relevant information before answering the questions.

THE STRATEGIC CASE

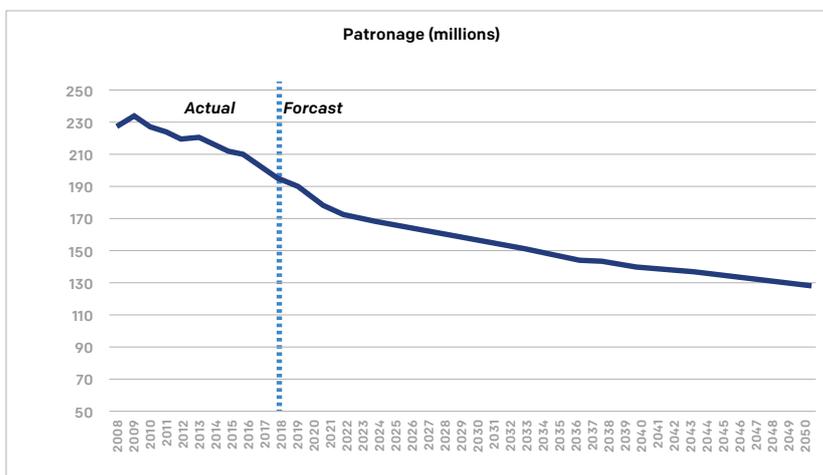
- 4.8 The purpose of a 'Strategic Case' is to explain why a scheme or project has been proposed and whether it is supported by a strong case for change that fits with wider public policy objectives, and what the options are for taking this forward. The Strategic Case here assesses the case for reforming the Greater Manchester bus market to realise the Greater Manchester Strategy priority of 'world-class connections that support long-term, sustainable economic growth and access to opportunity for all', and to support the transport policies set out in the city-region's statutory Local Transport Plan: the 2040 Strategy. It sets out the options for change, including the Proposed Franchising Scheme, and what they achieve.
- 4.9 The 2040 Strategy highlights the need to better connect people with opportunities, businesses with customers, and employers with talent and skills. The 2040 Strategy is clear that a more integrated and sustainable transport system is vital if Greater Manchester is to meet challenging air quality and carbon reduction targets. It also includes a 'Vision for Bus' that sets out the city-region's ambition for a modern, low-emission accessible bus system, fully integrated with the wider Greater Manchester transport network.
- 4.10 The Delivery Plan for the 2040 Strategy also has a 'Right Mix' transport vision at its heart. This vision is for 50% of all trips made by Greater Manchester residents to be made by sustainable modes - walking, cycling and public transport (including bus) - by 2040 or sooner if possible. This is crucial if traffic congestion is not to constrain the growth potential of Greater Manchester and to tackle the impact of traffic on our environment and neighbourhoods. At present, approximately 61% of daily trips by Greater Manchester residents are made by car or van, and only 39% by sustainable modes.
- 4.11 This change will need to happen in the context of current and future economic and population growth. Without measures to mitigate the effect of this growth, it will result in significant increases in traffic levels and overcrowding on public transport, damaging prosperity and increasing levels of air pollution from transport emissions. Greater Manchester's 'Right Mix' target means that this growth will need to be accommodated by the net growth in trips by modes other than private car. This means significant improvements in the capacity and performance of public transport and sustainable modes are needed. Bus has a central role to play in this, as the largest single public transport mode.

The role and performance of bus services in Greater Manchester

- 4.12 Bus services make up around 75% of all public transport trips within Greater Manchester (around 190m trips each year). Although bus patronage has declined in recent years, bus services continue to play a vital and diverse role within Greater Manchester's economy and society. The Assessment sets out some of the ways in which bus services play a role in Greater Manchester, including:
- i. Bus travel enables people to access a range of educational, leisure and health services. These trips are particularly important for supporting social inclusion, and they are often vital when it comes to enabling people to access opportunities.
 - ii. Bus services support sustainable commuting, particularly to the Regional Centre, where employment has risen by around 30% between 2009 and 2017.

- iii. Bus services are important for sustaining employment and other services in Greater Manchester's key towns.
- iv. Bus services can enable people living in dense urban areas 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 for those without access to a car (approximately one third of households in Greater Manchester) so that they can travel without having to resort to more expensive individual travel options, such as taxis and private hire.
- 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.
- vii. Bus is a flexible mode of transport, especially when compared with trains or the Metrolink system which are fixed to existing tracks. New bus routes can be put in place relatively quickly in response to new destinations such as housing developments or employment sites.

4.13 Despite its current importance to the transport system in Greater Manchester, the number of trips taken on the bus network in Greater Manchester has been in long-term decline. More recently this trend has continued. From a more recent peak of 233m trips per year in 2008-9, there were 194m trips in 2017-18, a reduction of 17%. This is illustrated in the graph below.



4.14 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. The methodology for this is set out at section 14 of the Assessment. 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 is likely to fall to around 140m trips per year over the next 20 years, a further reduction of 28%. This forecast demonstrates that if the status quo is maintained, it will be extremely difficult for Greater Manchester to reach the targets set out in the Delivery Plan for the 2040 Strategy.

The challenges faced by the bus market in Greater Manchester

- 4.15 This decline can make bus services less viable. If there are fewer passengers, bus operators, prima facie, make less profit. This could mean that the operators cut bus services, which in turn could reduce the number of people who would choose to use bus even further. This creates a 'spiral' of decline.
- 4.16 Some of the challenges faced by the bus market are associated with external trends. These trends make the bus service less attractive to customers. These include:
- Changes in the nature of travel demand in Greater Manchester, with a declining number of trips made per person.
 - An increase in car ownership, and the relative reduction in the costs of car use, which have made car a more attractive mode.
 - Congestion, which has meant that traffic speeds have reduced across Greater Manchester, particularly in peak hours, which means bus journey times have increased.
 - Changes to competing modes, principally the growth of patronage on the Metrolink system with new lines which has abstracted some patronage from bus.
 - 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. This presents a challenge in how to take advantage of technological change.
- 4.17 Alongside these challenges facing the bus market from external trends, there are a number of 'supply-side' challenges that are associated with how the current bus market in Greater Manchester functions. These can also make it less attractive for passengers. One of these is limited competition. This is a feature of Greater Manchester's deregulated bus market, as it is harder for operators to compete in one another's "territory".
- 4.18 The Assessment contains an analysis of the reasons for limited competition in deregulated bus markets and the level of competition in Greater Manchester at section 6.3. The limited nature of the competition means that assumed benefits of full "on-road" competition – typically a high degree of value for money and innovation – are not experienced. The limited competition that does exist in the market can also lead to some undesirable effects for passengers, including:
- Fare increases – fares have increased above inflation between 2003 and 2017, and recent increases have confirmed this trend, although some of the increase may be attributable to increases in cost factors.
 - Lack of co-ordination of networks – firms operate individual networks that are not co-ordinated with each other's or with the wider transport network, particularly with the Greater Manchester's rail and the Metrolink system.
 - 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, which in some cases leads GMCA to have to step in and fund a replacement service.

- Complex fares and ticketing arrangements. The market does not incentivise integrated fares as operators seek to keep passengers on their own buses and networks. This creates a confusing picture for passengers with a vast range of tickets available for trips, often at different prices.

4.19 A further challenge is adaptation to new technology, and particularly the integration of different travel services into unified travel payment and information services, often called 'Mobility as a Service' (or MaaS). This technology has the potential to integrate travel planning across different modes with ticketing solutions (for instance through mobile applications) in real time. Passengers could receive a set of integrated multi-modal choices for travel, making it easier and more convenient to connect different travel services. This multi-modal integration would be much harder to achieve with the current fragmentation of the bus market.

4.20 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 numbers of people using buses. Passengers feel the negative effects of this lack of integration and are less likely to use bus services as a result. The views of passengers – set out in the Bus Market Supporting Paper (TfGM 2019b) – confirm the challenges that they face as a result of how the bus market is performing.

4.21 This means that, at present, and without reform, Greater Manchester's 'Right Mix' ambitions are unlikely to be met. Given the current and forecast growth of Greater Manchester and the need to ensure that the transport system can contribute to the priorities of GMCA, it is necessary to look now at how the bus market should be reformed to address the challenges it faces. This could include the Proposed Franchising Scheme or alternatives such as a partnership.

***Q12. The Strategic Case sets out the challenges facing the local bus market and says that it is not performing as well as it could. Do you have any comments on this?**

***Q13. The Strategic Case says that reforming the bus market is the right thing to do to address the challenges facing the local bus market. To what extent do you agree or disagree with this? Why do you say this?**

Objectives for reform

4.22 To assess the potential options for reform, a set of objectives was produced to cover the key areas of the bus market that could be improved. These build on the 'Vision for Bus' published as part of the 2040 Strategy and are based on the analysis of the challenges facing the bus market, and the views of passengers on the challenges they face. These are described in detail in the Assessment at section 7, along with the potential ways of measuring whether they have been achieved. In summary, GMCA's objectives are to:

Network:

- Improve the reach and stability of the bus network.
- Increase integrity and efficiency.
- Enhance the quality of the service provided.
- Ensure harmful emissions of buses are reduced and CO₂ emissions from buses are reduced.

Simplified and integrated fares:

- Provide integrated and simple fares.
- Ensure fares should offer value for money.
- Introduce account-based smart ticketing.

Customer experience:

- Improve ease of understanding of the bus service.
- Improve safety of travel.
- Enhance the on-bus experience.

Value for money:

- Ensure economic value for money for public investment.
- Make sure any market intervention is sustainable in the long term.
- Ensure any market intervention is affordable.

Q14. Do you have any comments on GMCA's objectives for the future provision of bus services as set out in the Strategic Case?

Options for reform and what they deliver

- 4.23 The options considered in the Assessment are long-term options that, in order to deliver consistent change and improvements, have been assessed to cover the whole of Greater Manchester. More information about the options and how they were derived from a longer list of options is set out in section 8 of the Assessment. The process of looking at the potential options for bus reform focused on options for intervention that would cover the whole of Greater Manchester and be long term. The Act allowed Mayoral Combined Authorities including Greater Manchester to consider franchising and expanded the range of options in terms of partnerships with operators. The options under consideration in this Assessment (in addition to a Do Minimum option that does not contribute to the achievement of GMCA's objectives but carries no additional cost or risk) are the Proposed Franchising Scheme and two partnership options.

How franchising works: the Proposed Franchising Scheme

- 4.24 Under a franchise system, a transport authority such as GMCA specifies what bus services it wants to be delivered and tenders the delivery to operators who compete on the basis of the price and quality of their bids to deliver the services. Because GMCA would be specifying fares and the network, it would be appropriate for them

to take the income from ticket sales to pay for the services it specifies, which means that it, rather than the private sector bus operators, takes the risk of that income being insufficient to operate the Proposed Franchising Scheme. GMCA can control network and fares structures whilst leveraging the efficiency and performance of the operators in running the services. A service permit scheme would be in operation for some cross-boundary services, allowing operators from outside the franchised area to run services into Greater Manchester and within Greater Manchester.

4.25 Many jurisdictions across the world use a franchising system to provide their bus services. While London is the only city in the United Kingdom that currently has franchised bus services, many cities in Europe, North America, Asia, and the Middle East run their bus services in this way.

4.26 Decisions about the network, fares and other issues would be taken by GMCA. Ultimately, control of the bus network would rest with the GM Mayor and GMCA. Significant decisions that affect overall levels of fares or large-scale changes to routes would be taken at this level. TfGM would have responsibility for making recommendations about such decisions and presenting the evidence and information to inform decision makers. TfGM would have the role of managing contracts with bus operators and ensuring high standards of service.

A partnership

4.27 Under a partnership, operators would continue to take the revenue from fares and make commercial decisions about how the bus service should run in terms of routes, timetables and fares. The partnership would enable transport authorities and private sector bus operators to agree measures to improve the bus service, without facing a competition law challenge.

4.28 A partnership would involve the use of some of the range of statutory partnership options that currently exist in law. These options 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. During discussions on a potential partnership, operators concluded that they would only be willing to enter into a voluntary partnership agreement (VPA), rather than an enhanced partnership scheme (EPS).

What the options deliver

4.29 This is summarised in pages 27 to 29 of this document, which results in the Proposed Franchising Scheme being GMCA's preferred option. The Strategic Case of the Assessment at section 9 sets out the changes that each option would be able to make to help achieve the objectives under consideration and sets out how they would contribute to the achievement of neighbouring authorities' objectives on cross-boundary travel.

The Proposed Franchising Scheme

4.30 The Proposed Franchising Scheme would allow GMCA to determine the key aspects of the bus service – the routes and frequency of services, fare prices and types, and vehicle specifications, as well as customer service standards. Progress toward the objectives without further investment would include the following:

- i. **Network** – the network would be planned as a single network, improving efficiency and integration; design of services would balance affordability with social and economic objectives such as access to employment; 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 in assessing the scheme; there would be a performance regime with financial penalties to manage reliability and punctuality.
- ii. **Simplified and Integrated Fares** – period (e.g. day or week) tickets would be valid on all franchised buses; in the first instance, the fare level for a Greater Manchester ticket would be set at the lowest current single-operator fare of the large incumbent operators.
- iii. **Customer Experience** – GMCA would provide comprehensive (and real time) information about bus services as well as ticketing through a single website and mobile application (an ‘app’). Aspects of customer service such as CCTV or Wi-Fi would be specified in franchise contracts; comprehensive branding for the bus network across Greater Manchester would be introduced.
- iv. **Value for Money** – The bus service would be run with a view to being net 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.

4.31 Extensive engagement has been undertaken with operators to help understand what a partnership could deliver. This has been done in the context of operators being fully briefed as to the purpose of the exercise so as to ensure that they have been afforded as full an opportunity as possible to develop their partnership proposal or any other proposals they may wish to submit to GMCA. As well as discussions, different proposals were set out by operators and these were considered in order to understand what a potential partnership could look like, what benefits it could bring and how it could help to achieve GMCA’s objectives. This is set out in the Assessment at section 8.5 and in more detail in ‘Partnership Option: Operators’ Position and Modelling Implications Supporting Paper’ (TfGM 2019h). At the time the Assessment was published, there was very limited agreement among operators about the specific commitments and actions they would be prepared to undertake. The Assessment therefore assesses a version based on the consolidated proposal put forward by operators and outputs of ongoing dialogue with operators and is referred to in the Assessment as the Operator Proposed Partnership.

Partnerships

4.32 The current Operator Proposed Partnership would deliver the following:

- i. **Network** – while a network review process has been agreed, there are severe limitations, as there would not be any redistribution of resources between operators, and operators would only reappportion routes in exceptional circumstances. This means that significant improvement is unlikely to be achieved. While reliability would be monitored and targets could be agreed, there remains uncertainty over any potential enforcement mechanism.

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- ii. **Simplified and Integrated Fares** – operators would keep their own period products but have offered a potential two-year freeze on the price of an all (bus) operator (System One) ticket, 'following a review'. Each operator would produce a ticketing simplification and alignment roadmap.
 - iii. **Customer Experience** – operators would 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; comprehensive branding for the bus network across Greater Manchester would be introduced.
 - iv. **Value for Money** – the partnership would not change the fundamental market dynamics in Greater Manchester. To the extent that bus operators were prepared to invest in partnership measures (such as lower fares) this would represent an improvement on what exists now. However, there remains considerable uncertainty about what could be delivered and achieved, and the longevity of any improvements is not clear. Notwithstanding the uncertainty of the duration of the partnership, and hence, of its benefits, the partnership option has been appraised over the same period as the Proposed Franchising Scheme.
- 4.33 A second option has been developed by TfGM because a partnership could theoretically deliver more than the Operator Proposed Partnership. This is referred to as the Ambitious Partnership. This partnership has been developed to better inform decision making by showing what could be delivered under a partnership.
- 4.34 The mechanisms for delivering the Operator Proposed Partnership and the Ambitious Partnership are set out in the summary of the Commercial Case below at pages 55 to 66 of this document.
- 4.35 Given the forecast decline and the challenges facing the bus market in Greater Manchester, none of the options for reform, including the Proposed Franchising Scheme, would on their own be likely to achieve the full improvement in performance or patronage necessary. Some of the challenges facing the bus market, such as journey speed, are not capable of being directly addressed by introducing either a partnership or the Proposed Franchising Scheme.
- 4.36 These options, the Proposed Franchising Scheme and the two partnership options, can be thought of as 'Phase 1' interventions both assuming no additional investment into the bus market. Further interventions are possible and are referred to in the Assessment as 'Phase 2'. These further interventions could 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 funding for (ultra) low emission buses. The Delivery Plan for the 2040 Strategy sets out potential investment in quality bus transit corridors. This is likely to require a set of these 'Phase 2' interventions to take place.
- 4.37 The options would allow the implementation of 'Phase 2' interventions to different extents. An analysis of how effectively a partnership or the Proposed Franchising Scheme could support 'Phase 2' interventions is set out at sections 8.7 and 8.8 of the Assessment and are summarised as follows:
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- **The Proposed Franchising Scheme** – would facilitate the use of a wider variety of ‘Phase 2’ interventions than a partnership, especially in terms of direct investment in services and fares. It would also enhance the value for money for measures that could be undertaken in any market situation.
 - **Partnership** – would make some difference to the ability of GMCA to deliver some of the ‘Phase 2’ interventions 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 constraints 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 may deliver lower value for money if the operator was not the authority making the investment.

Q15. Do you have any comments on how the Proposed Franchising Scheme might contribute to GMCA's objectives for bus services as set out in the Strategic Case?

Q16. Do you have any comments on how a partnership option might contribute to GMCA's objectives for bus services as set out in the Strategic Case?

Conclusion of the Strategic Case

- 4.38 The Greater Manchester Strategy sets out a clear ambition for Greater Manchester to grow, while improving the lives of people who live, work and do business here. As the 2040 Strategy and its Delivery Plan shows, this requires a modern, integrated transport system where each transport mode plays a significant role in transforming our transport network in support of the ‘Right Mix’ transport vision where, by 2040, 50% of trips need to be made by sustainable modes - walking, cycling and public transport. Buses have a vital role to play. Not only do they support a wide variety of journey types including commuting, but they enable non-car lifestyles and support those without any access to a car.
- 4.39 The bus market as it stands is facing a series of challenges and is declining all the time, both in passenger numbers and in the mileage run by operators. The bus market at the moment is controlled by commercial operators and some of the problems the bus market faces is due to its market structure, and the lack of integration in terms of fares and networks. The Act allows Mayoral Combined Authorities including Greater Manchester to consider franchising as an option – where the authority specifies the service and takes the risk on the revenue from fares and other income to pay for services. This means it can control the network and fares structures.
- 4.40 The Assessment considers the Proposed Franchising Scheme against the main alternative available to GMCA – a partnership that delivers more benefits for passengers without changing the market structure. It considers how effectively these options would achieve the objectives of GMCA and contribute to implementing its policies.

4.41 The Strategic Case sets out a comparison of the different options against each of the objectives for the bus market in Greater Manchester at section 9 of the Assessment. Overall, the Proposed Franchising Scheme is more likely to lead to the achievement of these objectives than a partnership (even if the Ambitious Partnership rather than the Operator Proposed Partnership were in place) and is better able to facilitate 'Phase 2' interventions to improve the service. Taken together, these factors mean that the recommended option for reforming the bus market in Greater Manchester is the Proposed Franchising Scheme. The main differences between the options for reform are:

- The ability under the Proposed Franchising Scheme to progressively improve integration of the bus network and improve coordination between bus and other modes of transport. In addition, the Proposed Franchising Scheme would ensure that the network is as efficient as possible, and is not competing with other parts of the bus network or other public transport modes.
- The introduction under the Proposed 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.
- The introduction under the Proposed 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.
- The potential under the Proposed Franchising Scheme for more integrated bus services to better facilitate the introduction of Mobility as a Service (MaaS) and leverage technology to provide a much more integrated transport offer to Greater Manchester residents and businesses.
- The fact that under Proposed Franchising Scheme there would be clear accountability for the bus service and the funding it receives from passengers and from taxpayers.
- In terms of 'Phase 2' interventions, the Proposed Franchising Scheme gives the full range of tools and levers to enable GMCA to improve the functioning of the bus service and achieve its objectives for the bus market more fully.

4.42 The Proposed Franchising Scheme would mean that GMCA 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 that supports economic growth, social inclusion and an improved environment in future years. Because of these factors, the Proposed Franchising Scheme would be more likely to further advance the implementation of GMCA's policies set out in the Greater Manchester Strategy, and the 2040 Strategy, in particular, the 'Vision for Bus'.

THE ECONOMIC CASE

- 4.43 The Economic Case provides a view of the overall value for money of the options by assessing their impacts relative to a reference case (the Do Minimum option), which assumes that the bus market continues on current trends. These impacts are monetised and the resulting appraisal demonstrates the extent to which overall value (as measured by the 'Net Present Value' – the benefits minus the costs) and the relative value per pound spent (measured by the 'Benefit Cost Ratio') has been achieved in the use of taxpayers' money.
- 4.44 In line with HM Treasury's appraisal requirements that apply to all public sector spending across the UK, the impacts considered are not limited to those directly impacting on the measured economy, nor to those which can be monetised. The economic, environmental, social and distributional impacts of a proposal are all examined, using qualitative, quantitative and monetised information. In assessing overall value for money, all of these are consolidated to determine the extent to which a proposal's benefits outweigh its costs and contribute towards societal objectives.
- 4.45 The market reform changes proposed are described earlier in this document. The economic case for each reform option is derived from summing the costs and benefits that flow from that option over the 30-year appraisal period of the Assessment. Non-monetised considerations also influence the conclusions of the Economic Case. These are considered alongside the 'Net Present Value' and 'Benefit Cost Ratio' to reach a considered opinion of which option performs best from an economic perspective relative to the Do Minimum option.
- 4.46 A suitable allowance is made for uncertainty and risk throughout the Assessment.
- 4.47 An account of the methodology is given at section 14 of the Assessment.

Benefits and costs of the options

Costs

- 4.48 The Economic Case accounts for the full costs of the Proposed Franchising Scheme, including any 'attributable' costs falling to GMCA and other parts of the public and private sectors over an appraisal period of 30 years.
- 4.49 Of note, in accordance with economic case convention, the 'Present Value of Costs' for each option are defined as 'the total cost to the GMCA budget'. All other cost impacts (for example to private sector bus operators) are captured within the 'benefit' calculation.

Benefits

- 4.50 Passengers would benefit from incremental improvements to the fare they pay, the time taken to complete their journey and the quality of the bus service.
- 4.51 Wider society would benefit from incremental improvements in the efficiency of the transport system, including changes to congestion (and the associated changes to vehicle emissions) that results from the forecast incremental shift from car use to bus use.

4.52 The rail and bus companies would see a slight reduction in their revenue. This is recorded in the economic analysis as a “negative benefit”.

Risk and optimism bias

4.53 Risks have been assessed and the costs include an appropriate amount to cover these risks.

4.54 The financial costs in the Economic Case also include provision for ‘optimism bias’ in accordance with industry standard guidance.

Summary of economic performance metrics

4.55 The Proposed Franchising Scheme creates greater economic value than the partnership options. The economic Value for Money rating of all options is ‘high’.

4.56 The table on page 52 summarises the costs and the benefits, and to whom they accrue. Further information on the impacts of the options on passengers, private sector bus operators, GMCA, TfGM, and on wider society are summarised in pages 88 to 90 of this document.

4.57 The Proposed Franchising Scheme also delivers an additional £208m of wider economic benefits compared to £51m for the Operator Proposed Partnership and £78m for the Ambitious Partnership.

Non-monetised benefits

4.58 Most of the direct impacts of the options have been quantified and monetised.

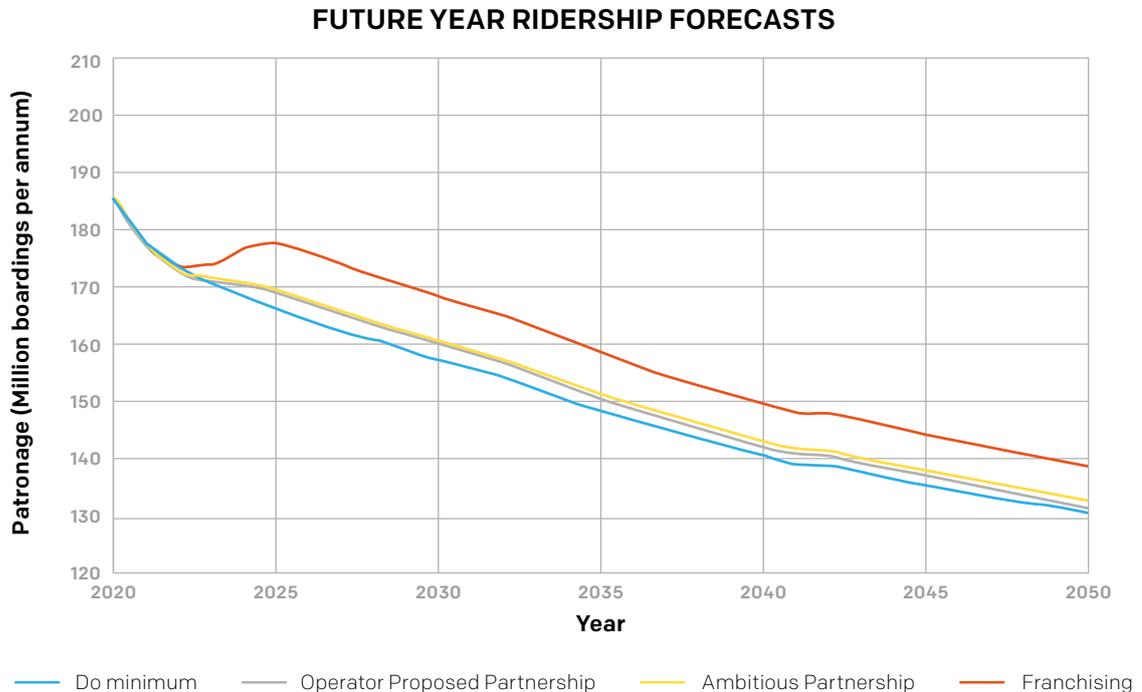
4.59 The single most important impact that has not been monetised in the results table on page 52 is the potential to further invest in the bus system of Greater Manchester (referred to as ‘Phase 2’ within the Assessment). These further interventions would enable progress towards realising the ‘Vision for Bus’. In this regard, the Proposed Franchising Scheme offers far more potential to realise the economic benefits of achieving the vision.

Outcomes on patronage

4.60 The chart on page 53 shows that each of the three options for reform would have a positive effect on patronage but that the Proposed Franchising Scheme performs significantly better than either the Do Minimum or the partnership options in terms of boosting patronage.

Present Values (£m's in 2010 Prices and Values)	Proposed Franchising Scheme	Operator Proposed Partnership	Ambitious Partnership
BENEFITS			
Passenger Benefits (non-fare)	£299.1	£68.2	£85.3
Decongestion	£61.4	£14.9	£19.1
Fares and User Charges	£56.0	£28.6	£28.6
Private Sector Operators	(£48.6)	£5.1	£14.2
Rail System Revenues	(£23.5)	(£6.0)	(£7.3)
Other Misc. Benefits	£5.9	£1.4	£1.8
Indirect Tax to HM Treasury	(£5.7)	£1.0	£0.0
Total Benefits	£344.6	£113.2	£141.7
COSTS TO GMCA			
Scheme Investment Costs	£95.4	£4.1	£4.6
Scheme Operating Costs	£123.7	£15.8	£17.8
Bus Revenue	(£136.0)	£6.7	£8.2
Metrolink Revenue	£27.7	£6.1	£8.1
Total Costs	£110.8	£32.7	£38.7
ECONOMIC CASE – SUMMARY METRICS			
Net Present Value	£233.8	£80.5	£103.0
Benefit to Cost Ratio	3.11	3.46	3.66

4.61 The graph below sets out future year ridership forecasts:



'Phase 2' interventions

4.62 Patronage across the bus network is in sharp decline. As shown in the chart above, this decline is forecast to continue in the Do Minimum option (the blue line). The Ambitious Partnership option (the yellow line) improves the situation slightly, while the proposed franchising scheme (the orange line) further improves the situation. But none of the options would fully arrest or reverse the forecast decline in bus patronage. Further investment to improve the quality of the system is likely to be required to help stabilise the market. This further investment is collectively referred to as 'Phase 2' interventions and does not have committed funds at this time – hence they are not included in the base Economic Case for bus reform. Nonetheless, 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 as described in section 15 of the Assessment, which describes to what extent the options would be able to deliver Phase 2 interventions. Work completed to date suggests that the proposed franchising scheme gives Greater Manchester a far better platform from which to deliver further significant investment in and benefits from the bus system. There is significant potential economic value associated with such further investment.

Economic Case conclusion

4.63 The Economic Case supports the view that the Proposed Franchising Scheme demonstrates economic value in the following ways: it has a higher 'Net Present Value' than the other options (more than three times as much as the partnership options); the benefit to cost ratio 'rating' is 'high' (as for all the reform options appraised); and it creates the best platform from which further economic value from 'Phase 2' interventions can be delivered. On balance therefore, the conclusion of the Economic

Case is that the Proposed Franchising Scheme offers the best value for money and it therefore supports the view that it is the preferred option.

***Q17. The Economic Case concludes that the Proposed Franchising Scheme provides the best value for money compared to the partnership options because it would:**

- **offer a 'high' ratio of benefit to the cost to GMCA, which is broadly comparable with the partnership options,**
- **provide the most economic value (Net Present Value), and**
- **create the best platform from which further economic value could be delivered.**

Do you have any comments on this?

4.64 Sections 16 to 19 of the Assessment assesses the impacts of the options on various groups. These are also summarised in sections 61 to 63 of the Assessment. An overview of this is set out between pages 83 and 89 of this document.

THE COMMERCIAL CASE

4.65 The Commercial Case of the Assessment considers:

- The current Greater Manchester bus market and the current commercial and tendered models of bus operation in Greater Manchester.
- The proposed commercial considerations for the options considered in the Assessment including, where relevant, packaging of services, commercial roles and responsibilities and how any procurement would take place.

4.66 It should be noted that there are a greater number of changes to the current commercial model under the Proposed Franchising Scheme than a partnership. This Commercial Case deals with the implications for packaging, risk and responsibilities, and procurement amongst other things under the Proposed Franchising Scheme. Under the partnership options the commercial implications are fewer for both GMCA and operators; although for a successful partnership to function it would need to be underpinned by a clear legal framework, including management of performance.

4.67 In early 2018, TfGM invited responses from local, national and international operators to test the proposed commercial model for the Proposed Franchising Scheme. This has validated the commercial proposition because, having explained the proposed structure and design of the franchises and the proposed procurement process, those operators who participated were mainly in agreement with the proposals underpinning the Proposed Franchising Scheme. More detail is given in section 28.2 and 28.3 of the Assessment.

Greater Manchester's bus market

4.68 The majority (circa 85%) of bus service mileage in Greater Manchester is operated commercially, which means bus operators plan their services based on where they can make a profit. The rest is operated as subsidised services under contract to TfGM, on behalf of GMCA, which often includes evening and weekend services which operators have decided are not sufficiently profitable to operate on a wholly commercial basis. The bus market comprises a small number of large operators, who together provide the majority of commercial services, alongside a large number of smaller operators who are predominantly active in the tendered market providing subsidised services.

4.69 For commercial services operators take the commercial, including patronage and revenue, risks. Tendered general services operate similarly to commercial services but are also in receipt of subsidy from GMCA. For tendered school services GMCA takes revenue risk.

4.70 The position in terms of the assets used to provide services is as follows:

Depots: these are where buses are parked and maintained when out of service and are also operational hubs for operators. They are often where day-to-day operational control of the bus service takes place and are a base for drivers. There are 10 depots that have been identified as being of strategic importance to the bus market due to their size, location, and importance in the delivery of bus services operations.

Fleet: there are currently around 2,000 buses operating within and around Greater Manchester.

Intelligent Transport Systems (ITS): ITS comprise on-bus hardware (such as tracking systems and ticketing machines) and supporting back-office systems. The current level of deployment is, in general, relatively high, with various solutions deployed by operators.

Objectives of the commercial model for the Proposed Franchising Scheme

4.71 The Proposed Franchising Scheme would represent a change in market structure from the current deregulated market to one where services would be specified and procured by GMCA. The commercial strategy for implementing the Proposed Franchising Scheme is driven by a number of objectives that determine the key commercial aspects, including the franchising structure and balance of risks, the asset strategy for depots, fleet and ITS, and franchise design (including service packaging, contract length and procurement). The commercial model has two key aims:

1. To deliver franchised bus operations that offer quality of service and value for money, by:
 - Driving competition for each of the franchises.
 - Creating and sustaining an enduring market for new bus franchises, by removing barriers to entry and facilitating 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.
 - Drawing on examples of best practice, where relevant, in respect of franchise design and procurement.
2. To maintain access to the market for small and medium sized operators.

Franchise design

4.72 This encompasses how the Greater Manchester market would be broken down into individual franchises, how long those contracts would be, and the respective allocations of risk and responsibility described below. More detail on the franchise design, including, for example, how many franchises there would be and how many years they would last for, is set out in section 25 of the Assessment. The proposed structure was tested in a market engagement exercise whereby TfGM shared various aspects of its proposed commercial model with operators to understand how different operators might respond and whether there were any issues that would prevent them bidding for contracts or increasing the cost. A generally positive response from operators (both those active in Greater Manchester and those not currently operating in the region) was received to the key features of the commercial strategy for the Proposed Franchising Scheme.

Packaging strategy

- 4.73 TfGM has considered how the network should be packaged under the Proposed Franchising Scheme. At one end of the spectrum it considered a single franchise covering all of Greater Manchester, and at the other end letting franchises based on individual routes or services. It is considered that the optimal balance would be to let a number of large franchises (between five and 10) covering the majority of the network. These would consist of a grouping of routes and services based around a depot. This approach was adopted to:
- Create a healthy market, not only at the outset of franchising but also in the steady state (a single franchise would limit ongoing competition).
 - Balance economies of scale with market flexibility and strong competition (a single franchise might maximise efficiency but would reduce flexibility and competition, while route-based franchises would reduce efficiency significantly).
 - Take account of factors such as the geography of Greater Manchester, operational considerations, depot strategy and scope for future market entry.
- 4.74 TfGM has also considered how best to address the objective of facilitating access to the franchise market for small and medium-sized operators, which is consistent with the requirement of the Act for authorities to facilitate the involvement of small and medium-sized operators in the provision of local services. This has been achieved through the inclusion of a number of small franchises that would work alongside the large franchises noted above and school resource contracts.
- 4.75 Under the Proposed Franchising Scheme, the Greater Manchester bus network would be split, therefore, into:
- Five to 10 large franchise contracts involving a total peak vehicle requirement (PVR), i.e. the number of vehicles required to operate the highest frequency service, of circa 1,250 (excluding spare fleet).
 - Around 25 small franchise contracts involving a total PVR of circa 140 (excluding spare fleet), ranging from two to 14 per franchise, depending on geographical and operational factors.
 - Contracts for school services not included in large or small franchises (total PVR of circa 300, excluding spare fleet), which would be franchised on a resource basis (whereby TfGM would enter into contracts based on mileage where there is a degree of flexibility regarding which schools services they are allocated to) similarly to how they are currently secured by TfGM on a subsidised basis on behalf of GMCA.

Q18. Do you have any comments on the packaging strategy for franchising contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?

Franchise length

- 4.76 Large franchise contracts would be let for five years with an optional two-year extension at GMCA's discretion. This offers a sufficient period to be attractive to operators while avoiding uncertainty around long-term forecasting. It also provides GMCA with flexibility to make changes to the requirements at regular intervals when re-tenders occur. Shorter terms of three to five years are proposed for small franchise contracts and school contracts, providing greater flexibility and reducing potential risk to both small and medium-sized operators and TfGM compared to a longer contract length. More detail on franchise length is set out in Section 25.2 of the Assessment.

Q19. Do you have any comments on the length of franchise contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?

Risk allocation

- 4.77 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. The key features of franchise risk allocation are summarised below and would apply to all franchised services:
- GMCA would need to retain revenue and patronage risk in order to realise its vision for a common fares and ticketing offer across Greater Manchester.
 - GMCA would also define and specify the bus network.
 - Underlying cost risk would remain with operators as they are best placed to manage operational costs, although GMCA would take cost inflation risk.
 - Operational, quality and safety risks are considered to be core operator responsibilities.
 - A performance regime would be used to incentivise operational performance and service quality.

Q20. Do you have any comments on the proposed allocation of risk between GMCA and bus operators under the Proposed Franchising Scheme, as set out in the Commercial Case?

Treatment of employees of operators

- 4.78 Any employees who are subject to TUPE transfer upon the introduction of franchising would also be entitled to pension protection. This means that a new operator would have to make sure they have the same or 'broadly comparable' future pension accrual as they had with their previous employer. GMCA would make it a requirement in any franchise contracts that operators complied with these requirements and offered the appropriate level of pension protection to transferring employees.
- 4.79 Should the GM Mayor decide to proceed with the Proposed Franchising Scheme, GMCA would consult operators of affected services and representatives of employees on the proposed criteria for determining whether a person's employment is principally connected with the provision of certain local services that cease to be provided in

an area in which franchising becomes effective and on allocation arrangements in accordance with the Franchising Schemes and Enhanced Partnership Schemes (Application of TUPE) (England) Regulations 2017.

- 4.80 The Assessment identifies that there is a process in the Act for determining which employees would be subject to being transferred and in broad terms based upon how much of their time they spend working on services that would be awarded to the incoming franchise operator.
- 4.81 It is also likely that some employees would transfer to TfGM at the outset of franchising to deliver roles for which GMCA would become responsible (for example, revenue protection).
- 4.82 During the steady state of the Proposed Franchising Scheme, and should an incumbent operator not win a franchise, they would need to take part in a TUPE process, which provides legal protection for employees that may transfer to the incoming operator who had successfully bid for the franchise.
- 4.83 More detail on this is given in the Assessment at section 25.4 and the mitigation of risks associated with the TUPE process, particularly around organisational change and pension risks, is discussed in the Assessment at section 48.4.

Q21. Do you have any comments on the potential impact of the Proposed Franchising Scheme on the employees of operators, as set out in the Commercial Case?

Asset Strategy for Franchising

- 4.84 The commercial structure is in part determined by the ownership and control of the key assets that are used in running the bus service. The most important assets are the bus depots, the fleet of buses themselves, and the Intelligent Transport Systems (ITS) that support ticketing and other aspects of the service. Details on each of these are given in the Assessment at section 26.

Depots

- 4.85 Under the Proposed Franchising Scheme, GMCA would seek to take control of strategic depots and provide these to operators of large franchises for the delivery of franchise operations. Without this an operator owning a depot in a particular area of Greater Manchester would have a significant competitive advantage compared to other operators (who would need to build or acquire a depot). This would present a barrier to entry for franchise bidders and reduce competition, given that there are relatively few current depots in Greater Manchester of the scale needed to deliver large franchises. The proposed approach, therefore, addresses GMCA's objective of achieving value for money by driving competition and creating an enduring market. Further details of the proposals are set out at section 26.1 of the Assessment. The provision of depot facilities for the small franchise contracts and school contracts does not present a material barrier to entry to bidders, and therefore would be the responsibility of operators, which would be consistent with the current market model.

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- 4.86 If it is not possible to negotiate the transfer of some or all strategic depots at the outset of franchising (given that they are owned by incumbent operators) GMCA has the following alternative options open to it for initial depot provision:
- Provision of short-term temporary depot facilities by GMCA.
 - Amending the commercial model for the first round of franchising so that strategic depot provision becomes the responsibility of the operator.
 - Building of new depots by GMCA.
 - Compulsory Purchase Order to take ownership of existing strategic depots.
- 4.87 The procurement approach described on page 61 of this document would be adapted where required in the event that an alternative approach for initial depot provision was pursued for one or more of the franchises. However, at this stage it is not anticipated that the procurement approach would be materially affected in this event.

Q22. Do you have any comments on the approach to depots under the Proposed Franchising Scheme, as set out in the Commercial Case?

Fleet

- 4.88 Operators would continue to own or lease buses. GMCA would introduce a residual value (RV) mechanism that would guarantee the future value of franchisees' bus fleets when their franchises end and they do not win subsequent franchises, whereby the incoming operator would purchase the fleet for that guaranteed residual value. This would protect operators against the risk of having buses that they can no longer use. Franchise operators would be obliged to put new fleet into the RV mechanism so they would be available for subsequent franchises. Incumbent Greater Manchester operators would also have the option to put existing vehicles into this mechanism, should they so wish, assuming that they meet a minimum set of standards, to protect them against the risk of stranded assets.
- 4.89 GMCA would also be able to specify emissions standards of vehicles and use of electric power (or alternatives).
- 4.90 TfGM is currently producing a full business case to implement a Clean Air Plan on behalf of the 10 districts in Greater Manchester in coordination with GMCA. This builds on the outline business case which recommended the implementation of a Clean Air Zone for various vehicle types, including buses, across Greater Manchester (all 10 districts) from August 2021. The costs and funding of any intervention to meet this have not been included in the Assessment as they will form part of the Clean Air Plan business case which is in development.

Q23. Do you have any comments on the approach to fleet under the Proposed Franchising Scheme, as set out in the Commercial Case?

Intelligent Transport Systems (ITS)

- 4.91 It has been concluded that having common intelligent transport systems (such as ticketing, vehicle location and driver communications systems) across Greater Manchester would be necessary to secure efficiencies and a consistent customer experience through the standardisation of operational and maintenance procedures and to reduce the risks associated with a significant number of interfaces. Due to the current broad mix of ITS suppliers and functionality across the Greater Manchester network, GMCA would undertake one or more procurements to select a single preferred supplier for the majority of ITS equipment. This would then be made available to franchise operators who would be required to utilise this equipment. Other aspects of ITS, such as CCTV, where there is limited benefit from uniformity and straightforward interfaces, would be provided by operators subject to a minimum standard set by GMCA.

Q24. Do you have any comments on the approach to Intelligent Transport Systems under the Proposed Franchising Scheme, as set out in the Commercial Case?

Franchise procurement

- 4.92 In the first round of franchising the proposal is that 10 large franchise contracts would be let in three tranches (which correspond with the Sub-Areas described in the Proposed Franchising Scheme in Section 3 of this document). The circa 25 small franchise contracts and the resource-based contracts for schools (circa 300 buses) would be let alongside these large franchise contracts. The approach to procurement of large franchise contracts at the first franchising round is set out in section 27 of the Assessment, which describes how and when the large franchise contracts would be procured under the Proposed Franchising Scheme. Engagement with operators (both those currently active in Greater Manchester and others) has helped to shape this approach and would continue if a decision to implement the Proposed Franchising Scheme is taken.

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- 4.93 Procurements would be run for each tranche in turn, to allow bidders to assess their approach to future tranches once the outcome of the procurements in a tranche have been decided, and for lessons to be learned from the preceding set of franchise procurements. At the outset of franchising the packages would be let under a negotiated procedure. This allows for changes to be negotiated with bidders during the procurement process, which would be beneficial given that this would be the first round of franchise procurement and there is likely to be a requirement for some degree of negotiation and change as the procurement process progresses. A two-stage process would be used if there are a large number of bidders whereby the initial bidders would be reduced in number through evaluation and scoring of a first stage submission. This would be followed by detailed dialogue and final bid submissions. Using such a shortlisting process would maintain strong competitive tension and give bidders an appropriate probability of winning for the effort made. For later procurements, the process may be streamlined, for instance doing without detailed negotiation.

Q25. Do you have any comments on GMCA's approach to procuring franchise contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?

- 4.94 The Assessment also considers and includes an approach to facilitating the involvement of small and medium-sized operators at section 27 of the Assessment, which in broad terms includes having circa 25 small franchises and other resource based contracts for small and medium sized operators to bid for, whilst also using where possible shorter and simpler documentation throughout the procurement process. A statement about this is also set out on page 37 of this document.

Market analysis and engagement

- 4.95 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. This has demonstrated that a number of large operators would have the capacity to bid for multiple bus franchises in Greater Manchester. The packaging strategy of offering a range of franchise sizes, supported by the fleet RV mechanism, is designed to encourage participation from as many large operators as possible.
- 4.96 TfGM undertook market engagement in early 2018. Feedback from market engagement suggests that there is a broad level of agreement with the packaging strategy and sufficient interest in all proposed franchise sizes. More detail on the feedback received from operators is given in section 28 of the Assessment.

Cross-boundary services and the permit regime

- 4.97 Currently, there are 116 services that cross the Greater Manchester boundary. 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 Manchester Airport. These services are important to neighbouring authorities as they enable people living in those places to reach destinations within Greater Manchester. There are also a small number of franchised services that would operate outside of Greater Manchester but would do so there under other powers and arrangements.
- 4.98 Detail on the operation of the service permit regime is set out in the Assessment at section 33.
- 4.99 To be granted a service permit, a service would need to pass two statutory tests: first that the proposed service would benefit those making journeys on local services in the franchised area, and second that the proposed service would not have an adverse effect on any local service that is provided under a franchise contract in the franchised area. The service permit application process would be designed to get the necessary information to allow GMCA to consider those tests without placing an undue burden on operators. In assessing any potential adverse effects on franchised services, consideration would be given to a range of factors – for instance there could be benefits in attracting passengers on to franchised services who might otherwise use the private car, or disadvantages if the cross-boundary service takes revenue from franchised services as a result, for example, of having a significant number of stopping points within the boundary of Greater Manchester. GMCA could attach a condition to any service permit provided it consults bus operators on what sorts of conditions it would impose. It is proposed that such a consultation would take place after the Proposed Franchising Scheme is introduced.
- 4.100 The Proposed Franchising Scheme could affect passengers in neighbouring areas to Greater Manchester. An analysis of the transport policies of Greater Manchester's neighbouring authorities was undertaken and meetings held with each of the authorities to discuss proposals for reforming the bus market in Greater Manchester. This work showed that the key objective for neighbouring authorities was 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. More detail on their objectives can be found in the Assessment at section 7.6.

4.101 In terms of the objectives of neighbouring authorities – the Do Minimum and partnership options would make little difference to current arrangements for cross-boundary services or ticketing. As set out in section 17.4 and section 3.3 of the Assessment, the Proposed Franchising Scheme would require a permit regime for cross-boundary services, and this may mean that some aspects of these services might need to change to comply with the tests as set out above. It is estimated that of the 116 services that currently cross the boundary of Greater Manchester, 24 might be affected in this way, in that changes such as to their route, boarding or alighting points might be required. GMCA would seek to maintain these cross-boundary services, working, as appropriate, with neighbouring authorities. Under the Proposed Franchising Scheme, GMCA would also work with neighbouring authorities and cross-boundary operators to put in place new ticketing arrangements to encourage cross-boundary travel.

Q26. Do you have any comments on the impacts of the options on the achievement of the objectives of neighbouring transport authorities, as set out in the Commercial Case?

Conclusion: the Proposed Franchising Scheme

- 4.102 GMCA has concluded that, under the commercial proposition for the Proposed Franchising Scheme, GMCA would be able to secure the operation of services under franchise contracts for the following reasons:
- The franchise structure (including appropriate franchise packaging, franchise length and risk allocation), the asset strategy in respect of depots, fleet and ITS, and the procurement approach would collectively support the achievement of the key commercial aims of delivering franchised bus operations that offer quality of service and value for money, and allow access to the market for small and medium-sized operators.
 - The franchise model would likely be accepted by the operator market, as demonstrated through market engagement. Analysis of the potential bidding market, along with the level of interest in the market engagement exercise undertaken by GMCA in 2018, would indicate a high degree of appetite from the operator market.
 - The franchise model would be deliverable, including during the transition period.

Q27. Do you have any comments on the Commercial Case conclusion that GMCA would be able to secure the operation of services under franchise contracts?

Commercial implications of potential partnership options

The current Operator Proposed Partnership

- 4.103 For the purposes of delivering the Operator Proposed Partnership a VPA is the mechanism proposed by the operators. The use of an EPS was discussed with, but has currently been ruled out by, those incumbent Greater Manchester operators who have been engaged with OneBus in the partnership discussions with TfGM. TfGM has

therefore 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 VPA addresses all aspects of the Operator Proposed Partnership and includes the main aspects of the current proposals i.e. congestion, network, customer experience, fares and ticketing and fleet investment.

OneBus is an association representing the commercial bus operators in Greater Manchester, formerly known as the Greater Manchester Bus Operators Association.

- 4.104 It is currently proposed that the VPA would be in place for a five-year period which could be extended by a further five years upon agreement of all parties to the VPA. Once commercial agreement is reached the parties could implement the VPA relatively quickly. The partnership would be governed by operators and TfGM (on behalf of GMCA) and include a set of 'Measures of Success' to demonstrate performance, such as patronage, operational performance and customer related measures. Should the operators fail to adhere to the standards within the VPA, operators have indicated that they are not averse to limited financial penalties being put in place. However, the scale and extent of such penalties, and precisely when these would apply, is not clear. With a VPA, the incentives for operators to comply with required standards are not necessarily as great as under mechanisms such as EPS.

Ambitious Partnership

- 4.105 It is currently considered that in order to implement an Ambitious Partnership, it would require the use of a regulatory scheme – either an advanced quality partnership scheme (AQPS) or EPS, potentially alongside a VPA. An EPS requires completion of a detailed statutory process including consultation with relevant stakeholders and operators prior to implementation.
- 4.106 It is anticipated that the Ambitious Partnership would cover similar areas to those proposed under the Operator Proposed Partnership. However, the use of the EPS mechanism would allow operators and GMCA to be more ambitious in what could be delivered under a partnership. The key differences between the Operator Proposed Partnership and an EPS are that an EPS allows a greater level of network integration and network changes and greater levels of interoperability of tickets through the introduction of Qualifying Agreements (agreements between bus operators which meet relevant competition law tests).

Defining 'interoperability' – Most operators issue 'own brand' tickets that are not valid on services run by other operators. Under the Proposed Franchising Scheme, these restrictions on validity would no longer apply. This effect is called an 'interoperability' benefit throughout the Assessment.

- 4.107 An EPS can only be implemented with broad operator support. An EPS can theoretically be implemented with no fixed term (i.e. as a regulatory scheme it would have no end date). However, this would be dependent upon the terms of the EPS

continuing to be fit for purpose within the commercial bus market covered by it. Under an EPS it would be possible to include 'Measures of Success'. It is currently anticipated that similar 'Measures of Success', as developed as part of the current draft VPA, would be utilised under an EPS. As with the VPA, a series of enforcement measures could be put in place, potentially including a similar approach to remediation. However, whilst the EPS mechanism does not currently enable the levying of financial penalties nor has direct contractual enforcement rights, it does allow regulatory enforcement including de-registration of services which do not comply with the standards. This should provide strong incentive for operators to comply with the measures of success.

- 4.108 The engagement required for an EPS is greater than for other partnership options. GMCA would need to seek informal views from a wider group of stakeholders and require sufficient operator buy-in to the proposals in order to proceed with consultation. Due to this additional engagement and consultation process the timescales for implementation of an Ambitious Partnership utilising an EPS may be long, and would require that level of operator buy-in to continue through the consultation process.

Q28. Do you have any comments on the assessment of the commercial implications of the partnership options as set out in the Commercial Case?

Conclusion: potential partnership options

- 4.109 GMCA has concluded that in respect of the commercial proposition for the partnership options:
- A voluntary partnership agreement (VPA) would be used for the Operator Proposed Partnership and, most likely, an enhanced partnership scheme (EPS) for an Ambitious Partnership.
 - A VPA would involve relatively short timescales to implement the partnership itself given the work undertaken with operators over the past 18 months.
 - For an enhanced partnership scheme (EPS), the process would be much longer as it requires a plan to be developed, and then consulted upon. It also requires operator support for it to proceed. As referred to above, the use of an EPS was discussed with, but has currently been ruled out by, those incumbent Greater Manchester operators who have been engaged with OneBus in the partnership discussions with TfGM.

Treatment of employees of operators under a partnership

- 4.110 It is not anticipated that the partnership options would materially affect the employees of operators. This is because the services currently provided by operators would not be expected to change as a direct result of a voluntary partnership agreement.

Q29. Do you have any comments on the potential impact of the partnership options on the employees of operators as set out in the Commercial Case?

THE FINANCIAL CASE

4.111 The Financial Case considers:

- The financial responsibilities of GMCA under the franchising and partnership options.
- Forecasts of farebox revenues, public sector funding and operating costs for the Greater Manchester bus network to 2051 under the Do Minimum.
- A forecast of how income and costs would change compared to the Do Minimum for each option, including any additional costs to implement the option and a quantified risk contingency.
- The additional funding requirement for each option and the funding sources available to meet the requirement.

4.112 GMCA would have contrasting financial responsibilities under the Proposed Franchising Scheme and partnership options. Under the partnership options, bus operators would continue to receive farebox revenues and various forms of public funding for concessionary reimbursements and tendered services. Under the Proposed Franchising Scheme, GMCA would assume the risk in relation to farebox revenues and would use these revenues, as well as the existing sources of public sector funding, to pay for the costs of operating the bus network.

4.113 Under the Do Minimum, bus demand is forecast to continue to reduce and in response, fares are forecast to continue to increase above inflation, at RPI + 1.4% per annum; and the bus network is forecast to continue to reduce. The same ongoing fare increases are assumed for franchising and both partnership options.

4.114 The financial forecasts for all options uses the same modelling framework as the Economic Case. The methodology and relationship between the economic and financial models are set out at section 14 of the Assessment.

Affordability of the proposed Franchising Scheme

4.115 The assessment of affordability considers the extent to which GMCA could afford to meet the costs of implementing, the transition to, and the operation of the Proposed Franchising Scheme. As GMCA would assume farebox revenue risk under the Proposed Franchising Scheme, the assessment of affordability includes forecasts of bus demand and farebox revenues, bus operating costs and other sources of income that GMCA would receive under franchising.

Sources of income

4.116 The ongoing income sources included for the Proposed Franchising Scheme are:

- (a) Forecast bus farebox revenues from GMCA assuming revenue risk. Total farebox revenues were approximately £175m in 2016/17. Farebox revenues are forecast to reduce in real terms (reflecting the forecast reduction in demand). However, franchising interventions are forecast to increase farebox revenue by approximately 3% compared to the Do Minimum forecasts. Under franchising, as described in the economic case, the following interventions are proposed that lead to changes in demand and in turn revenues:

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- Network review
 - Fares impacts
 - Interoperability journey time improvements
 - Service quality / soft factor measures.
- (b) Commercial revenues principally from on-bus advertising, estimated at £3.1m in 2016/17.
- (c) Bus Services Operator Grant (BSOG) for commercial and tendered bus services which is funded by the DfT. The combined value of annual BSOG funding is estimated at £16.1m in 2016/17. Under all options the value of this funding is assumed to be maintained at current levels.
- (d) GMCA funding for local and statutory concessions and tendered services – Under franchising there would be no distinction between tendered and commercial services and, as GMCA would assume farebox revenue risk, franchised bus operators would not be reimbursed for concessionary journeys.
- 4.117 The existing funding for tendered services, concessionary reimbursement and other costs relating to the bus network would be consolidated into a single sum as an ongoing income stream. The total 'base' level of this existing funding is £86.7m per annum of which the 2016/17 value of £71.1m (the amount that relates to tendered services and concessionary reimbursement) is included in the financial model. The value of this ongoing funding is forecast to increase at the same rate in the Do Minimum and under all options.

Expenditure – ongoing

- 4.118 The largest cost element of the Proposed Franchising Scheme would be the contract payments to franchisees but there are also costs that would fall directly to the GMCA. Costs under the Proposed Franchising Scheme are set out in section 4.2.2 of the Assessment and are summarised below.
- 4.119 The ongoing costs for the bus network are:
- (a) The franchise payment to operators for providing the bus services. This would include:
- The costs of operating the network which are currently estimated at £251.8m in 2016/17. Different elements of this cost are indexed according to forecasts of how it is expected that these costs would change over time. Operating costs on a 'per kilometre' basis are forecast to increase, on average, by approximately RPI+0.5% per annum. Section 4.1 of the Assessment sets out how the costs of running the network were calculated.
 - An average of a 7.5% pre-tax profit margin is assumed as the financial return for franchise operators. See section 4.2.2 of the Assessment for further details on how this margin was derived.
 - Bid costs for operators and the cost of financial security arrangements as an additional percentage of operating costs (0.25% and 0.16% per annum respectively).

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- (b) Incremental ongoing GMCA costs of £3.3m per annum (in 2016/17 prices) include incremental staff and other operating costs. These costs are reflective of inputs from the Management Case.
- (c) On-going costs also include the financing costs and the lifecycle costs associated with the provision of depots. The Commercial Case sets out that the preferred option is for GMCA to provide strategic depots. The 'up front' costs associated with depot provision are estimated at £85.7m, which would be financed through borrowings; the forecast interest costs on these borrowings are £46.3m.
- (d) On bus equipment, including initial development and implementation costs are included within the transition costs. Ongoing costs are required to replace these assets at the end of their useful economic life. Following the transition period, the net additional forecast costs over the appraisal period are £12m.
- (e) A risk allowance, based on a quantified analysis of risks and how likely they are to occur, has also been included. The total risk allowance over the appraisal period is £272m. Further details on the approach to risk is set out in the Assessment at section 42.4.

Net expenditure – transition period

4.120 In addition to the on-going costs, a transition period (2019/20 to 2024/25) would follow any Mayoral decision and would require GMCA to commence with procurement, contract awards and mobilisation of operators over the phased roll out of franchised services. The forecast net costs during transition are summarised in the table on page 70.

4.121 Further detail on each transition cost line is included in section 42.2.22 of the Assessment, however in summary:

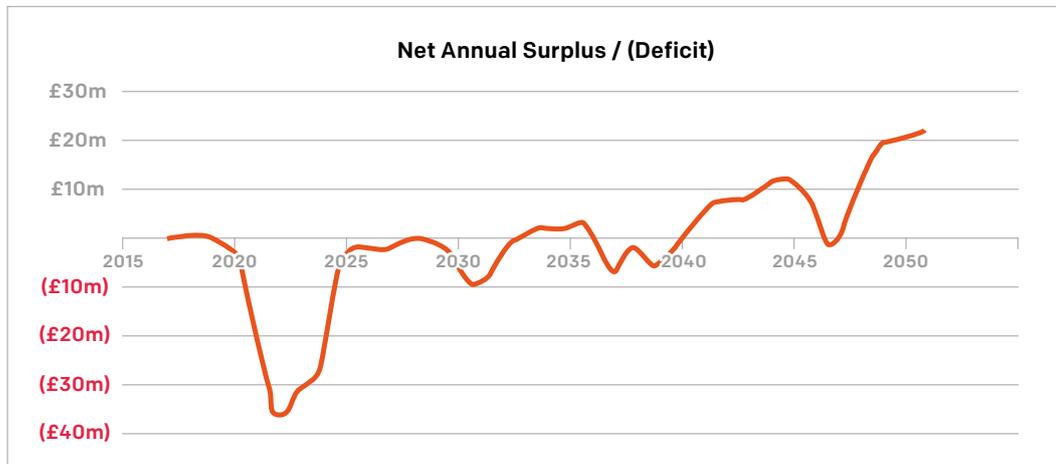
- Operating Account - this shows the forecast net operating surplus or deficit (reflecting forecast farebox revenues and consolidated public funding sources net of operating costs).
- Quantified Risk Allowance - this is the estimated risk allowance across the transition period.
- Assets - the acquisition costs and initial improvement costs of the depots, including plant and equipment costs are estimated to be £85.7m. As noted above, depot costs would be financed by borrowings, with £9.2m of net repayment and interest costs falling within the transition period.
- Implementation and technology - includes transition and ongoing resource costs, new Information Systems and on-bus equipment to allow the implementation of the Proposed Franchising Scheme.

Franchising – Nominal Net Income and Costs:	Total (2019/20 to 2024/25)
Operating Account	
Operating surplus	11.8
Quantified Risk	
Quantified Risk Allowance	(36.2)
Assets	
Depot repayment and financing costs, net of rental income	(9.2)
Implementation and technology	
Transition resource costs	(20.6)
Incremental resources (Staff, IS and other)	(25.6)
Information systems	(19.6)
On bus equipment and branding- Wi-Fi, driver radio, telematics, CCTV	(7.7)
Electronic Ticket Machines and Automatic Vehicle Location AVL (ITS)	(14.9)
Subtotal: Implementation costs	(88.4)
NET FUNDING REQUIREMENT	(122.0)

Financial results

- 4.122 The Proposed Franchising Scheme would require an initial up-front investment of £122m during the transition period. The position across later years is a forecast cumulative net surplus of approximately £94m, with a mixture of forecast surpluses and deficits in specific years.
- 4.123 The graph below sets out the results of the financial model which takes income and expenditure over the 30-year assessment period for the Proposed Franchising Scheme and shows the forecast annual surplus or deficit prior to the application of additional funding sources, including for the transition period.

Proposed Franchising Scheme – financial model net annual surplus / (defecit)



Meeting the funding requirement

- 4.124 The most significant affordability challenge for the implementation of the Proposed Franchising Scheme is the forecast £122m transition requirement over the first five years of the Proposed Franchising Scheme. The Financial Case sets out a range of credible additional capital and revenue funding sources that could fully fund the forecast transition requirement, without relying on any future modelled surpluses.
- 4.125 As detailed in section 4.2.8 of the Assessment there are three agencies or “pillars” that already provide existing funding for bus services and could provide additional funding for the Proposed Franchising Scheme, namely:
- **The Local Authorities of Greater Manchester:** they currently provide bus services funding through a statutory contribution to the Mayor of £86.7m per annum and contribute, as part of the Greater Manchester Transport Fund arrangements, ring fenced levy funding for transport infrastructure, including for bus;
 - **The GM Mayor:** 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
 - **Central government:** it currently provides funding subsidy to commercial and tendered services in the form of Bus Services Operator Grant (BSOG) which has been devolved to Greater Manchester, and sets the terms of the English National Concessionary Travel Scheme (ENCTS) which is the largest element of concessionary reimbursement in Greater Manchester.
- 4.126 The additional funding sources considered exceed the £122m net transitional funding requirement and the Financial Case concludes GMCA could afford to make and operate the Proposed Franchising Scheme.
- 4.127 GMCA has subsequently approved for consultation a more detailed proposal on how to fund the transition costs of the Proposed Franchising Scheme, reflecting the application of a set of specific funding sources from the range of funding sources identified in the Financial Case, see pages 72 and 73.

Approved funding proposal: the Proposed Franchising Scheme

Based on the information contained in the Assessment, GMCA members agreed in June 2019 that the Proposed Franchising Scheme (including, in particular, the transition costs required for the Proposed Franchising Scheme) was affordable on the basis of the range of credible funding sources.

The forecast net costs over the transition period up to 2024/25 are approximately £134.5m (which includes approximately £12.5m of forecast cost escalation in current budgets over the period relating primarily to concessions and supported services).

The preferred funding scenario to fund the transitional costs of the Proposed Franchising Scheme is:

- £78.0m, in total, of Mayoral 'earn back' funds provided by central government as part of Greater Manchester's Devolution Agreement;
- £11.0m, in total, of existing precept raised as part of the Mayor's 2019/20 budget for bus reform purposes (equating to £2.2m per annum applied each year from 2020/21);
- £17.8m, in total, of contributions by Local Authorities as a proposed one-off increase in the statutory contribution in 2020/21;
- £5m, in total, of existing and forecast business rates pooling receipts held by GMCA; and
- £22.7m, in total, of Mayoral precept required from future years' budgets.

An indicative profile for these funds is shown in the table opposite which reflects progressive requirements of a precept per Band D property up to approximately £18.20 in total, phased over a four-year period commencing in 2021/22. GMCA would need to consider whether this was additional funding or to be met from savings elsewhere in the budget. Whilst the precept is expressed per Band D property, approximately 82% of properties in Greater Manchester are below Band D and would pay less than the sum set out above; the equivalent precept requirement for an average Greater Manchester Band B household could be approximately £14.20 by 2024/25.

Any differences between the cashflow spend profile and the funding requirement would be balanced through borrowing for capital spending and the timing of repayments.

The mix of Local Authority contributions and precept in the preferred funding scenario balances providing one off funding during transition and an ongoing level of precept after the transition period.

After the transition period the Assessment notes there is a mixture of forecast annual deficits and surpluses in the central scenario and the proposed precept required during transition for this purpose would provide an ongoing source of revenue funding to manage any annual deficits and provide a level of base funding for forecast future escalation in bus services budgets. As such it is proposed that the £17.8m additional contribution to transport by Local Authorities gives a proportionate and acceptable balance of contributions.

Since the Assessment was completed the Government has indicated that it will support Greater Manchester to 'deliver a London style bus system in the area' which could include revenue funding. If Government funding does become available this could offset any local contribution including council tax/precept requirement.

The preferred funding scenario reflects sources that can be locally prioritised, however the Assessment also recognises that opportunities will be sought to secure additional Government funding for bus services on an ongoing basis.

Uses	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	TOTAL
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Revenue cashflow	(2.9)	(15.0)	(21.3)	(25.0)	(18.2)	(9.9)	(92.3)
Capital cashflow	(0.7)	(8.0)	(14.8)	(7.7)	(10.8)	(0.2)	(42.2)
Total cashflow spend	(3.6)	(23.0)	(36.1)	(32.7)	(29.0)	(10.1)	(134.5)
Funding Requirement	(3.6)	(23.0)	(21.3)	(28.0)	(33.5)	(25.1)	(134.5)
Funding							
Local Authority contribution - statutory charge	-	17.8	-	-	-	-	17.8
Business rates pooling receipts	2.5	2.5	-	-	-	-	5.0
Existing 2019/20 precept for bus reform	-	2.2	2.2	2.2	2.2	2.2	11.0
Future years' precept	-	-	2.6	2.6	6.3	11.2	22.7
Earn back	1.1	0.5	16.5	23.2	25.0	11.7	78.0
Total sources	3.6	23.0	21.3	28.0	33.5	25.1	134.5

Sensitivity of the affordability analysis

- 4.128 Sensitivity testing has been performed to test the financial impact of potential changes to assumptions included in the financial model. These look at areas of uncertainty in long-term forecasts and also 'exogenous' factors that would be to a large extent outside the control of GMCA.
- 4.129 The financial effects of different sensitivities, both 'upsides' and 'downsides', are set out in the Assessment at section 42.7. The results of the sensitivity tests are reported prior to any mitigating actions that GMCA would need to undertake under downside scenarios. The affordability forecast is sensitive to changes in assumptions, including for example:
- higher fuel costs increase bus use and conversely lower fuel costs mean that driving is relatively less expensive and is chosen more over bus trips;
 - a large increase in alternative transport modes – walking, cycling and Metrolink - could have an adverse effect on bus demand and revenues;
 - wages and employment costs are the largest element of the cost base; higher than anticipated wage increases would increase the cost of operating the network.
- 4.130 These factors would be likely to affect bus services whether or not the Proposed Franchising Scheme, or one of the other options, were to be introduced. If costs of running bus services increased, or revenues fell, the bus operators, or GMCA in a franchised market, would need to react.
- 4.131 Some assumptions, however, are specific to the Proposed Franchising Scheme. A significant assumption is the profit margin that franchised operators would earn. If all franchised operators required higher margins compared to the assumed level then this would increase the overall cost of the services to GMCA. An increase in the anticipated margin from 7.5% to 9% is forecast to result in an extra £195.5m of cost over the appraisal period. Section 42.2 of the Assessment provides further information to support the margin used.

Financial risk

- 4.132 The Proposed Franchising Scheme carries more direct financial risk to GMCA compared to other options as it is taking on farebox revenue risk and responsibility for the bus network. If patronage and the farebox revenue were to reduce from the forecast or if costs were to increase, then this shortfall would need to be met from other sources, or the level of service would need to reduce.
- 4.133 Under a partnership, it would be operators to a large extent who make choices (as at present) as to whether services would be reduced or cut and what would happen to fares.
- 4.134 GMCA has subsequently considered the downside risks and the mitigating actions GMCA would take, see page 75 for further details.

Summary of downside risks and mitigating actions

The Assessment sets out the risks to GMCA of the Proposed Franchising Scheme in particular that it takes on the risk that income, particularly farebox revenue, is sufficient to pay for franchised services. The financial forecasts include a quantified allowance for specific risks that accompany the Proposed Franchising Scheme, and there are sensitivities presented in the Economic and Financial cases showing how the forecast outcomes would be different if key assumptions and trends varied.

Variations in some of the long-term trends tested in the Financial Case sensitivities could have significant effects on the bus network over the period to 2051 and some of these factors are 'exogenous' whereby GMCA would have limited influence or control of these trends.

In the event a 'downside' scenario materialised, the mitigations available to GMCA are set out in the Assessment's conclusion at sections 64.1.5 – 64.1.7.

The mitigating responses would be both operational – through reducing the size of the network and / or increasing fares – and financial by allocating more funding to support services. Therefore a 'downside' scenario would necessitate prioritisation decisions to be made by GMCA and the Mayor, in line with its public accountability and control of key policy decisions under the Proposed Franchising Scheme, around the level of services, fares and funding in order to achieve a balanced budget. Whilst the financial pressures on the bus market would likely be similar in different market scenarios, if the Proposed Franchising Scheme were not implemented, these risks and decisions would to a large extent remain with current operators.

Conclusion: the Proposed Franchising Scheme

- 4.135 The Proposed Franchising Scheme would require an initial up-front investment of £122m during the transition period. The position across later years is a forecast cumulative net surplus of approximately £94m, with a mixture of forecast surpluses and deficits in specific years. The most significant affordability challenge for the implementation of the Proposed Franchising Scheme is the forecast £122m transition requirement over the first five years of the Proposed Franchising Scheme. The Financial Case sets out a range of credible additional capital and revenue funding sources that could fully fund the forecast transition requirement, without relying on any future modelled surpluses.
- 4.136 The Financial Case concludes that GMCA could afford to introduce and operate the Proposed Franchising Scheme on the basis of the range of credible funding sources. After completing the Assessment and in advance of this consultation, GMCA has proposed how it would fund the introduction of the Proposed Franchising Scheme, as set out on pages 72 and 73.

***Q30. The Financial Case concludes that GMCA could afford to introduce and operate the Proposed Franchising Scheme. After completing the Assessment and in advance of this consultation, GMCA has proposed how it would fund the introduction of a fully franchised system. Do you have any comments on these matters?**

Affordability of partnership options

- 4.137 For both partnership options operators would continue to receive farebox revenues and public sector funding for concessionary reimbursement, tendered services and BSOG funding.
- 4.138 Farebox revenue is forecast using the same methodology as in the Do Minimum option. For the Operator Proposed Partnership farebox revenue is forecast to reduce marginally by 0.1% compared to the Do Minimum option, primarily as result of a two-year fare freeze on the price of an all (bus) operator (System One) ticket.
- 4.139 Farebox revenues are forecast to increase by 0.3% compared to the Do Minimum option under the Ambitious Partnership due to network changes and interoperability benefits.
- 4.140 For both partnership options it is assumed, in the first instance, that the same level of ongoing public sector funding as in the Do Minimum option is made available to GMCA. However, the interventions proposed under both partnership options are forecast to increase the number of concessionary trips undertaken and under the statutory and local concessionary scheme GMCA are obliged to reimburse operators based on the number of trips. This is reflected as an additional concessionary reimbursement cost under the partnership options. Based on the forecast number of additional trips, an additional reimbursement of £30.7m, over the 30 year period, is forecast to be required under the Operator Proposed Partnership and £37.8m under the Ambitious Partnership.
- 4.141 During the partnership transition period (assumed to commence in 2019/20 and to be fully implemented in 2022/23), total transition and management costs of £8.4m are forecast for the Operator Proposed Partnership and £10.3m for the Ambitious Partnership.
- 4.142 The Operator Proposed Partnership results in incremental annual on-going costs after the transition period of between £1.4m and £3.2m over the remainder of the appraisal period. On average this is approximately £2.1m per year. The increase in costs is predominately related to indexation to allow for inflation. GMCA would have extended responsibilities, to ensure that the benefits of partnership are realised. The additional costs relate to management of the partnership, network planning, analysts and on-going operational costs for new information systems.
- 4.143 The Ambitious Partnership cost forecasts result in incremental annual on-going costs after the transition period between £1.6m and £3.5m over the remainder of the appraisal period. On average this is approximately £2.3m a year. The increase in costs is predominately related to indexation to allow for inflation. Under the Ambitious Partnership further resources would be required to support the development and marketing of the network and to implement the planned changes under this partnership option.
- 4.144 A quantified risk allowance is included under both partnership options. The total risk allowance over the appraisal period is £4m for the Operator Proposed Partnership and £5.1m for the Ambitious Partnership.

Conclusion: partnership

- 4.145 The Financial Case reports that the net deficit over the appraisal period would be £97.4m for the Operator Proposed Partnership and £112.5m for the Ambitious Partnership. As set out above and in section 4.2.8 of the Assessment, a number of additional funding sources have been identified that could potentially fund the Proposed Franchising Scheme or could be used to fund either partnership option.

Q31. Do you have any comments on the conclusion in the Financial Case about the affordability of the partnership options?

Financial Case Conclusion

- 4.146 The Financial Case sets out a range of credible additional funding sources that could, in principle, be used to fund any of the options, meaning GMCA could afford to make and operate any of the options.
- 4.147 The most significant affordability challenge for the implementation of the Proposed Franchising Scheme is the forecast £122m transition requirement over the first five years of the Proposed Franchising Scheme. The Financial Case sets out a range of credible additional capital and revenue funding sources that could fully fund the forecast transition requirement, without relying on any future modelled surpluses. Thereafter a mixture of deficits and surpluses are forecast in specific years, which results in an overall cumulative forecast net surplus over the remainder of the appraisal period.
- 4.148 The partnership options require a smoother level of ongoing funding over the appraisal period, however as GMCA do not retain any of the revenues the additional costs incurred in managing the partnerships and for concessionary reimbursement would require on-going financial support over the appraisal period.

THE MANAGEMENT CASE

Implementing the different options

- 4.149 The Management Case in the Assessment considers how GMCA would make and operate the Proposed Franchising Scheme, as well as the partnership options. The arrangements for implementing and maintaining the Proposed Franchising Scheme in Greater Manchester would differ from either of the partnership options, due to the scale of the change associated with franchising. Consideration is given to the proposed operating models and risks for each, including for transition and implementation. For the purposes of the Assessment, it is assumed that TfGM would implement either of the options on behalf of GMCA.

Managing franchised operations

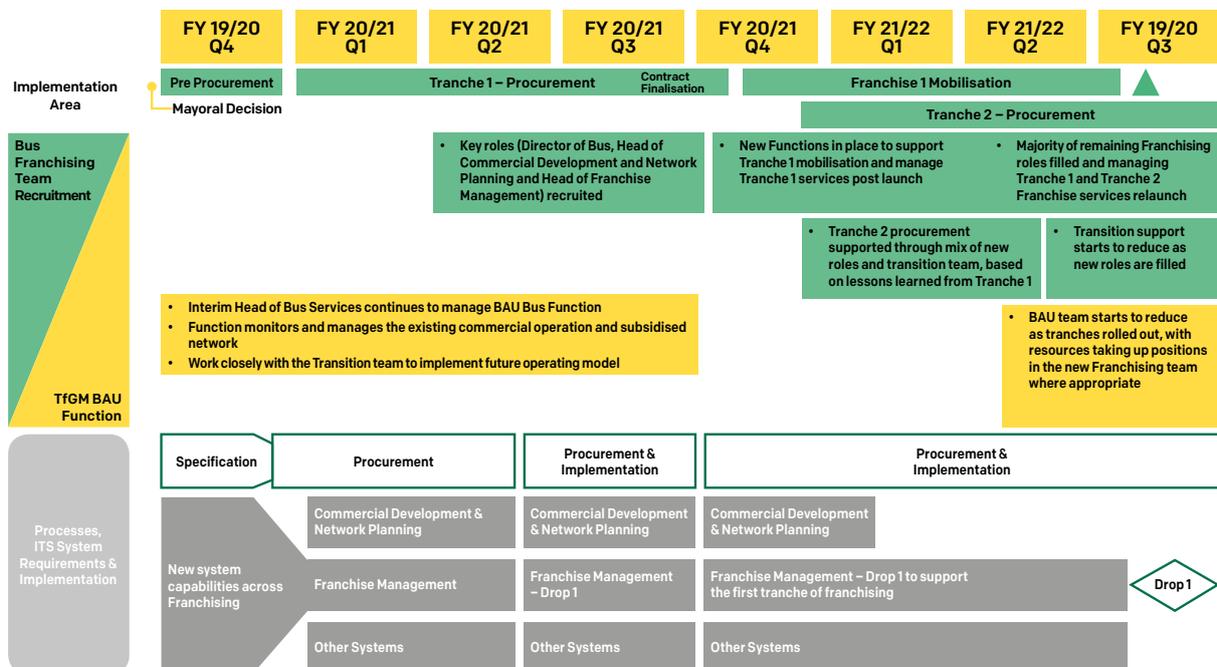
- 4.150 Under the Proposed Franchising Scheme, TfGM on behalf of GMCA would procure the whole commercial bus network in Greater Manchester with limited exceptions. TfGM would be responsible for planning, designing and specifying the bus network to form the backbone of a cohesive transport system for the city-region. As a result, GMCA would take on significantly more risk than it currently does in relation to bus services, during both the transition and implementation and the ongoing management of the Proposed Franchising Scheme.
- 4.151 Whilst neither GMCA nor TfGM would directly operate these services, TfGM would take on significant additional responsibilities in managing much of the customer interface, overseeing the commercial performance of the network and managing the contractual relationship with the franchisees. Through exercising these responsibilities, TfGM would be able to manage risk and deliver the GMCA's objectives for the bus network.
- 4.152 The operating model would comprise core activities – franchise management, commercial development and network planning – and support activities, where other parts of TfGM (such as finance and sales and marketing) would be required to support the Proposed Franchising Scheme.
- 4.153 The Franchise Management team would manage the operators that provide the services and ensure that they abide by their franchise contracts, (including measures of performance). This team would also provide the link between the franchise operators and other TfGM functions. They would work collaboratively with operators to drive continuous improvement, whilst also identifying any areas of concern or poor performance and resolving any emerging issues.
- 4.154 The Commercial Development and Network Planning team would design and specify services, define service performance requirements and work with procurement to evaluate tender responses against the specification. This team would also work with Transport Strategy and Sales and Marketing teams to maximise longer term and commercial opportunities.
- 4.155 The support activities would cover franchise related requirements such as customer and stakeholder engagement, procurement, payment to franchise operators and revenue forecasting. Customer engagement would include the arrangements for customer contact via a single point of contact by phone, on the web and via other digital media.

- 4.156 The core and support teams would also be responsible for generating the information necessary to enable TfGM, GMCA and the GM Mayor to make decisions about the bus services to provide the best possible service given the resources available.
- 4.157 This would require an additional headcount of approximately 57 full time equivalent (FTE) employees and a number of new processes and systems to provide the information to both monitor the franchises' performance and support decision making and reporting. Details of the operating model, such as the required people, processes and systems needed to manage the Proposed Franchising Scheme, can be found in section 4.6 of the Assessment.

Q32. Do you have any comments on the approach to managing franchised operations under the Proposed Franchising Scheme as set out in the Management Case?

Transition and implementation of the Proposed Franchising Scheme

- 4.158 The operating model would be implemented as part of a transition process that would also involve the procurement and mobilisation of the first round of franchises. This transition would span from 2020 until 2023, reflecting the need for a phased implementation.
- 4.159 It should be noted that this implementation plan reflects the Assessment assumption of December 2019 Mayoral Decision. This is currently proposed to be March 2020 and is described on page 16 of this document.



Note: The above implementation plan reflects the Assessment assumption of December 2019 Mayoral Decision. This is currently proposed to be March 2020.

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- 4.160 To transition to the Proposed Franchising Scheme, franchise contracts would be let under three tranches. Figure 1 summarises the implementation plan for Tranche 1 of the Proposed Franchising Scheme. The implementation would require significant additional expertise to provide temporary, specialist support to the TfGM team, and to supplement TfGM resources whilst the future operating model roles are filled. This would include support in areas such as commercial, legal, procurement, business change and operational continuity, information services, programme delivery and operating model design.
- 4.161 A franchised operation would require some new systems and significant amendments to the various supporting systems that are currently utilised by TfGM and the current operators. TfGM would look to utilise existing systems where possible. A single supplier of on-bus equipment would be selected who would make the equipment available to franchise operators, either via a lease or through a managed service arrangement.
- 4.162 The approach to transition has been designed to mitigate some of the biggest risks to TfGM and GMCA that would result from a move to the Proposed Franchising Scheme. These include risks associated with patronage, revenue, interest from operators in bidding into the Greater Manchester market, operational continuity, mobilising services when franchising starts, TfGM and GMCA reputation, and customer experience. The approach to transition and implementation of the Proposed Franchising Scheme (such as what activity and resource would be required and thereafter managed) is set out in section 47 of the Assessment. In addition, section 48 of the Assessment considers how TfGM would manage any risks associated with the Proposed Franchising Scheme on behalf of GMCA (such as risks around operational continuity and changes to ticketing).
- 4.163 The planned phased transition to the Proposed Franchising Scheme could potentially introduce some short-term complexity and confusion for some customers in terms of fares and ticketing, especially when travelling between franchised and non-franchised areas within Greater Manchester where different ticketing arrangements are in operation. This complexity would not affect the majority of passengers at any one time. TfGM's approach to address this would be to first mitigate as far as possible the need for customers to purchase additional tickets and where that was not possible provide low cost add-on tickets, a concessionary scheme and the ongoing use of system one tickets with a system of reimbursement where appropriate.
- 4.164 Although large scale cessation of services is considered unlikely, limited reductions have the potential to result in short-term disruption of the market. TfGM has identified a number of commercial arrangements to protect passengers 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. This includes the emergency letting of short-term contracts to replace withdrawn services. These are set out in the Assessment at section 31.3.
- 4.165 In order to facilitate the mobilisation of individual franchises once the procurement process has completed, TfGM and franchise operators would create a Mobilisation Plan, discussions around which would commence during the early stages of procurement. This would include clarity on obligations, timescales and resources, as well as details on the criteria that must be met for franchised services to 'go live'.

Conclusion: the Proposed Franchising Scheme

- 4.166 The Management Case summarises how GMCA would make and operate the Proposed Franchising Scheme. It identifies the level of additional resource required to manage franchised operations covering both core and support activities. The Management Case describes the transition and implementation activities required to establish the operating model, including the implementation of new systems and processes. It describes how TfGM would manage the transition and implementation risk on behalf of GMCA, including fares and ticketing during transition and potential short-term market disruption. The Management Case concludes that by implementing the new operating model and managing the transitional activities and risks, TfGM would be able to manage the Proposed Franchising Scheme on behalf of GMCA.

Q33. Do you have any comments on the approach to the transition and implementation of the Proposed Franchising Scheme, and the conclusion that TfGM would be able to manage franchised operations on behalf of GMCA, as set out in the Management Case?

Partnership operating models

- 4.167 As set out in the Assessment at section 35, there are a number of types of partnership that could be considered as part of a partnership option. The size and scope of the operations for TfGM would reflect the level of change that could be expected to come from a partnership. The TfGM activities would be divided into Partnership Management and Strategy, Commercial Development and Network Design and Service Performance and Analysis. TfGM would establish a Network Planning team and, working with operators, model the Greater Manchester bus network. This would support the identification of network opportunities that both reflect the strategic ambitions of Greater Manchester, and the need for operators to make an appropriate level of commercial return.
- 4.168 The TfGM partnership operating model would require an additional headcount of six FTEs for the Operator Proposed Partnership and eight FTEs for the Ambitious Partnership.

Implementing the partnership operating model

- 4.169 As with the Proposed Franchising Scheme, a partnership would be implemented as part of a transition process. Whilst there would be no major procurement phase, the partnership itself would need to be fully co-designed, new systems would need to be introduced and the required people resources deployed.
- 4.170 Whilst not as complex as for the Proposed Franchising Scheme, TfGM would still require additional support to implement a new partnership. This would include programme delivery, stakeholder management, operating model development, specialist advisor support and legal advice.

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- 4.171 The new system capabilities are required to support a partnership and include the ability to assess the impact of implemented network interventions, assess opportunities to maximise value for money to customers by optimising the use of the bus subsidy, model the impact of ticketing strategies and analyse ticket data, network and route performance.
- 4.172 Recruitment of key staff (Partnership Leader, Partnership Manager and Network Design) would commence as soon as practicably possible. For a partnership to succeed on an enduring basis (and for the economic benefits to be fully realised), additional, dedicated resources are required. The level of investment recognises the need for TfGM (on behalf of GMCA) and operators to invest in the partnership to increase the likelihood of success.
- 4.173 The main risk during the transition to a new partnership would be the formal agreement on the partnership itself. Other transition risks include prolongation of the implementation period (leading to increased costs), delays in the fulfilment of the new roles, reputational risk to TfGM and partners and delays in benefits to customers.

Conclusion: partnership

- 4.174 The Management Case summarises how TfGM would work with the operators in both the Operator Proposed Partnership and the Ambitious Partnerships to maximise customer benefits. The operating model would require additional resources in TfGM to support the management of such partnerships. The Management Case for partnerships describes the transition process including the implementation of a new operating model. The Management Case for partnerships concludes that by implementing the new operating model and managing the transitional activities, jointly with the operators, TfGM would be able to manage either of the partnership options on behalf of GMCA.

Q34. Do you have any comments on the proposed approach to the implementation and management of the partnership options, and the conclusion that TfGM would be able to manage and implement partnerships on behalf of GMCA, as set out in the Management Case?

THE IMPACTS OF THE DIFFERENT OPTIONS

4.175 The Assessment considers the impacts of the different options on passengers, operators, TfGM and GMCA, and wider society as required by the Guidance. These are set out between sections 16 to 19 and in section 61 to 63 of the Assessment. For the purposes of this summary and unless otherwise stated the impacts of the Ambitious Partnership are broadly similar as the Operator Proposed Partnership.

Passenger impacts

4.176 The impacts on passengers are set out in sections 16 and 61.1 of the Assessment. They can be summarised as follows:

Do Minimum

4.177 The Do Minimum option reflects a status quo situation in which:

- The challenges that affect the bus market would continue without being addressed in any way.
- Further decline in patronage is forecast (which is also the case, albeit to lesser extents, across the other options and as illustrated in the graph on page 53 of this document).
- The ability for GMCA to intervene to improve service for passengers and help achieve the 2040 Strategy is limited.

4.178 Passengers would be faced with a declining bus market with the prospect of fewer and more expensive services. It would therefore become more difficult for them to get to work and school, access essential services and take up leisure opportunities.

The Proposed Franchising Scheme

4.179 The key impacts of the Proposed Franchising Scheme reflect the changes that the Proposed Franchising Scheme would make as set out in the Assessment at sections 8.4 and 8.7, and the impact on passengers are also set out in section 16. This includes the benefits to passengers from improvements to the network, reduced fares, simplified and interoperable tickets, and also improved customer service. The Proposed Franchising Scheme would benefit existing passengers, and, over the longer term, new passengers would also benefit from the interventions.

4.180 This option is forecast to generate in excess of a 5.6% uplift in demand over the Do Minimum option, i.e. 9.3m passenger trips per annum on average over the first 10 years of the appraisal period. In the last 10 years of the appraisal period, the forecast increase is estimated to be 8.4m per annum above the Do Minimum option. These passengers would use bus services because of the service improvements made as a result of the Proposed Franchising Scheme.

4.181 Under the Proposed Franchising Scheme option modelled, three out of every four passengers would not experience any real-terms change in their fare but would benefit from access to a much larger network for the same price. Of the passengers who would experience a change in their fare, six out of seven passengers would experience fares reductions. The fares increases for the minority that do experience them are modest averaging 2.4p and do not exceed 10p per trip for any passengers.

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- 4.182 Ahead of the implementation of the Proposed Franchising Scheme it is possible that an incumbent operator may decide to prematurely withdraw some of their services. This could increase the risks of disruption for passengers. There are, however, a number of measures that would be put in place in order to mitigate any potential adverse effects on passengers from the transition to the Proposed Franchising Scheme, including for example letting temporary service contracts, and these are set out in section 48 of the Assessment.
- 4.183 As set out in the Strategic Case, the Proposed Franchising Scheme has greater potential than either the Do Minimum or the partnership options to benefit from any additional interventions in the bus network and for those interventions to deliver greater value for money. This means that passengers would benefit more from any additional interventions under the Proposed Franchising Scheme than they would under any of the other options.
- 4.184 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 Proposed Franchising Scheme. The details of the proposed service permit scheme, for cross-boundary services, including the legal requirements and processes that an operator would have to satisfy to obtain a service permit, are set out in section 33 of the Assessment. It is estimated that of the 116 services that currently cross the boundary of Greater Manchester, 24 might be affected by the service permit regime, in that their route or boarding or alighting points might need to change in order to obtain a service permit. If a cross-boundary service was withdrawn, GMCA would seek to work with neighbouring authorities to replace this with a supported service in the manner as per current arrangements (43 services are currently subsidised in this way).
- 4.185 GMCA would work with operators and neighbouring authorities on a number of ticketing options that would facilitate travel across the boundary of Greater Manchester (and also potentially increase patronage on those services).

Q35. Do you have any comments on the impacts of the Proposed Franchising Scheme on passengers, as set out in the sub-section Impacts of the different options?

Partnership options

- 4.186 The benefits of the Operator Proposed Partnership option are forecast to generate in excess of a 1.4% uplift in demand over the Do Minimum option, i.e. 2.3m passenger trips per annum on average over the first 10 years of the partnership. In the last 10 years of the appraisal period, the forecast increase is estimated to be 2.2m per annum above the Do Minimum option.
- 4.187 There are assumed to be no additional 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. The potential two-year fare freeze on an all (bus) operator SystemOne ticket (which cost more than operators' own tickets) would benefit passengers.

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- 4.188 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 disadvantage passengers.
- 4.189 As referred to above the Proposed Franchising Scheme has greater potential than the partnership options to deliver any additional interventions in the bus network which would, in turn, deliver more passenger benefits. It would be very difficult, and in some instances not possible due to legal constraints, to implement equivalent interventions in relation to fares or the frequency of certain services, and as a result any potential interventions may deliver fewer passenger benefits under the partnership options.
- 4.190 The Assessment sets out that there would be no guarantee that the partnership options would remain in place over the long term, and even if they did, that the level of benefit would stay the same. If the partnerships were to become less effective than envisaged, or fail after a period of time, the benefits that would accrue to passengers under a partnership option would be reduced or lost.

Q36. Do you have any comments on the impacts of the partnership options on passengers as set out in the sub-section Impacts of the different options?

Impacts on operators

- 4.191 The impacts on operators are set out in sections 17 and 61.2 of the Assessment. They can be summarised as follows:

Do Minimum

- 4.192 The Do Minimum option would have the least impacts on operators. Subject to affordability, GMCA would continue to support the market through current measures, including the commissioning of tendered services and capital investment in infrastructure.

The Proposed Franchising Scheme

- 4.193 The Proposed Franchising Scheme would have the most significant impacts on operators as it would involve a change in the market structure and an alternative model of competition – competition for the market (as operators compete for franchise contracts) rather than ‘on road’ competition.
- 4.194 The Assessment set out that the large incumbent operators active in the Greater Manchester market are Stagecoach, FirstGroup and, to a lesser extent, Arriva. The Assessment noted that Go-Ahead were likely to join the market by a purchase of FirstGroup assets. Further changes since then are set out on page 17 of this document. Some detailed analysis of these operators is given in the Assessment at section 17.4.
- 4.195 The impacts of the Proposed Franchising Scheme on incumbent operators include:
- The effective cessation of their non-franchised business within the area of the Proposed Franchising Scheme, as they would no longer be able to run bus services outside of franchise contracts other than under a service permit. 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.

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- Were they to be successful in bidding for one or more contracts, for some operators this could result in potentially lower, but more certain, returns. For other operators this could potentially lead to higher, and more certain, returns than under the Do Minimum option. Whilst operators would not be taking revenue risk they would retain the majority of the operational cost risks.
 - The market change could potentially expose operators to a risk of stranded assets – principally fleet and depots – that they could not use to run local services in Greater Manchester. GMCA's approach to these assets would be that large operators would have an opportunity to sell their strategic depots to GMCA and operators would be able to put the fleet into a residual value mechanism, thus mitigating these risks.
- 4.196 There is a potential impact on the valuation of defined benefit pension liabilities and a risk that incumbent operators may lose flexibility as to how and when they may be required to fund any past service pension liabilities and associated deficits. The issues involved can be complex and specific to the circumstances of individual operators and pension schemes.
- 4.197 These issues are considered further in the Pension Impacts Supporting Paper (TfGM 2019i). For the most part, this analysis concludes that the introduction of the Proposed Franchising Scheme would not significantly change the valuation of past service liabilities as the majority of relevant defined benefit pension arrangements are already closed to new members (and in some cases closed to future accrual).
- 4.198 Cross-boundary operators would require service permits to run some services into and within Greater Manchester. The legal requirements and processes that an operator would have to satisfy to obtain a service permit are set out in section 33 of the Assessment. This means some services may, for example, have to change their routes or stopping points to be granted a permit.
- 4.199 Operators currently outside the Greater Manchester market would potentially benefit from the Proposed Franchising Scheme as they would have greater opportunity to bid into the market and gain business. There are a number of operators who could potentially bid into the Greater Manchester market and most of them have experience in bidding into franchised bus markets in London and abroad. These also include a number of the incumbent operators in the Greater Manchester market, who already compete in franchised markets elsewhere, and could therefore potentially expand their existing business in Greater Manchester.
- 4.200 As set out in the Assessment at section 25.1, the packaging strategy for franchises would be designed to reduce the impact of the Proposed Franchising Scheme on small and medium-sized operators in Greater Manchester. The measures to help those operators continue to compete are set out above in the summary of the Commercial Case at pages 55 to 66 of this document.

Q37. Do you have any comments on the impacts of the Proposed Franchising Scheme on operators as set out in the sub-section Impacts of the different options?

Partnership options

- 4.201 A partnership is expected to only have material 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 because, in the Operator Proposed Partnership, for example, the VPA would be entered into by all of the current operators and not operators running services elsewhere, with cross boundary services only included voluntarily. 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, revenue and the financial position of operators. Whilst they would add some additional obligations, the Operator Proposed Partnership proposals are not likely to lead to a significant change for operators from the Do Minimum. 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).
- 4.202 An Ambitious Partnership might affect operators more in a number of ways:
- It would require greater commitment to a potentially longer-term partnership. If governed by an EPS, this would mean that modifications to key aspects of the network would be more difficult and may make the partnership more difficult to adapt.
 - Greater ambition in terms of network changes would mean that in aggregate operators would be able to save some money, which could be invested in other aspects of the network; although this would mean operators engaging in trade-offs in terms of which parts of the network they served.
 - Any further commitments under an Ambitious Partnership could mean that operators incur costs or would have to make longer-term commitments. Conversely, such arrangements could bring an increase in passenger numbers.
 - Small and medium sized operators might be negatively impacted by an Ambitious Partnership governed by a EPS, as this would potentially bound 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 given their relative size.

Q38. Do you have any comments on the impacts of the partnership options on operators, as set out in the sub-section Impacts of the different options?

Q39. If you currently operate local bus services in Greater Manchester, do you anticipate any positive or negative impacts that the different options may have on your business? If so, please explain what you think those positive or negative impacts would be.

Impacts on GMCA and TfGM

- 4.203 Impacts on GMCA and TfGM are set out in the Assessment at sections 17 and 62. GMCA would take on the revenue risk under the Proposed Franchising Scheme, but would need to fund contracts with franchise operators. Whilst GMCA would bear risk in terms of the level of revenue received, any surpluses would be reinvested into the bus service to benefit passengers.
- 4.204 Other impacts on TfGM, in terms of changes to the organisation required to manage the different options, are set out in the Assessment in section 46. These include the additional staff and systems required by TfGM to manage the options on behalf of GMCA.

Q40. Do you have any comments on the impacts of the different options on GMCA, as set out in the sub-section Impacts of the different options?

Impacts on wider society

- 4.205 The impacts on wider society are set out in the Assessment at sections 19 and 63. They can fall into two main categories – economic and environmental impacts – and are summarised below.

Economic growth impacts

- 4.206 Part of the strategic context for intervening in the bus market is that given the forecast growth in the Greater Manchester economy, greater congestion, especially in travel to the regional centre, has the potential to stifle that growth. Improvements in public transport can help to mitigate this. The Proposed Franchising Scheme would have a greater impact on bus patronage than the partnership and Do Minimum options and therefore would better support the forecasted economic growth.

Environmental impacts

- 4.207 The environmental impacts of the options result from their relative ability to promote the use of sustainable modes; to change the composition of the fleet in terms of emissions; and to support further 'Phase 2' interventions that would have a positive environmental impact.
- 4.208 As set out in the Assessment 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.

Do Minimum

- 4.209 Despite overall growth in travel across the city-region declining bus patronage is forecast under the Do Minimum option.
- 4.210 No improvement or change to fleet would be expected, other than through the current rate of replacement of vehicles.

The Proposed Franchising Scheme

- 4.211 The Proposed Franchising Scheme is forecast to increase patronage and reduce the use of car, and therefore would be expected to contribute most strongly to the use of sustainable transport.
- 4.212 The age profile of the fleet would be set out in the specification of the franchises. GMCA would specify the fleet to be used, with the base level of investment being that required to renew fleet on a rolling basis as operators would do in the Do Minimum option, and could either accelerate the replacement of the fleet and hence the introduction of Euro VI engines, or retrofit a proportion of the fleet.

Partnership options

- 4.213 The Operator Proposed Partnership is forecast to increase use of bus, albeit to a lesser extent than under the Proposed Franchising Scheme, over the first 10 years.
- 4.214 Although GMCA would not specify the fleet, the partnership options could include some provisions as to the vehicles to be used. For the current Operator Proposed Partnership, operators have proposed a level of investment in new vehicles, which is broadly in line with the levels of investment required to renew fleet on a rolling basis, as operators would in a Do Minimum option.

Q41. Do you have any comments on the impacts of the different options on wider society, as set out in the sub-section Impacts of the different options?

ASSESSMENT CONCLUSION: THE PERFORMANCE OF THE OPTIONS AND RECOMMENDATION

4.215 The Assessment concludes that the Proposed Franchising Scheme is the option which is most likely to:

- Support the delivery of GMCA's strategic objectives for Greater Manchester set out in the Greater Manchester Strategy.
- Support the delivery of the objectives of the 2040 Strategy, which are supporting sustainable economic growth, improving quality of life for all, protecting the environment and developing an innovative city-region.
- Achieve the outcomes set out in Greater Manchester's Vision for Bus.

4.216 The Assessment concludes that the Proposed Franchising Scheme would be the best option to support these long-term objectives, and that the benefits of the Proposed Franchising Scheme would continue over time. The Proposed Franchising Scheme puts key decisions about buses in the hands of GMCA, providing local accountability for decision making on all aspects including those about the network, fares and standards. By comparison, in the partnership options, decisions about the network, fares and standards would continue to be made primarily by commercial operators. Whilst the partnership options have been assessed over the same 30-year appraisal period as the other options, the Assessment also sets out that there would be no guarantee that the partnership options would remain in place over the long term, and even if they did, that the level of benefit would stay the same.

4.217 The Assessment concludes that while the Proposed Franchising Scheme creates more benefit for Greater Manchester, the financial risk of the bus network would largely transfer from private sector bus operators to GMCA. GMCA would also incur costs to transition to a fully franchised model. This means that it carries more cost and risk than either partnership option.

4.218 The reasons the Assessment concludes that the Proposed Franchising Scheme is the option most likely to deliver GMCA's objectives are summarised below.

Network:

4.219 The scale of the changes that could be made to the current bus network are greater under the Proposed Franchising Scheme than under either of the partnership options. The Proposed Franchising Scheme also offers the long-term potential to develop the network so as to better support the economic development of the city-region. This is because unlike either of the partnership options, GMCA would be responsible for planning the whole bus network as part of an efficient, integrated transport system that supports Greater Manchester's long-term objectives. It would also enable higher environmental standards for buses to be introduced as quickly as possible.

Simplified and Integrated Fares:

4.220 The Proposed Franchising Scheme would enable simpler and integrated fares and ticketing for customers than either of the partnership options. This is because the structure of the current bus market does not allow bus operators to fully integrate fares and ticketing. It also provides the greater potential to competitively price tickets

that cover the whole network as well as tickets that offer travel on other modes of transport, such as the Metrolink system.

Customer Experience:

- 4.221 The Proposed Franchising Scheme would enable GMCA to set consistent standards of customer experience. The customer would be able to plan their journey and travel more easily on a network that has a clear unified brand. A partnership option could improve customer standards to some extent, provide improvements to customer information and contact arrangements and potentially provide some common elements of branding and standards.

Value for Money:

- 4.222 The Proposed Franchising Scheme delivers more benefits than either of the partnership options. The difference between the monetised benefits of the Proposed Franchising Scheme is significant. The Assessment shows that the Proposed Franchising Scheme delivers economic benefits valued at £345m compared to benefits of £113m for the Operator Proposed Partnership. The Proposed Franchising Scheme also delivers an additional £208m of wider economic benefits compared to £51m for the Operator Proposed Partnership.
- 4.223 The Proposed Franchising Scheme demonstrates better value for money than the other options because:
- It would also offer a higher 'net present value' (the benefits minus the costs) than the other options (more than three times as much as the partnership options).
 - The benefit to cost ratio 'rating' is 'high' (as for all the reform options appraised).
 - It would also create the platform for GMCA to obtain the best value for money and economic value from any 'Phase 2' interventions.
- 4.224 The Proposed Franchising Scheme is affordable, commercially viable and deliverable. While it carries risks and costs, these are affordable to GMCA and capable of being effectively mitigated and managed.
- 4.225 While there are uncertainties on the direction of the bus market in the future, the Proposed Franchising Scheme remains the option with stronger economic value for money and is affordable for GMCA to implement.
- 4.226 The Proposed Franchising Scheme could also have benefits in terms of neighbouring authorities, in that it would make new fares arrangements more likely. As set out above in the impacts on passengers and operators sections, there could be an impact leading to changes to some of the current commercial cross-boundary services. GMCA would work with neighbouring authorities to mitigate any adverse impact.

***Q42. Taking everything into account, the Assessment concludes that the Proposed Franchising Scheme is the best way to achieve GMCA's objectives to improve bus services. Do you have any comments on this?**

Q43. Do you have any other comments on the Assessment of the Proposed Franchising Scheme?

5. EQUALITY IMPACT ASSESSMENT

- 5.1 Under equality legislation, GMCA is required in the exercise of its functions to have due regard for the need to:
- Eliminate unlawful discrimination, harassment and victimisation.
 - Advance equality of opportunity between persons who share a relevant protected characteristic, and persons who do not share it.
 - Foster good relations between those who have a relevant protected characteristic and those who don't.
- 5.2 "Relevant protected characteristics" are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.
- 5.3 The draft analysis of the potential impacts of the Proposed Franchising Scheme is set out in the document 'Equality Impact Analysis' which is part of the suite of documents available to consultees.
- 5.4 It concludes that the Proposed Franchising Scheme would have a high positive impact on children and young people, older people and people with physical and sensory impairments and a medium positive impact on women, transgender people, lesbians, bisexuals and gay men, people with mental health problems and people from a variety of ethnic backgrounds. It does not identify any groups that would suffer an adverse impact.

Q44. GMCA's draft Equality Impact Assessment identifies the potential impact of the Proposed Franchising Scheme on persons with protected characteristics. Do you have any comments on it?

6. OUTCOME OF AUDIT

- 6.1 Following preparation of the Assessment, the Act requires an authority to obtain a report from an independent audit organisation on its Assessment.
- 6.2 On 1 July 2019, Grant Thornton UK LLP (“the Auditor”) were instructed to prepare the report on the Assessment on behalf of GMCA. A copy of that report was issued on Thursday 26 September 2019 and the report concluded that, in the Auditor’s opinion:
- The information relied on in considering whether GMCA would be able to afford to make and operate the Proposed Franchising Scheme, and in considering whether the Proposed Franchising Scheme would represent economic value for money, is of sufficient quality.
 - The analysis of that information in the Assessment is of sufficient quality.
 - GMCA had due regard to the guidance issued under section 123B of the Act in preparing the Assessment.
- 6.3 In addition to this unqualified opinion, a number of observations were made by the Auditor. A copy of the Auditor’s opinion and observations are attached to this document at Appendix 3. GMCA has since considered the Auditor’s observations and has provided a response to the same for the purposes of being reviewed alongside those observations. A copy of TfGM’s response can be found attached also at Appendix 3.
- 6.4 The Proposed Franchising Scheme now proposed includes a number of changes to the draft scheme which was provided to the Auditor as explained on page 33 of this document. The Auditor has confirmed that these revisions do not change any of its opinions or observations on the Assessment.

7. FINAL QUESTIONS

7.1 Taking into account the contents of this document, comments are invited on the final four questions.

***Q45. To what extent do you support or oppose the introduction of the Proposed Franchising Scheme? Why do you say this?**

***Q46. Are there any changes that you think would improve the Proposed Franchising Scheme? Please provide further details as to the changes you think would improve the Proposed Franchising Scheme.**

***Q47. If you oppose the introduction of the Proposed Franchising Scheme, how likely would you be to support it if the changes you suggested in answer to the previous question were made?**

***Q48. Finally, do you have any other comments you want to make?**

8. APPENDICES

APPENDIX 1

Consultation questionnaire – long version

These are the questions included in the long version of the consultation questionnaire. They are set out throughout this document at the appropriate points within each section.

The nine questions that are included in the short version of the questionnaire are marked with an *.

Questions about the Proposed Franchising Scheme

- Q1. Do you have any comments on the corrections and changes made to the Proposed Franchising Scheme?
- Q2. Do you have any comments on the proposal that the Proposed Franchising Scheme should apply to the entirety of Greater Manchester?
- Q3. Do you have any comments on the local services that are proposed to be franchised?
- Q4. Do you have any comments on the proposal that the Proposed Franchising Scheme would be split into three sub-areas and on the other arrangements proposed for the purposes of transition?
- Q5. Do you have any comments on the services which have been excepted from regulation under the Proposed Franchising Scheme?
- Q6. Do you have any comments on the date on which the Proposed Franchising Scheme is currently proposed to be made?
- Q7. Do you have any comments on the dates by which it is proposed that franchise contracts may first be entered into?
- Q8. Do you have any comments on the nine month period it is proposed will expire between entering into a franchise contract and the start of a service under such a contract?
- Q9. Do you have any comments on the proposals for how GMCA would consult on how well the Proposed Franchising Scheme is working?
- Q10. Do you have any comments on GMCA's plans for allowing small and medium sized operators the opportunity to be involved in the Proposed Franchising Scheme?
- Q11. Do you have any comments on the proposal that it would be appropriate for GMCA to provide depots to facilitate the letting of large franchise contracts under the Proposed Franchising Scheme?

Questions about the Assessment

- *Q12. The Strategic Case sets out the challenges facing the local bus market and says that it is not performing as well as it could. Do you have any comments on this?
- *Q13. The Strategic Case says that reforming the bus market is the right thing to do to address the challenges facing the local bus market. To what extent do you agree or disagree with this? Why do you say this?
- Q14. Do you have any comments on GMCA's objectives for the future provision of bus services as set out in the Strategic Case?
- Q15. Do you have any comments on how the Proposed Franchising Scheme might contribute to GMCA's objectives for bus services as set out in the Strategic Case?
- Q16. Do you have any comments on how a partnership option might contribute to GMCA's objectives for bus services as set out in the Strategic Case?
- *Q17. The Economic Case concludes that the Proposed Franchising Scheme provides the best value for money compared to the partnership options because it would:
- offer a 'high' ratio of benefits to the cost to GMCA, one which is broadly comparable with the partnership options,
 - provide the most economic value (Net Present Value), and
 - create the best platform from which further economic value could be delivered.
- Do you have any comments on this?
- Q18. Do you have any comments on the packaging strategy for franchising contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q19. Do you have any comments on the length of franchise contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q20. Do you have any comments on the proposed allocation of risk between GMCA and bus operators under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q21. Do you have any comments on the potential impact of the Proposed Franchising Scheme on the employees of operators, as set out in the Commercial Case?
- Q22. Do you have any comments on the approach to depots under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q23. Do you have any comments on the approach to fleet under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q24. Do you have any comments on the approach to Intelligent Transport Systems under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q25. Do you have any comments on GMCA's approach to procuring franchise contracts under the Proposed Franchising Scheme, as set out in the Commercial Case?
- Q26. Do you have any comments on the impacts of the options on the achievement of the objectives of neighbouring transport authorities, as set out in the Commercial Case?
- Q27. Do you have any comments on the Commercial Case conclusion that GMCA would be able to secure the operation of services under franchise contracts?

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- Q28. Do you have any comments on the assessment of the commercial implications of the partnership options as set out in the Commercial Case?
- Q29. Do you have any comments on the potential impact of the partnership options on the employees of operators as set out in the Commercial Case?
- *Q30. The Financial Case concludes that GMCA could afford to introduce and operate the Proposed Franchising Scheme. After completing the Assessment and in advance of this consultation, GMCA has proposed how it would fund the introduction of a fully franchised system. Do you have any comments on these matters?
- Q31. Do you have any comments on the conclusion in the Financial Case about the affordability of the partnership options?
- Q32. Do you have any comments on the approach to managing franchised operations under the Proposed Franchising Scheme as set out in the Management Case?
- Q33. Do you have any comments on the approach to the transition and implementation of the Proposed Franchising Scheme, and the conclusion that TfGM would be able to manage franchised operations on behalf of GMCA, as set out in the Management Case?
- Q34. Do you have any comments on the proposed approach to the implementation and management of the partnership options, and the conclusion that TfGM would be able to manage and implement partnerships on behalf of GMCA, as set out in the Management Case?
- Q35. Do you have any comments on the impacts of the Proposed Franchising Scheme on passengers, as set out in the sub-section Impacts of the different options?
- Q36. Do you have any comments on the impacts of the partnership options on passengers as set out in the sub-section Impacts of the different options?
- Q37. Do you have any comments on the impacts of the Proposed Franchising Scheme on operators as set out in the sub-section Impacts of the different options?
- Q38. Do you have any comments on the impacts of the partnership options on operators, as set out in the sub-section Impacts of the different options?
- Q39. If you currently operate local bus services in Greater Manchester, do you anticipate any positive or negative impacts that the different options may have on your business? If so, please explain what you think those positive or negative impacts would be.
- Q40. Do you have any comments on the impacts of the different options on GMCA, as set out in the sub-section Impacts of the different options?
- Q41. Do you have any comments on the impacts of the different options on wider society, as set out in the sub-section Impacts of the different options?
- *Q42. Taking everything into account, the Assessment concludes that the Proposed Franchising Scheme is the best way to achieve GMCA's objectives to improve bus services. Do you have any comments on this?
- Q43. Do you have any other comments on the Assessment of the Proposed Franchising Scheme?

Question on the Equality Impact Assessment

Q44. GMCA's draft Equality Impact Assessment identifies the potential impact of the Proposed Franchising Scheme on persons with protected characteristics. Do you have any comments on it?

Final questions

- *Q45. To what extent do you support or oppose the introduction of the Proposed Franchising Scheme? Why do you say this?
- *Q46. Are there any changes that you think would improve the Proposed Franchising Scheme? Please provide further details as to the changes you think would improve the Proposed Franchising Scheme.
- *Q47. If you oppose the introduction of the Proposed Franchising Scheme, how likely would you be to support it if the changes you suggested in answer to the previous question were made?
- *Q48. Finally, do you have any other comments you want to make?

APPENDIX 2

Where can I view documents and respond to the Greater Manchester bus consultation?

All documents relating to the consultation and links to the short and long versions of the questionnaires can be accessed online at gmconsult.org.

Hard copies of the documents can be viewed at public buildings across Greater Manchester, which are listed below. The short and long versions of the questionnaires and freepost envelopes will also be available to submit a response to the consultation.

Bolton

- Bolton Town Hall, Victoria Square, Bolton, BL1 1RU
- One Stop Shop Bolton Council, Victoria Square, Bolton, BL1 1RJ
- Blackrod Library, Church Street, Blackrod, Bolton, BL6 5EQ
- Brightmet Library, Brightmet Fold Lane, Brightmet, Bolton, BL2 6NT
- Bromley Cross Library, Toppings Estate, Bromley Cross, Bolton, BL7 9JU
- Central Library, Le Mans Crescent, Bolton, BL1 1SE
- Farnworth Library, Market Street, Farnworth, Bolton, BL4 7PG
- Harwood Library, Gate Fold, Harwood, Bolton, BL2 3HN
- High Street Library, High Street, Bolton, BL3 6SZ
- Horwich Library, Jones Street, Horwich, Bolton, BL6 6SZ
- Little Lever Library, Coronation Square, Little Lever, Bolton, BL3 1LP
- Westhoughton Library, Library Street, Westhoughton, Bolton, BL5 3AU

Bury

- Bury Town Hall, Knowsley Street, Bury, BL9 0ST
- Bury Library, Manchester Road, Bury, BL9 0DG
- Prestwich Library, Longfield Centre, Prestwich, Bury, M25 1AY
- Radcliffe Library, Stand Lane, Radcliffe, Bury, M26 1JA
- Ramsbottom Library, Carr Street, Ramsbottom, Bury, BL0 9AE
- Tottington Centre, Market Street, Tottington, Bury, BL8 3LL

Manchester

- Manchester City Council, Town Hall Extension, Albert Square, Manchester, M60 2LA
- Manchester Central Library, St Peter's Square, Manchester, M2 5PD
- Abraham Moss Library Crescent Road, Crumpsall, M8 5UF
- Arcadia Library & Leisure Centre, Yew Tree Ave, Manchester, M19 3PH
- Avenue Library and Learning Centre, Victoria Avenue East, Blackley, M9 6HW
- Barlow Moor Community Library, 23 Merseybank Avenue, Chorlton, M21 7NT
- Beswick Library, 60 Grey Mare Lane, Beswick, M11 3DS

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- Brooklands Library, Moor Road, Wythenshawe, M23 9BP
 - Burnage Library, Activity and Information Hub, Burnage Lane, Burnage, M19 1EW
 - Central Library incorporating City Library, St Peters Square, City Centre, M2 5PD
 - Chorlton Library, Manchester Road, Chorlton, M21 9PN
 - Didsbury Library, 692 Wilmslow Road, Didsbury, M20 2DN
 - Fallowfield Library, Platt Lane, Fallowfield, M14 7FB
 - Forum Library Wythenshawe, Forum Square, Wythenshawe, M22 5RX
 - Gorton Library, Garratt Way, Gorton, M18 8HE
 - Hulme High Street Library, Leisure Centre, M15 5NN
 - Longsight Library and Learning Centre, 519 Stockport Road, Longsight, M12 4NE
 - Miles Platting Community Library, Victoria Mill Community Centre, Lower Vickers Street, Miles Platting, M40 7LJ
 - Moss Side Powerhouse Library, 140 Raby Street, Moss Side, M14 4SL
 - New Moston Community Library, Nuthurst Road, New Moston, M40 3PJ
 - Newton Heath Library, Old Church Street, Newton Heath, M40 2JB
 - North City Library, Rochdale Road, Harpurhey, M9 4AF
 - Northenden Community Library, Parkway Green House, 460 Palatine Road, Northenden, M22 4DJ
 - Withington Library, 410 Wilmslow Road, Withington, M20 3BN

Oldham

- Oldham Civic Centre, West Street, Oldham, OL1 1UT
- Chadderton Library, Burnley Street, Chadderton, Oldham, OL9 0JW
- Crompton Library, Farrow Street East, Shaw, Oldham, OL2 8QY
- Delph Library, Millgate, Delph, Oldham, OL3 5JG
- Failsworth Library, Oldham Road, Failsworth, Oldham, M35 0FJ
- Fitton Hill Library, Fircroft Road, Fitton Hill, Oldham, OL8 2QD
- Greenfield Library, Chew Vale, Greenfield, Oldham, OL3 7EQ
- Lees Library Community Hub, Thomas Street, Lees, Oldham, OL4 5DA
- Limehurst Library, Lime Green Parade, Limehurst, Oldham, OL8 3HH
- Northmoor Library, Chadderton Way, Oldham, OL9 6DH
- Oldham Library, Greaves Street, Oldham, OL1 1AL
- Royton Library, Rochdale Road, Royton, Oldham, OL2 6QJ
- Uppermill Library, St. Chads, Uppermill, Oldham, OL3 6AP

Rochdale

- Number One Riverside, Smith Street, Rochdale, OL16 1XU
- Alkington Library, Kirkway, Middleton, Rochdale, M24 1LW

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- Balderstone Library, Balderstone Park, Rochdale, OL11 2HD
 - Belfield Library, Belfield Community School, Rochdale, OL16 2XW
 - Castleton Library, Manchester Road, Rochdale, OL11 3AF
 - Darnhill Library, Argyle Parade, Heywood, Rochdale, OL10 3RY
 - Heywood Library, Lance Corporal Stephen Shaw M C Way, Heywood, Rochdale, OL10 1LL
 - Junction Library, Grimshaw Lane, Middleton, Rochdale, M24 2AA
 - Langley Library, Windmere Road, Middleton, Rochdale, M24 4LA
 - Littleborough Library, Hare Hill Park, Littleborough, Rochdale, OL15 9HE
 - Touchstones Library, The Esplanade, Rochdale, OL16 1AQ
 - Middleton Library, Long Street, Middleton, Rochdale, M24 6DU
 - Milnrow Library, Newhey Road, Milnrow, Rochdale, OL16 3PS
 - Norden Library, Shawfield Lane, Rochdale, OL12 7RQ
 - Rochdale Central Library, NumberOne Riverside Smith Street, Rochdale, OL16 1XU
 - Smallbridge Library, Stevenson Square, Rochdale, OL12 9SA
 - Smithy Bridge Library, 121 - 123 Smithy Bridge Road, Littleborough, Rochdale, OL15 0BQ
 - Spotland Library, Ings Lane, Rochdale, OL12 7AL
 - Wardle Library, 448 Birch Road, Wardle, Rochdale, OL12 9LH
 - Whitworth Library, Lloyd Street, Rochdale, Rochdale, OL12 8AA

Salford

- Salford Civic Centre, Swinton, Salford, M27 5DA
- Boothstown Library, Standfield Drive, Boothstown, Salford, M28 1NB
- Broughton Library, 50 Rigby Street, Salford, M7 4BQ
- Cadishead Library, 126 Liverpool Road, Cadishead, Salford, M44 5AN
- Clifton Library, 6 Wynne Avenue, Clifton, Salford, M27 8FU
- Eccles Library, 28 Barton Lane, Eccles, Salford, M30 0TU
- Height Library, King Street, Salford, M6 7GY
- Hope Library, Eccles Old Road, Salford, M6 8FH
- Irlam Library, Liverpool Road, Irlam, Salford, M44 6FD
- Little Hulton Library, Longshaw Drive, Little Hulton, Salford, M28 0AZ
- Lower Kersal Library, Littleton Road, Salford, M7 3NQ
- Ordsall Library, Robert Hall Street, Ordsall, Salford, M5 3LT
- Pendleton Library, 1 Broadwalk, Salford, M6 5FX
- Swinton Library, 100 Chorley Road, Swinton, Salford, M27 6BP
- Walkden Library, 2 Smith Street, Worsley, Salford, M28 3EZ
- Winton Library, Old Parrin Lane, Winton, Salford, M30 8BY
- Worsley Village Library, Worsley Road, Worsley, Salford, M28 2PB

Stockport

- Stockport Town Hall, Edward Street, Stockport, SK1 3XE
- Adswold and Bridgehall Library, Siddington Avenue, Stockport, SK3 8NR
- Bramhall Library, Bramhall, Stockport, SK7 2DU
- Bredbury Library, Bredbury, Stockport, SK6 1DJ
- Brinnington Library, First House, Brinnington, Stockport, SK5 8EN
- Central Stockport Library, Wellington Road South, Stockport, SK1 3RS
- Cheadle Library, 23 Ashfield Road, Cheadle, Stockport, SK8 1BB
- Cheadle Hulme Library, Mellor Road, Cheadle Hulme, Stockport, , SK8 5AU
- Edgeley Library, Edgeley Road, Edgeley, Stockport, SK3 9NB
- Heritage Library , Wellington Road South, Stockport, SK1 3RS
- Great Moor Library, Gladstone Street, Great Moor, Stockport, SK2 7QF
- Hazel Grove Library, Beech Avenue, Hazel Grove, Stockport, SK7 4QP
- Heald Green Library, Finney Lane, Heald Green, Stockport, SK8 3JB
- Heatons Library, Thornfield Road, Heaton Moor, Stockport, SK4 3LD
- High Lane Library, Buxton Road, High Lane, Stockport, SK6 8DX
- Home Library Service Library, Phoenix House, Birdhall Lane, Stockport, SK3 0RA
- Marple Library Library, Memorial Park, Marple, Stockport, SK6 6BA
- Offerton Library , Mallowdale Road, Offerton, Stockport, SK2 5NX
- Reddish Library, Gorton Road, Reddish, Stockport, SK5 6UG

Tameside

- Tameside One, Market Place, Ashton-under-Lyne, Tameside, OL6 6BH
- Ashton Customer Services, Clarence Arcade, Stamford Street, Ashton-under-Lyne, OL6 7PT
- Tameside Central Library, Old Street, Ashton-under-Lyne, Tameside, OL6 7SG
- Denton Library Market Street, Denton, Tameside, M34 2AP
- Droylsden Library, Manchester Road, Droylsden, Tameside, M43 6EP
- Dukinfield Library, Concord Way, Dukinfield, Tameside, SK16 4DB
- Hattersley Library, The Hub, Hattersley, Tameside, SK14 6NT
- Hyde Library, Town Hall, Hyde, Tameside, SK14 1AL
- Mossley Library, George Lawton Hall, Mossley, Tameside, OL5 0HR
- Stalybridge Library, Trinity Street, Stalybridge, Tameside, SK15 2BN

Trafford

- Trafford Town Hall, Talbot Road, Stretford, Trafford, M32 0TH
- Altrincham Library, 2 Pott Street, Altrincham, Trafford, WA14 1AH
- Coppice Library Coppice Avenue, Sale, Trafford, M33 4WD

-
- Hale Library, Leigh Road , Hale, Trafford, WA15 9BG
 - Lostock Library, Selby Road, Stretford, Trafford, M32 9PL
 - Old Trafford Library, 1 St Brides Way, Old Trafford, Trafford, M16 9NW
 - Partington Library, 91 Central Road, Partington, Trafford , M31 4FY
 - Sale Library, Sale Waterside, Sale, Trafford, M33 7ZF
 - Stretford Library, Kingsway, Stretford, Trafford, M32 8AP
 - Timperley Library, 121 Park Road, Timperley, Trafford, WA15 6QQ
 - Urmston Library, Golden Way, Urmston, Trafford, M41 0NA
 - Woodsend Library, Woodsend Road, Flixton, Trafford, M41 8GN

Wigan

- Wigan Town Hall, Library Street, Wigan, WN1 1YN
- Leigh Town Hall, Market St, Leigh, WN7 1DY
- Ashton Library, Wigan Road, Ashton-in-Makerfield, Wigan, WN4 9BH
- Aspull Library, Oakfield Crescent, Aspull, Wigan, WN2 1XJ
- Atherton Library, Bolton Road, Atherton, Wigan, M46 9JP
- Golborne Library, Tanners Lane, Golborne, Wigan, WA3 3AW
- Hindley Library, First Avenue, Hindley, Wigan, WN2 3EB
- Hope Community Library, Highfield, Grange Avenue, Winstanley, Wigan, WN3 6GH
- Ince Library, Manchester Road, Ince, Wigan, WN2 2DJ
- Lamberhead Green Library, Greenhey, Orrell, Wigan, WN5 0DQ
- Leigh Library, Civic Square, Leigh, Wigan, WN7 1EB
- Marsh Green Library, Harrow Road, Marsh Green, Wigan, WN5 0QL
- Platt Bridge Library, Rivington Avenue, Platt Bridge, Wigan, WN2 5NG
- Shevington Library, Gathurst Lane, Shevington, Wigan, WN6 8HA
- Standish Library, Cross Street, Standish, Wigan, WN6 0HQ
- Tyldesley Library, 13 Stanley Street, Tyldesley, Wigan, M29 8AH
- Wigan Library, Wigan Life Centre, The Wiend, Wigan, WN1 1NH

Transport for Greater Manchester

- Transport for Greater Manchester, 2 Piccadilly Place, Manchester M1 3BG

Greater Manchester Combined Authority

- 1st Floor, Churchgate House, 56 Oxford St, Manchester M1 6EU

APPENDIX 3

The following documents are included in this appendix:

- **Auditor's report, page 105**
- **Auditor's observations, page 109**
- **TfGM's response to Auditor's observations, page 114**

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26 September 2019

Dear Sirs

Independent Reasonable Assurance Report on Transport for Greater Manchester's (TfGM) assessment of a proposed franchising scheme

Call Off Contract dated 28 June 2019 for the provision of corporate finance Services by Grant Thornton UK LLP (as "Supplier") to Transport for Greater Manchester (as "Customer") pursuant to the Corporate Finance Services Framework Agreement (RM 3719) dated 6 June 2016 between the Minister for the Cabinet Office acting through Crown Commercial Service as the Authority and the Supplier

This Independent Reasonable Assurance Report (the "Report") is made in accordance with the terms of our call off contract dated 28 June 2019 (the "Engagement Letter") (under the Corporate Finance Services Framework Agreement (RM3719)). The purpose is to report to TfGM in connection with its requirement for Grant Thornton UK LLP to review its assessment of a proposed bus franchising scheme (the "Assessment"¹) as prepared in accordance with the Transport Act 2000 (as amended by the Bus Services Act 2017 (together the Act)). The Report is prepared to comply with section 123D of the Act and as a result, this Report may not be suitable for any other purpose other than that set out in the Act.

Background

In June 2017, the Greater Manchester Combined Authority (GMCA) decided to prepare an assessment of a proposed bus franchising scheme in accordance with the Act. TfGM were instructed to prepare the same on GMCA's behalf, in accordance with the requirements of the Act and the Franchising Scheme Guidance (the "Guidance").²

¹ The Assessment we have reviewed includes the five case business case and associated supporting papers, other supporting material that underpins the Assessment, the report to the Combined Authority ("CA report 26.9CFA.docx.docx") received on 26 September and the clarification responses provided to us by TfGM.

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694428/bus-services-act-2017-franchising-guidance.pdf

In June 2019, TfGM's Assessment was completed and approved by the GMCA. The GMCA also decided to proceed to the next step in the Act by instructing TfGM to obtain, on its behalf, a report from an independent audit organisation. Following that instruction, Grant Thornton UK LLP (Grant Thornton, we or us) was instructed to prepare the Report.

Responsibilities of TfGM

Per our Engagement Letter, TfGM's responsibilities in relation to this Report included but were not limited to:

- preparing the Assessment of a proposed bus franchising scheme
- providing us with any such information as may be reasonably requested by us in connection with the preparation of this Report
- responding to any queries that may be raised by us and ensuring that there were appropriate resources available to respond to such queries
- any such other matters as may be agreed by the parties and set out in the implementation plan in our Engagement Letter (the "Implementation Plan").

TfGM have provided us with a management letter of representation (dated 25 September 2019) confirming they have provided us with the information they believe we require in relation to the requirements of the Act and the Guidance.

Our responsibilities

Our responsibility is to provide a report and express an opinion in relation to the following areas required by the Act:

- whether the information relied on by TfGM in considering the matters referred to in section 123B(3)(d) of the Act (the affordability of the scheme) or section 123B(3)(e) of the Act (the value for money of the proposed scheme) is of sufficient quality
- whether the analysis of that information in the Assessment is of sufficient quality
- whether TfGM had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment.

As per paragraph 1.87 of the Guidance, our role is not to report or pass judgement on the decisions taken by TfGM or the outcomes of the assessment – our role is purely to consider the process that has been followed, the accuracy and robustness of the information that has been used in the analysis, and that the mechanics of the process have been carried out correctly. Paragraph 1.85 requires us to take into account the quality and timeliness of any information received from bus operators and the following criteria:

- whether the information used comes from recognised sources
- whether the information used is comprehensive or selectively supports the arguments in favour of, or against, any particular option
- whether the information used is relevant and up to date
- whether the assumptions recorded as part of the Assessment are supported by recognised sources
- the mathematical and modelling accuracy of the analytical methods used to calculate the impacts of the options.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), "Assurance engagements other than audits and reviews of historical financial information". Applying ISAE 3000 (Revised) to this engagement, requires us to conclude whether the Assessment has been prepared, in all material respects, in accordance with the requirements of 123D of the Act.

For the avoidance of doubt, our evaluation of the Assessment does not constitute a statutory audit under the Local Audit and Accountability Act 2014 nor is our evaluation of the Assessment conducted in accordance with auditing standards issued by the Financial Reporting Council.

We applied International Standard on Quality Control 1 to our work and accordingly maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our approach to meeting the requirements of 123D of the Act was as follows:

- We have reviewed all the documentation provided by TfGM.
- Our work was conducted in line with the Act and the Guidance under the following workstreams:
 - **Process** – in line with paragraph 1.87 of the Guidance, our work considered how the Assessment has been prepared and whether TfGM followed the requirements of the Act and the Guidance.
 - **Assessment review** – this element of the work evaluated the quality of the analysis undertaken, the quality of the information used, whether the analysis of that information was of sufficient quality and whether TfGM had due regard to the Guidance.
 - **Base data including bus operator data** – this element of the work evaluated the quality and timeliness of the information used to underpin the Assessment of whether the analysis of that information was of sufficient quality and whether TfGM had due regard to the Guidance.
 - In relation to the Financial Model, Demand and Revenue Models, Cost-Benefit Analysis Models and Wider Economic Benefits Analysis Models (together “the Models”)³ we have undertaken:
 - **Calculation reviews of the Models** – this element of the work evaluated the quality of the analysis undertaken and the arithmetical accuracy of the analytical methods used
 - **Technical/Methodological/Analytical reviews of the Models** – in line with the Guidance, this element of the work evaluated the quality of the analysis undertaken and the quality of the information used

Section 123B (3) (d) and (e) of the Act requires the Assessment to include consideration of whether the proposed scheme is affordable and represents value for money. In reviewing the Assessment we set a threshold for materiality at a level where a finding is considered material if it demonstrates the proposed scheme would no longer be affordable or represent value for money and would not be consistent with Section 123B (3) (d) and (e) of the Act. During our work we identified and collated a number of observations in relation to the Assessment which we have reported to TfGM. None of these issues were considered to be sufficiently material for us to issue a modified conclusion.

Inherent limitations

The procedures we have performed do not constitute an examination made in accordance with International Standards on Auditing (UK). Our Report relates only to the Assessment and does not

³ The Models are spreadsheets and other electronic files provided to us by TfGM and the titles referenced are consistent with those used in the Assessment.

extend to any financial statements of TfGM nor the statutory financial statements of any of the bus operators on which the Assessment is based.

The procedures we have undertaken have not considered the whole internal control system in place at TfGM nor have we tested elements of the internal control system other than those used for the preparation of the Assessment which we considered necessary for us to be able to provide an opinion on the three matters required under the Act.

The process of modelling on which the Assessment is based, necessarily involves a simplified representation of the real-world, using a set of data and input assumptions and calculations to provide forecasts that inform decision making. As a result, there is inherent uncertainty over any forecasts or projections calculated by a model as these are based upon a series of assumptions from which future actual outcomes may differ.

This Report has been prepared by Grant Thornton UK LLP for our client TfGM in line with the terms and conditions of our Engagement Letter dated 28 June 2019 and its associated Implementation Plan dated 27 August 2019. For the avoidance of doubt, the terms and conditions of that engagement, including but not limited to the parties' respective liability, shall apply.

Conclusion

In our opinion, in all material respects:

- the information relied on by TfGM in considering the matters referred to in section 123B(3)(d) of the Act (the affordability of the scheme) or section 123B(3)(e) of the Act (the value for money of the proposed scheme) is of sufficient quality
- the analysis of that information in the Assessment is of sufficient quality
- TfGM had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment.

Use of our report

This Report is made solely to TfGM, as a body, in accordance with the terms of our Engagement Letter. Our work has been undertaken so that we could prepare a report on the Assessment, which includes providing an opinion on the matters required under the Act. We acknowledge that both TfGM and the GMCA (which is bound by terms signed by TfGM) may rely on the contents of the Report and that the Report may be used by both TfGM and GMCA in accordance with the provisions of the Act. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than to TfGM and GMCA, as a body, for our work, for this report, or for the conclusions we have formed.



Grant Thornton UK LLP

Chartered Accountants

London

26 September 2019

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26 September 2019

Dear Sirs

Observations on Transport for Greater Manchester's (TfGM) assessment of a proposed franchising scheme

This Observations Report (the "Report") is made in accordance with the terms of our call off contract with you dated 28 June 2019 (the "Engagement Letter") (under the Corporate Finance Services Framework Agreement (RM3719)). The purpose is to report to TfGM in connection with its requirement for Grant Thornton UK LLP to review its assessment of a proposed bus franchising scheme (the "Assessment"¹) as prepared in accordance with the Transport Act 2000 (as amended by the Bus Services Act 2017 (together the Act)). The Report is prepared to document the observations from our review which we consider should be raised with TfGM but were not material enough to lead us to a modified conclusion. We have separately provided our conclusion per the Act (our "Independent Reasonable Assurance Report" dated 26 September 2019). This Report should be read in conjunction with our Independent Reasonable Assurance Report.

Background

In June 2017, the Greater Manchester Combined Authority (GMCA) decided to prepare an assessment of a proposed bus franchising scheme in accordance with the Act. TfGM were instructed to prepare the same (the work prepared by TfGM is referred to hereafter as "the Assessment") on GMCA's behalf, in accordance with the requirements of the Act and the Franchising Scheme Guidance (the "Guidance").²

In June 2019, TfGM's Assessment was completed and approved by the GMCA. The GMCA also decided to proceed to the next step in the Act by instructing TfGM to obtain, on its behalf, a report from an independent audit organisation. Following that instruction, Grant Thornton UK LLP (Grant Thornton, we or us) was instructed to prepare the Independent Reasonable Assurance Report. This Report should be read in conjunction with our Independent Reasonable Assurance Report.

¹ The Assessment we have reviewed includes the five case business case and associated supporting papers, other supporting material that underpins the Assessment, the report to the Combined Authority ("CA report 26.9CFA.docx.docx") received on 26 September and the clarification responses provided to us by TfGM.

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694428/bus-services-act-2017-franchising-guidance.pdf

Introduction

Our responsibility under the Act is to provide a report and express an opinion in relation to the following areas required by the Act:

- whether the information relied on by TfGM in considering the matters referred to in section 123B(3)(d) of the Act (the affordability of the scheme) or section 123B(3)(e) of the Act (the value for money of the proposed scheme) is of sufficient quality
- whether the analysis of that information in the Assessment is of sufficient quality
- whether TfGM had due regard to the Guidance issued under section 123B of the Act in preparing the Assessment.

As per paragraph 1.87 of the Guidance, our role is not to report or pass judgement on the decisions taken by TfGM or the outcomes of the assessment – our role is purely to consider the process that has been followed, the accuracy and robustness of the information that has been used in the analysis, and that the mechanics of the process have been carried out correctly. Paragraph 1.85 requires us to take into account the quality and timeliness of any information received from bus operators and the following criteria:

- whether the information used comes from recognised sources
- whether the information used is comprehensive or selectively supports the arguments in favour of, or against, any particular option
- whether the information used is relevant and up to date
- whether the assumptions recorded as part of the Assessment are supported by recognised sources
- the mathematical and modelling accuracy of the analytical methods used to calculate the impacts of the options.

Our Independent Reasonable Assurance Report documents our conclusions on the Assessment. This notwithstanding, we believe that TfGM should share the observations set out in this Report, which we have discussed with TfGM, in its documentation to be provided to the Greater Manchester Combined Authority and as part of its consultation process.

Observations

Assessment at Outline Business Case Level

We note that within section 1.3 of the Assessment that TfGM has referred to the HM Treasury guidance on the development of business cases, known as the “Green Book”.³ Section 1.3 highlights that 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”). Separate to the Green Book, HM Treasury guidance on producing five-case business cases sets out the different stages and expectations at each stage.⁴ In general, an OBC should be substantially, but not completely developed to 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 live document that continues to develop into a ‘Full Business Case’ (“FBC”) that would contain definitive arrangements and final financial figures, usually following a procurement exercise. It is important to recognise that, the business case guidance expects that, at the OBC stage, the detailed proposals will not be fully complete. Our review of the Assessment has therefore considered the requirements of an OBC and the level of completion expected of the Assessment in that context. We also note that there are no explicit requirements for an FBC to be developed to meet the requirements of the Act and the Guidance.

³ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

⁴ Guide to developing the project business case: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf

The quantification of soft benefits

Over the course of our review we have discussed with TfGM a number of issues pertaining to the soft benefits relating to both the Partnership and Franchising options. The most significant of these issues affects the Franchising option alone. A substantial amount (£102m in Present Value Benefits) of the economic benefits of the Franchising option are derived from the quantified benefits resulting from the unified branding of bus services. Although we do not dispute that unified branding could generate economic benefits, the evidence was based upon data derived over 20 years ago (although we do acknowledge that the DfT republished this evidence without caveat in a 2009 AECOM report into soft measures in the bus market⁵). Furthermore, the source data does not appear to be directly relevant as this was based upon a study into branding benefits of a Hail and Ride service in London in 1996 (as documented in a TRL report from 2004).⁶

TfGM has stated that it believes that the valuation of a unified brand is reasonable and appropriate. TfGM has advised that it considers this valuation to be conservative. Before implementation of franchising (subject to Combined Authority and Mayoral decisions) then this valuation, along with other content in the Assessment, would be refined.

We understand that TfGM had previously attempted to develop more recent and directly relevant supporting material by commissioning research that would derive a local “brand” value. However, this research was discounted because TfGM felt the definition of brand was narrowly drawn and was not fit for purpose.⁷ In addition, the research was focussed on current users rather than a wider population. TfGM has stated that its understanding of the value of unifying the bus system has evolved since the research was commissioned and completed in 2016 and that the research ignored the benefits that would arise in the following areas:

- Simplicity and ease of use
- Trust and confidence resulting from greater public accountability
- Place making value for Greater Manchester of a single bus brand

We do not dispute that unified branding could generate economic benefits. In order that TfGM can be more certain of the economic and financial benefits as it develops the detail of the franchising proposition, TfGM intends to commission a new study to further examine the above elements. We note that from our own experience of working on similar assignments in other sectors it is not uncommon to acknowledge the benefit that can be realised with a strong public sector brand. Examples include:

- the ScotRail rail franchise where Scottish Government believes its strong public sector brand benefits the franchise and creates economic and financial benefits;
- the DfT has accepted in rail franchising that a strong brand can generate increased financial (and therefore economic) value;
- there are several instances where public sector energy companies have a brand more closely associated with integrity and trust and that is a foundation that underpins public sector investment in these businesses.

Whilst the above are examples where a strong brand can generate benefits, we are not aware of any specific case where the value has been explicitly calculated. It should also be recognised that it might be appropriate to acknowledge that some passenger value might be attributable to the bus operator brands that the private sector companies have built up over many years in Manchester. Because this value is inherent to the Assessment’s reference case,⁸ any value associated with the Franchising option’s unified brand needs to be quantified net of this value.

⁵ <https://cambridge.blob.core.windows.net/public/ldf/coredocs/RD-T-050.pdf>

⁶ <https://trl.co.uk/sites/default/files/TRL593%20-%20The%20Demand%20for%20Public%20Transport.pdf>

⁷ Brand was focused on a single livery to paint buses rather than the various facets of a unified brand, such as through a single customer contact centre, information, standards and performance and the network being presented as a whole.

⁸ The reference case is TfGM’s forecast of the bus market assuming no partnership or franchising interventions

In seeking to clarify the basis of the calculation of the economic benefits associated with branding TfGM has highlighted that whilst it accepts that there is uncertainty in the calculation of the branding benefits it has mitigated this risk by being more prudent in other areas. Specifically, it has not included any economic benefits associated with the simplification of fares or broader changes to bus services. It could be expected that the simplification of fares could deliver additional benefits that have not been included within the analysis and therefore an element of prudence has been included within its figures.

In concluding on this issue, we note that if all of the branding benefits are removed from the Assessment, the Net Present Value of the Franchising option still exceeds that of the Partnership options, albeit it is reduced to a level which brings the options closer together. In that context, the relative performance of the options becomes more sensitive to other areas of the soft benefits. Nevertheless, because the impact would not change the ranking of the options, the impact of uncertainty over the branding benefits was not viewed as being a qualification to our opinion. However, it is sufficient for us to raise as an observation in this Report.

Sensitivity Analysis

We are aware that TfGM has run a number of standalone sensitivities which show the first order impacts of individual downside scenarios, ie before any potential mitigation has taken place. It is normal to also set out the impact of the mitigations, however we note that these are only incorporated to a limited extent in the Assessment.

We note, however, that the report to the Combined Authority explicitly sets out the options available to it to address these downside scenarios and has included analysis on the operational and financial levers available to it in order to respond to downside sensitivities. It is clear that these options provide significant flexibility to manage downsides over the life of the scheme. Of utmost importance is that these options have been included in the report to the Combined Authority so that it is fully aware of some of the measures that may be needed under certain downside scenarios.

For example, the ability to adjust network size in response to any shocks and the expected long-term decline in demand is one of the responses that could be adopted under the Franchising option. It is noted that many of the economic case sensitivity tests do not reflect the network size adjustment in either the reference or option cases. There are a number of areas where we feel additional sensitivities could have been modelled:

- Should the network change processes be less effective under the Franchising option than how this is modelled in the Assessment, this could lead to additional financial cost, or the risk of crowding disbenefits for passengers.
- An assessment of a longer appraisal period than 30 years has been run but the Assessment did not incorporate a sensitivity which was for a shorter period than 30 years

It is often desirable, although not essential, to incorporate combined downside sensitivities and the Green Book recommends “switching-value” or breakeven analysis to be calculated. We note that these have not been undertaken. This is in part due to the fact that the sensitivities applied would likely impact on all options to a similar degree and therefore it would be difficult to run credible scenarios that would only apply to one case over another. We have therefore only included this as an observation and not a qualification of our opinion.

Funding and Affordability

In relation to the affordability of the proposals, the Guidance (paragraph 1.62) suggests that an annual assessment of the budget available to GMCA is provided. TfGM has stated that it believes it has addressed the requirement in this area, however, our interpretation of the Guidance is that an annual breakdown of funding sources should be provided in either graphical or tabular format for each “relevant year” rather than just relying on the statements made in the Assessment. TfGM has included additional financial analysis within the report to the Combined Authority which meets our understanding of the requirements set out above. We have reviewed this paper and are satisfied that it demonstrates that senior leaders have been requested to sign up to the profile and financial commitments required in the Franchising base case for the transition period to 31 March 2025. Beyond 2025, there is only an outline

description of possible mechanisms for the forecast financial requirements to be met at that time. We note that the long-term annual commitment of funds would be unusual in Public Sector budgeting, and therefore it is not unreasonable to assume that the mechanisms in place to manage financial variability will continue beyond the transition period.

Timeliness of the information

We note that the bus operator information used as the basis of the analysis is sourced from a 2016/17 base year. Whilst more recent information is now available, we are satisfied that TfGM has acted reasonably in using 2016/17 data given the constraints it faced in collating the information.

Use of our report

This Report is made solely to TfGM, as a body, in accordance with the terms of our Engagement Letter. Our work has been undertaken so that we could prepare a report on the Assessment, which includes providing an opinion on the matters required under the Act. We acknowledge that both TfGM and the GMCA (which is bound by terms signed by TfGM) may rely on the contents of the Report and that the Report may be used by both TfGM and GMCA in accordance with the provisions of the Act. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than to TfGM and GMCA, as a body, for our work, for this report, or for the conclusions we have formed.



Grant Thornton UK LLP

Chartered Accountants

London

26 September 2019

TfGM's response to Auditor's observations

TfGM has provided a response to four of the observations in the Audit observations letter. The four observations are the Brand quantification of soft benefits, Sensitivity analysis, Funding and affordability and Timeliness of Information.

Soft Benefits – Unified Brand

1.1 The auditor notes, that over the course of the audit, TfGM had a number of discussions relating to the soft benefits, including benefits derived from unified branding of bus services. Whilst the auditor does not dispute that unified branding could generate economic benefits, the auditor notes the evidence was based on data derived over 20 years ago and that the source data does not appear to be directly relevant, as it was based upon a study into branding benefits of Hail and Ride. TfGM was aware of this and applied the brand valuation because a) it was derived from a recognised central government transport source b) as acknowledged in the audit observation it was republished by DfT in 2009 without caveat and c) it is not uncommon in appraisals to make use of studies of a range of ages where they represent the most relevant research in a particular area. In addition to this, as noted in the audit observations in order that TfGM can be more certain of the economic and financial benefits as it develops the detail of the franchising proposition, TfGM intends to commission a new study to further examine unified brand.

1.2 TfGM believe that the valuation of unified brand is reasonable and appropriate in the Assessment. This is because the valuation is considered conservative as many of the benefit streams expected to flow from unification were not included in the monetised value. TfGM believe the unification of the GM Bus network under a single unified brand is a fundamental component of the franchising scheme and that it will have beneficial impacts in the following areas:

- Passengers will benefit from greater simplicity and ease of use of the bus system;
- Passengers will feel greater trust and confidence that results from greater public accountability for decision making; and
- There will be a place making benefit for GM associated with the creation of a single bus brand.

1.3 As noted in the audit observation, if all branding benefits were removed from the Assessment, the Net Present Value of the Franchising option still exceeds that of the Partnership option.

Sensitivities

Sensitivities – mitigations and downside

- 1.4 As noted in the report to the GMCA, the Assessment sets out the risks to GMCA of the proposed Franchising Scheme in that it takes on the risk that income, particularly farebox revenues, is sufficient to pay for franchised services (Strategic Case Section 8.4; Commercial Case Section 24; Financial Case Section 42.1 and 42.4.7). The financial forecasts include a quantified allowance for specific risks that accompany the Franchising Scheme (Section 42.4), and there are sensitivities presented in the Economic and Financial cases showing how the forecast outcomes would be different if key assumptions and trends varied – for instance ‘exogenous’ assumptions in Greater Manchester population forecasts or car ownership forecasts and franchising ‘scheme specific’ assumptions such as the assumed profit margin required by franchised operators (Sections 15.5 and 42.7).
- 1.5 Variations in some of the long-term trends tested in the Financial Case sensitivities could have significant effects on the bus network over the period to 2051 and, as noted, some of these factors are ‘exogenous’ whereby the GMCA would have limited influence or control of these trends.
- 1.6 TfGM explains the mitigations available to the GMCA in the Assessment Conclusion at sections 64.1.5 - 64.1.7. TfGM provided additional information to the Auditor through clarification on the ‘levers’ and mitigating responses that would be available to GMCA in the event that a ‘downside’ scenario materialised. GMCA should be fully aware of the mitigating responses when considering the scheme.
- 1.7 The mitigating responses would be both operational – through reducing the size of the network and / or increasing fares – and financial by allocating more funding to support services. Therefore a ‘downside’ scenario would necessitate prioritisation decisions to be made by GMCA, in line with its public accountability and control of key policy decisions under the proposed franchising scheme, around the level of services, fares and funding in order to achieve a balanced budget. Whilst the financial pressures on the bus market would be likely to be similar in different market scenarios, if the Franchising Scheme were not implemented, these risks and decisions would to a large extent remain with current operators.

- 1.8 The auditor further noted that many of the sensitivity tests do not reflect a network size adjustment in either the reference or option cases. The reason for this was because there are a number of different prioritisation approaches that GMCA could take to mitigating a downside scenario as set out in the paragraph above, and network reduction might not be the chosen approach. The results presented in the Economic case show that the sensitives, prior to undertaking mitigating actions, would not change the comparison between the options in value for money terms. The results presented in the Financial Case show what the cost impact would be, prior to undertaking mitigating actions, to GMCA over the appraisal period under franchising. As noted the GMCA could undertake mitigating actions as set out in the previous paragraph.

Sensitivities - additional sensitivities

- 1.9 The auditor notes two additional areas of sensitivity testing that could have been reported in the Assessment – whether a network change process would be less ‘efficient’ under Franchising than it is in the current market structure, and the overall length of the appraisal period.
- 1.10 The sensitivity testing could assess the impact of a less fluid contract change regime than envisaged. This would have a greater effect in the scenario of needing to make reductions to the network than taking advantage of new opportunities and increasing the network. TfGM believe the sensitivity test would not be informative for decision makers because it is not clear what the reasons would be for such an effect and if it were to exist, what the extent would be likely to be (in order to calibrate a meaningful sensitivity test). TfGM have considered the key factors involved in a network change process and concluded that a) the contract change mechanism, assumed within the assessment is deliverable b) the approach to contract change is , common to other similar franchise contracts both in the UK and internationally, thus validating the approach being adopted c) TfGM is satisfied it has sufficient information on how costs would change with network reductions. On the upside, it could also be the case that an authority looking at the network as a whole could make changes more efficiently (i.e. in a less damaging fashion in terms of overall patronage) but a sensitivity was similarly not undertaken on this. This was because it is difficult to decide the scale of such an effect to define a credible test. TfGM will maintain the assumption regarding the efficiency of the network change process under close review during any subsequent planning activities, including finalisation of network change processes and franchise contracts, to ensure it remains valid.

- 1.11 The auditor noted that the Assessment includes a sensitivity test for a longer appraisal period than 30 years but did not incorporate a sensitivity which was for a shorter period than 30 years and suggested this impact could have been tested.
- 1.12 TfGM did not undertake this sensitivity test as a) the appraisal period was already considerably shorter than the 60 years usually adopted in WebTAG transport appraisals b) franchising has been in place for more than 30 years in London and in other major cities where it has been introduced and c) it did not believe a 15 year market change was a valid sensitivity as a market change would be i) enduring (as set out in the Assessment at 13.1.5) and ii) the sensitivity would not change the conclusions of the economic case.
- 1.13 Nonetheless, in view of the auditor's observation, TfGM undertook this sensitivity test as part of audit clarifications and shared the results with the auditor. The results indicate that whilst the Net Present Value and Benefit Cost Ratio of the proposed franchising scheme are reduced (due to the shorter period to accrue benefits), the Value for Money rating and conclusions of the economic case remain unaltered.

Sensitivities – combined downside and 'switching value' analysis

- 1.14 The auditor also raises the point that in their view it is often desirable, although not essential, to undertake 'switching value' and combined downside scenarios in a conventional business case analysis. A switching value would illustrate what assumption values would need to be in order for the preference or ranking of options to 'switch'. Combined downside scenarios would combine together a number of the individual downside scenarios. TfGM's view, which is also acknowledged by the auditor, is this is a) not mandated by Green Book or other guidance and 'adding up' a set of downside sensitivities is not general practice in Green Book business cases in general or transport specific business cases b) some of the sensitivities are likely to be negatively correlated (e.g. in this case an increase in walking and cycling and an increase in use of cars for these journeys); and c) its applicability and the value of the output would be limited as many of the sensitivities applied would likely impact all options to a similar degree.

Funding

- 1.15 The observation report includes reference to a specific point on the auditor's interpretation of the Financial Case Guidance. The auditor has interpreted the Guidance to mean that an annual breakdown of funding sources (or 'budget available' to the GMCA) should be provided in either graphical or tabular

format for each 'relevant year', in particular where additional funding is required over the proposed transition period.

- 1.16 TfGM included in the Financial Case of the Assessment the additional funding requirement and associated annual profile of this requirement over the transition period and set out a range of credible funding sources which, in aggregate, exceed the additional funding requirement to implement the proposed scheme over the proposed transition period. TfGM considered this information to be sufficient to give consideration to how the GMCA could afford to make and operate the proposed franchising scheme.
- 1.17 In response to the auditor's observation however, TfGM has subsequently provided a more detailed profile of funding and the GMCA report sets out the preferred funding scenario for the GMCA to approve (section 5 of the GMCA report) for the purposes of consulting upon the proposed franchising scheme. The preferred funding scenario includes an annual profile of funds which, subject to GMCA's approval, meets the auditor's interpretation of this point.

Timeliness of Information

- 1.18 The auditor observes the timeliness of information used as the basis of the analysis and that it is sourced from 2016/17. The auditor acknowledges more recent information is now available and is satisfied that TfGM has acted reasonably in using 2016/17 data given constraints in collating information from a number of different sources, including information provided by Operators.
- 1.19 It should be noted that this observation refers to the base year (2016/17) of the models used and the associated data inputs for this base year period. Where appropriate, TfGM have used more up to date information to ensure that previous assumptions still hold. For instance, the quantum of network benefits was reduced because of ongoing changes to the network, using information available from 2019, and forecasting this change into the future.

APPENDIX 4

The draft Proposed Franchising Scheme is included on the following pages

DRAFT

TRANSPORT ACT 2000

The Greater Manchester Franchising Scheme for Buses 2020

COVERING SHEET

The proposed scheme as set out below contains a number of changes from the draft provided to the auditor. In addition to the correction of a number of typographical errors, these changes included inserting a more legible map, removing services from Annex 1 which did not in fact cross a sub-area boundary and removing unmarked services from Annex 4 (both of which had no practical effect). In addition, the description of the services to be franchised in Annex 1 has been limited to that part of the route which lies within Greater Manchester (as only that part could be provided under the scheme) and any duplicated routes have also been removed.

All of these changes merely serve to clarify the effect that the proposed scheme provided to the auditor would have had in any event. It also provides a simpler presentation of the proposed scheme for the purposes of consultation. The only other changes that have been made are to correctly identify 20 services in Annex 1, and 14 services in Annex 4, that do in fact cross a Sub-Area and require separate provision for. These changes do not change the principles upon which the proposed scheme is based upon and they do not materially change its practical effect. As a result, the auditor has confirmed that the changes do not affect its opinion or observations on the assessment.

In addition to these revisions and for the purposes of undertaking a consultation in accordance with section 123E of the Transport Act 2000 (as amended by the Bus Services Act 2017), provisional or estimated dates, periods or numbers for inclusion in this proposed scheme have now been provided in the proposed scheme.

The date that it is proposed the scheme could be made is 06/03/2020 (see article 1.1). Should this transpire, the title of this document would be "The Greater Manchester Franchising Scheme for Buses 2020". This date (and subsequently all others) may change depending on the progress of the consultation and any subsequent decision making process. The assessment of the proposed bus franchising scheme includes a draft procurement plan which is underpinned by various key assumptions, one of which is a Mayoral decision in December 2019 that the scheme will be made. Accordingly, because the date of any Mayoral decision is later than that anticipated in the assessment, the dates included in this scheme have been moved back accordingly. The dates when a local service contract may first be entered into in Sub-Area A (article 4.1.1), in Sub-Area B (article 4.1.2) and in Sub-Area C (article 4.1.3), are presently proposed to be 02/04/2021, 25/03/2022 and 10/03/2023 respectively. In this context, it is also proposed that the period in respect of article 4.2 will be 9 months. Relatedly, this means that the date proposed in respect of article 1.2 would be 02/01/2022.

It is intended that article 2.1.11, which defines the meaning of the term "Large Franchise Contract", refers to 34 in respect of the number of vehicles. This would be consistent with the assessment.

As noted above, the dates, periods and numbers referred to above and within the draft scheme are provisional and are included only for the purposes of the consultation.

DRAFT

TRANSPORT ACT 2000

The Greater Manchester Franchising Scheme for Buses 2020

Made 06/03/2020

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WHEREAS:

A The Transport Act 2000 (as amended) ("**2000 Act**") makes provision for a franchising authority to make a franchising scheme covering the whole or any part of its area. The GMCA is a franchising authority as defined in the 2000 Act.

B The GMCA gave notice of its intention to prepare an assessment of a proposed scheme in accordance with sections 123B and section 123C(4) of the 2000 Act on 30 June 2017. Having complied with the process as set out in the Act, the GMCA may determine to make the scheme in accordance with sections 123G and 123H of the 2000 Act.

NOW, therefore, the GMCA, in exercise of the powers conferred on it by sections 123G and 123H of the 2000 Act, and of all other powers enabling it in that behalf, hereby **MAKES THE FOLLOWING FRANCHISING SCHEME** (the "**Scheme**"):

1. CITATION AND COMMENCEMENT

1.1. This Scheme may be cited as the Greater Manchester Franchising Scheme for Buses 2020 and is made on 06/03/2020.

1.2. This Scheme shall come into operation on 02/01/2022 and shall remain in operation thereafter unless varied or revoked in accordance with the 2000 Act.

2. INTERPRETATION

2.1. In this Scheme:

2.1.1 "**1985 Act**" means the Transport Act 1985;

2.1.2 "**2000 Act**" has the meaning given to it in Recital A;

2.1.3 "**Commencement Date**" has the meaning ascribed to it in article 1.2;

2.1.4 "**Franchising Scheme Area**" means the GMCA Area;

2.1.5 "**Franchising Scheme Sub-Area A**" means the area marked 'A' in the map of Annex 5, being part of the Franchising Scheme Area;

2.1.6 "**Franchising Scheme Sub-Area B**" means the area marked 'B' in the map of Annex 5, being part of the Franchising Scheme Area;

2.1.7 "**Franchising Scheme Sub-Area C**" means the area marked 'C' in the map of Annex 5, being part of the Franchising Scheme Area;

2.1.8 "**Franchising Scheme Sub-Area**" means each of Franchising Scheme Sub-Area A, Franchising Scheme Sub-Area B and Franchising Scheme Sub-Area C;

2.1.9 "**GMCA**" means the Greater Manchester Combined Authority;

2.1.10 "**GMCA Area**" means the area consisting of the areas of the metropolitan district councils for the local government areas of Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan;

-
- 2.1.11 **"Large Franchise Contract"** shall mean a Local Service Contract which (together with any contract referred to in article 5.3) has a Peak Vehicle Requirement of no less than 34 vehicles;
- 2.1.12 **"Local Service Contract"** has the same meaning as in section 123A(5) of the 2000 Act;
- 2.1.13 **"Local Services"** has the same meaning as in section 2 of the 1985 Act;
- 2.1.14 **"Operator"** means a person operating a local service, and references to an Operator shall be construed in accordance with section 137(7) of the 1985 Act;
- 2.1.15 **"Peak Vehicle Requirement"** means the number of vehicles required to operate the Local Services in accordance with the terms of a Large Franchise Contract and at its highest frequency;
- 2.1.16 **"Scholars' Service"** means a Local Service providing transport for pupils to and/or from schools within the Franchising Scheme Area which does not provide transport to the general public;
- 2.1.17 **"TfGM"** means Transport for Greater Manchester.

3. **THE FRANCHISING SCHEME AREA AND SUB-AREAS**

- 3.1. The GMCA Area is hereby designated as the area to which the Scheme relates¹.
- 3.2. Franchising Scheme Sub-Area A, Franchising Scheme Sub-Area B and Franchising Scheme Sub-Area C are specified areas within the GMCA Area².

4. **ENTRY INTO LOCAL SERVICE CONTRACTS**

- 4.1. The date on which a Local Service Contract to provide a Local Service may first be entered into:³
- 4.1.1 in respect of the Franchising Scheme Sub-Area A, shall be 02/04/2021;
- 4.1.2 in respect of the Franchising Scheme Sub-Area B, shall be 25/03/2022; and
- 4.1.3 in respect of the Franchising Scheme Sub-Area C, shall be 10/03/2023.
- 4.2. The period that is to expire between the dates set out in article 4.1 and the provision of a Local Service under a Local Service Contract in each such Franchise Scheme Sub-Area shall be a period of 9 months.

¹ s123H(2)(a).

² S123H(3)(a).

³ Section 123H(2)(c).

5. SERVICES UNDER LOCAL SERVICE CONTRACTS

- 5.1. Subject to paragraph 2 of this article and to article 6, the Local Services that are appropriate, and are intended, to be provided under Local Service Contracts are those specified in Annex 1 and Annex 2 to this Scheme⁴.
- 5.2. Such services do not include:
- 5.2.1 any Local Service marked * in Annex 1 to the extent that it operates within Franchise Scheme Sub-Area B until immediately before the date on which subsections (2) and (3) of section 123J of the 2000 Act apply to Franchise Scheme Sub-Area B;
 - 5.2.2 any Local Service marked + in Annex 1 to the extent it operates within Franchise Scheme Sub-Area C until immediately before the date on which subsections (2) and (3) of section 123J of the 2000 Act apply to Franchise Scheme Sub-Area C; and
 - 5.2.3 any Local Service listed in Annex 2 to the extent that it serves a school or college located within Franchise Scheme Sub-Area B or Franchise Scheme Sub-Area C until immediately before the date on which subsections (2) and (3) of section 123J of the 2000 Act apply to Franchise Scheme Sub-Area B or Franchise Scheme Sub-Area C respectively.
- 5.3. The GMCA may agree with a person with whom a Local Service Contract has been made that that person should also provide in conjunction with that service a Local Service referred to in article 5.2 otherwise than under a Local Service Contract.

6. EXCEPTIONS FROM THE SCHEME

- 6.1. The Local Services excepted from regulation arising because of the Scheme are those listed in Annex 3.

7. SCHEME FACILITIES

- 7.1. The additional facilities that the GMCA consider appropriate to provide in the GMCA Area are such depots as may facilitate the letting of the Large Franchise Contracts.

8. PLAN FOR CONSULTING ON OPERATION OF THE SCHEME

- 8.1. The GMCA will consult such organisations being those that appear to the GMCA to be representative of users of Local Services (including, for the avoidance of doubt, Franchise Contract Services), and may consult other organisations and persons, as the GMCA thinks fit.
- 8.2. The purpose of any consultation undertaken in accordance with this article 8 is to seek the views of the users of Local Services on how well the Scheme is working⁵. The GMCA will consult in accordance with this article 8 immediately after the expiry of all the Franchise Service Contracts awarded in accordance with article 4.1 and as such other times periodically as the GMCA considers appropriate.

⁴ s123H(2)(b).

⁵ Section 123(A)(9).

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- 8.3. Any consultations carried out in accordance with this article 8 shall last for a period of time as the GMCA thinks fit so as to ensure that those organisations and persons described in article 8.1 have sufficient time to respond.
- 8.4. The GMCA will make available to the public its response to any consultation carried out in accordance with this article 8.

ANNEXES TO THE SCHEME

ANNEX 1: SERVICES INCLUDED - ARTICLE 5

General Services

Leigh - Golborne - Wigan
Cadishead - intu Trafford Centre - Manchester City Centre
Wythenshawe - Northenden - Manchester City Centre
Wythenshawe Hospital - Wythenshawe - Manchester City Centre
Manchester Airport - Wythenshawe - Manchester City Centre
Timperley - Northenden - Manchester City Centre
Brookhouse - Eccles - Manchester City Centre
Withington - Manchester City Centre
Middleton - Moston - Manchester City Centre
Alkrington - Moston - Manchester City Centre
Middleton - NMGH Circular
Higher Blackley - Moston - Manchester City Centre
Altrincham - Wythenshawe – Stockport
Middleton - Birch Circular
Leigh - Boothstown - intu Trafford Centre +
Middleton - Boarshaw Circular
Middleton - Moorclose Circular
Salford Quays - Eccles – Worsley
Wigan - Boothstown - intu Trafford Centre +
Bury - Whitefield - Manchester City Centre
East Didsbury - University - Manchester City Centre
West Didsbury - University - Manchester City Centre
West Didsbury - Manchester City Centre
Cheetham Hill - Moston – Oldham
Hyde - Chorlton - intu Trafford Centre
Hollinwood - Failsworth - Mandley Park
Middleton - NMGH - Manchester City Centre
Oldham - Failsworth – Middleton
Flixton - Urmston - Manchester City Centre
Norden - Middleton - Manchester City Centre
Bury - Middleton - Manchester City Centre
Rochdale - Middleton - Manchester City Centre
East Didsbury - Gorton - Newton Heath +
Withington - Gorton - Newton Heath +
Reddish - Withington – Wythenshawe
intu Trafford Centre – Wythenshawe
Greenfield - Oldham - Manchester City Centre
Rochdale - Chadderton - Manchester City Centre
Rochdale - Shaw - Manchester City Centre
Royal Oldham Hospital - Oldham – Limeside
Standedge - Uppermill - Oldham – Manchester
Langley - Middleton - Manchester City Centre - Manchester Royal Infirmary +
Hazel Grove - Stockport - University - Manchester City Centre
Hazel Grove - Stockport - Manchester City Centre

Stockport - Green End - Longsight - Manchester City Centre
Wythenshawe – Sale
Manchester Airport - Wythenshawe – Altrincham
Middleton - Langley Circular
Manchester City Centre - Spinningfields Circular
intu Trafford Centre – Bolton +
Hattersley - Hyde - Manchester City Centre
Stockport - Reddish - Manchester City Centre
Hyde - Haughton Green - Manchester City Centre
Denton - Dane Bank - Manchester City Centre
Gee Cross - Denton - Manchester City Centre
Gee Cross - Town Lane - Manchester City Centre
Ashton - Droylsden - Manchester City Centre
Ashton - Droylsden - Clayton - Manchester City Centre
Manchester City Centre - Openshaw - Ashton – Stalybridge
Manchester City Centre - Stalybridge
Manchester City Centre - Dukinfield – Stalybridge
Dukinfield - Audenshaw - Manchester City Centre
Ashton - Littlemoss - Manchester City Centre
Ashton - Hartshead - Clayton - Manchester City Centre
Ashton - Broadoak Circular
Hollingworth - Stalybridge – Ashton
intu Trafford Centre - Didsbury – Stockport
Rochdale - Chadderton - Manchester City Centre
intu Trafford Centre - Stretford – Altrincham
intu Trafford Centre - Flixton – Altrincham
intu Trafford Centre - Chorlton – Stockport
intu Trafford Centre - Old Trafford - Manchester City Centre
Partington - Flixton - Urmston - Manchester City Centre
Partington - Urmston - Stretford - Manchester City Centre
Flixton - Stretford - Hulme - Manchester City Centre
Leigh - Boothstown - Worsley - Manchester City Centre
Sale - Partington Circular
Sale - Sale West Circular
Sale - Ashton on Mersey Circular
Altrincham - Sale - Manchester City Centre
Swinton - Salford Shopping City - Manchester City Centre
Wythenshawe - Sale – Eccles
Trafford General Hospital - Withington Hospital
Trafford General Hospital - Gorse Hill
Altrincham - Sale
Altrincham - Oldfield Brow Circular
Altrincham - Hale Moss Circular
Altrincham - Warburton Circular
Altrincham - Timperley Circular
Altrincham - Bowdon Vale Circular
East Didsbury - Northenden - Altrincham - Manchester Airport
Little Hulton - Swinton - Salford
intu Trafford Centre - Trafford Bar - Manchester City Centre
Manchester City Centre - Victoria Circular

Wigan - Highfield Grange Circular
Bolton - intu Trafford Centre +
Stockport - Cheadle Hulme Circular
Stockport - Cheadle Heath Circular
Stanley Green - Cheadle - Stockport
Grove Lane - Cheadle Hulme - Stockport
Stockport - Offerton Circular
Haughton Green - Brinnington - Stockport
Stockport - Haughton Green Circular
Stockport - Brinnington Circular
Denton - Brinnington - Stockport
Stockport - Bridge Hall
Reddish - Stockport
Worsley - Eccles - Manchester City Centre
Ashton - Hyde - Stockport
Ashton - Smallshaw Circular
Ashton - Hurst Cross - Smallshaw Circular
Ashton - Denton Circular
Ashton - Crowhill Circular
Bryn - Leigh - Manchester City Centre
Oldham - Stalybridge – Hyde
Broadbottom - Hattersley - Hyde
Hyde - Gee Cross Circular
Oldham - Lees - Stalybridge – Hyde
Ashton - Denton Circular
Gee Cross - Hyde - Ashton
Ashton - Haughton Green Circular
Ashton - Stalybridge – Carrbrook +
Ashton - Uppermill – Oldham +
Uppermill - Mossley – Ashton
Carrcote - Uppermill – Stalybridge - Ashton
Denshaw - Uppermill - Stalybridge – Ashton +
Denshaw - Uppermill – Greenfield
Strines - Marple – Stockport
Manchester City Centre - Swinton - Tyldesley
Bolton - Little Hulton - Manchester City Centre
Stockport - Hazel Grove - Disley
Standish - Wigan
Stockport - Woodbank Park Circular
Wythenshawe Hospital - Cheadle Hulme - Stockport
Manchester Airport - Wythenshawe - Stockport
Stockport - Woodsmoor Circular
Stockport - Hazel Grove Circular
Hazel Grove - Woodsmoor - Stockport
Mellor - Stepping Hill - Stockport
Cheadle Hulme - Stockport
Bolton - Farnworth - Manchester City Centre
Woodley - Romiley - Bredbury - Stockport
Stockport - Marple Circular
Hyde - Stalybridge – Ashton

Gee Cross - Stalybridge – Ashton
Logistics North - Walkden - Manchester City Centre
Ashton - Hazelhurst Circular
Ashton - Smallshaw Circular
Limehurst Farm – Ashton
Newton Heath - Fitton Hill – Ashton
Ashton - Hazelhurst Circular
Wigan - Kitt Green Circular
Oldham - Royton Circular
Shaw - High Crompton - Rushcroft Circular
Oldham - Firwood Park Circular
Denshaw - Moorside – Oldham
Stalybridge - Oldham – Shaw +
Ashton - Oldham – Rochdale +
Sale - Northenden - Manchester City Centre
Oldham - Higginshaw Circular
Middleton - Royton – Oldham
Middleton - Chadderton – Oldham
Oldham - Less Circular
Middleton - Chadderton – Ashton
Ashton – Dukinfield
Oldham - Fitton Hill Circular
Reddish - East Didsbury - Manchester City Centre
Woodford - East Didsbury - Manchester City Centre
Stockport - East Didsbury - Manchester City Centre
Manchester Airport - Withington - Manchester City Centre
Rochdale - Turf Hill – Castleton
Richdale - Kirkholt – Castleton
Shaw - Turf Hill – Rochdale
Stockport – Ladybarn - Manchester City Centre
Rochdale – Syke
Rochdale - Foxholes Circular
Norden - Bamford – Rochdale
Norden - Cutgate – Rochdale
Rochdale - Bagslate – Norden
Rochdale – Healey
Peppermint Bridge - Newhey – Rochdale
Rochdale - Stansfield Circular
Littleborough - Hollingworth Lake – Rochdale
Littleborough – Rochdale
Wardle – Rochdale
Norden - Bamford - Heywood – Bury
Rochdale - Ladyhouse Circular
Rochdale - Bamford – Bury
Rochdale - Greave - Bamford – Bury
Bury – Tottington
Bolton - Bury – Rochdale
Bury - Ramsbottom Circular
Heywood - Fairfield Hospital – Bury
Bury - Summerseat – Ramsbottom

Bury - Brandlesholme – Ramsbottom
Bury – Limefield
Bury - Tottington – Bolton
Whitefield - Prestwich – Eccles *
Bury – Nangreaves
Manchester City Centre - Moston – Oldham
Fern Grove – Bury
East Didsbury - Manchester City Centre - Salford Quays
Bolton Town Centre Circular
Farnworth - Bolton - Johnson Fold
Bolton - Harwood Circular
Bolton - Ainsworth – Bury
Bolton - Breightmet – Bury
Bury - Farnworth - Royal Bolton Hospital *
Bury - Whitefield – Farnworth *
Horwich - Westhoughton - Atherton - Leigh
Middlebrook - Atherton - Leigh
Failsworth - Salford - intu Trafford Centre+
Little Lever - Royal Bolton Hospital - Blackrod
Bolton - Radcliffe – Bury
Bolton - Hall I'th Wood Circular
Barrow Bridge - Bolton
Salford - Old Trafford - Cheetham Hill +
Egerton - Tonge Moore - Bolton
Oldhams Estate - Bolton
Bolton - Astley Bridge – Horrocks Fold
Bolton - Bradley Fold Circular
Bolton - Astley Bridge Circular
Bolton - Tonge Moore Circular
Bromley Cross - Bolton
Bolton - Little Lever Circular
Leigh - Boothstown - Bolton
Higher Green - Boothstown - Bolton
Highfield - Farnworth - Prestolee
Ashton - Hindley - Bolton
Bolton - Withins Estate Circular
Manchester City Centre - NMGH Circular
Sutton Estate - Bolton
Bolton - Great Lever Circular
Bolton - Markland Hill - Middlebrook
Wigan - Horwich - Bolton
Wigan - Middlebrook - Bolton
Blackrod - Brazley - Bolton
Rochdale – Oldham
Leigh - Atherton - Bolton
Hag Fold - Atherton - Leigh
Crankwood - Leigh
Leigh - Tyldesley - Parsonage Retail Park Circular
Leigh - Lowton Circular
Leigh - Lowton - Pennington Circular

Rushcroft - Oldham - Manchester City Centre
Leigh - Pennington - Lowton Circular
Leigh - Lowton Common Circular
Wigan - Hindley - Castle Hill - Leigh
Leigh - Tamar
Hindley - Westleigh - Leigh
Leigh - Westleigh
Leigh - Landside Circular
Leigh Infirmary - Leigh Sports Village
Wigan - Beech Hill Circular
Ashton Heath - Ashton-In-Makerfield - Wigan
New Springs - Wigan
Platt Bridge - Wigan
Wigan - Castle Hill Circular
Shevington Vale - Wigan
Wigan - Standish Circular
Wigan - Shevington Moor Circular
Eccles - Salford Royal Hospital Circular
Eccles - Worsley - Clifton
Cadishead - Salford Royal Hospital - Manchester City Centre
Farnworth - intu Trafford Centre +
Atherton - Hag Fold
Atherton - Hag Fold - Leigh
Leigh - Tyldesley Circular
Leigh - New Hall Farm - Tyldesley Circular
Royal Bolton Hospital – Tyldesley - Leigh
Rochdale - Kirkholt Circular
Stockport - Reddish – Ashton
Salford Quays - Pendleton - Clifton
Wigan - Westhoughton – Bolton
Runway Visitor Park - Manchester Airport
Clifton - Salford Quays
Pendleton - Seedley Circular
Hollinwood - Newton Heath - Manchester City Centre
Oldham - Failsworth - Manchester City Centre
Swinton - Salford Quays – Stretford
Stockport – Denton
Bolton - Westhoughton - Wigan
Leigh - Hindley - Wigan
Derker - Oldham - Manchester City Centre
Holts - Oldham - Manchester City Centre
Sholver - Oldham - Manchester City Centre
Chorlton - Whalley Range - Manchester City Centre
Chorlton - Alexandra Park - Manchester City Centre
Chorlton - Brook's Bar - Manchester City Centre
Manchester City Centre - Chorlton – Sale
Bolton - Pendlebury - Manchester City Centre
Higher Folds - Leigh - Wigan
Prestwich – Simister
Bury – Radcliffe

Bury - Pilsworth - Manchester City Centre
Bury - Prestwich - Manchester City Centre
NMGH - Prestiwh - Pilsworth
Salford - Prestwich – Bury
Simister - Higher Broughton - Manchester City Centre
Bury - Unsworth - Manchester City Centre
Bury - Radcliffe - Manchester City Centre
Bury - Holcombe Brook – Ramsbottom
Leigh - Tyldesley - Manchester City Centre – MRI +
Atherton - Tyldesley - Manchester City Centre – MRI +
Boothstown - Mosley Common Circular
Burgess Farm - Walkden Circular
Farnworth - Little Hulton - Manchester City Centre
intu Trafford Centre - Manchester City Centre
Flixton - Davyhulme - Manchester City Centre
intu Trafford Centre - Northenden – Stockport
Heywood - Middleton - Manchester City Centre
Carrcote - Uppermill - Manchester City Centre

ANNEX 2: SERVICES INCLUDED - ARTICLE 5.2.3

Services to Schools

Abraham Moss Community School
Alder Community High School
All Saints Catholic College
Altrincham College of Arts
Altrincham Grammar School for Boys
Altrincham Grammar School for Girls
Ashton-on-Mersey School
Audenshaw School
Bedford High School
Blessed John Henry Newman College
Blessed Thomas Holford Catholic College
Blue Coat School
Bolton St Catherine's Academy
Bramhall High School
Broadoak School
Buile Hill Visual Arts College
Burnage Academy for Boys
Bury Church of England High School
Byrchall High School
Cansfield High School
Canon Slade School
Castlebrook High School
Cardinal Langley School
Cedar Mount Academy
Cheadle and Marple Sixth Form College
Cheadle Catholic Infants/Juniors
Cheadle Hulme High School
Chorlton High School
Co-operative Academy Failsworth
Copley Academy
Crompton House School
Dean Trust Ardwick
Denton Community College
Derby High School
Droylsden Academy
Elton High School
Egerton High School
Falinge Park High School
Fairfield High School for Girls
Flixton Girls High School
Great Academy Ashton
Harper Green High School
Harrytown RC High School
Hawkey High School
Hazel Grove High School
Hingldey High School

Hollingworth Academy
Hope Academy
Kingsway School
Kingway Park High School
Ladybridge High School
Laurus Cheadle Hulme
Levenshulme High School
Little Lever High School
Longdendale Community Language College
Loreto Grammar School
Loreto High School Chorlton
Lostock College
Lowton Church of England High School
Manchester Academy
Manchester Communications Academy
Manchester Creative & Media Academy
Manchester Enterprise Academy Central
Manchester Enterprise Academy Wythenshawe
Manchester Health Academy
Manor High School
Marple Hall School
Matthew Moss High School
Mossley Hollins High School
Mount St Joseph RC High School
Newall Green High School
North Chadderton School
Oasis Academy Oldham
Oulder Hill Community High School
Our Lady's R.C. High School
Parrenthorn High School
Parrs Wood High School
Philips High School
Poynton High School
Priestnall School
Reddish Vale High School
Rivington and Blackrod High School
Rose Bridge Academy
Royton and Crompton School
Saddleworth School
Sale Grammar School
Sale High School
Samuel Laycock High School
Sharples High School
Shevington High School
Siddal Moor Sports College
Smithills School
St Ambrose Barlow RC High School and Sixth Form College
St Ambrose College
St Anne's Academy
St Anthony's Catholic College

St Cuthbert's RC High School
St Damian's RC Science College
St Edmund Arrowsmith Catholic High School
St Gabriel's RC High School
St Hugh's Catholic School
St James' Catholic High School
St James' Church of England School
St John Fisher Catholic High School
St John Rigby College
St Joseph's RC High School
St Mary's Catholic High School
St Matthew's RC High School
St Monica's RC High School
St Paul's Catholic High School
St Patrick's RC High School and Arts College
St Peter's Catholic High School
St Peter's RC High School
St Simon's Catholic Primary School
St Thomas More RC College
Standish Community High School
Stretford Grammar School
Stretford High School
Stockport Academy
The Barlow RC High School
The Co-operative Academy of Manchester
The East Manchester Academy
The King David High School
The Radclyffe School
Thornleigh Salesian College
Tottington High School
Trinity Church of England High School
Turton High School & Media Arts College
Urmston Grammar School
Walkden High School
Wardle Academy
Waterhead Academy
Wellacre Academy
Wellington School
Westhoughton High School
Westleigh High School
Whalley Range 11-18 High School
Werneth School
William Hulme's Grammar School
Winstanley College
Woodhey High School
Wright Robinson College

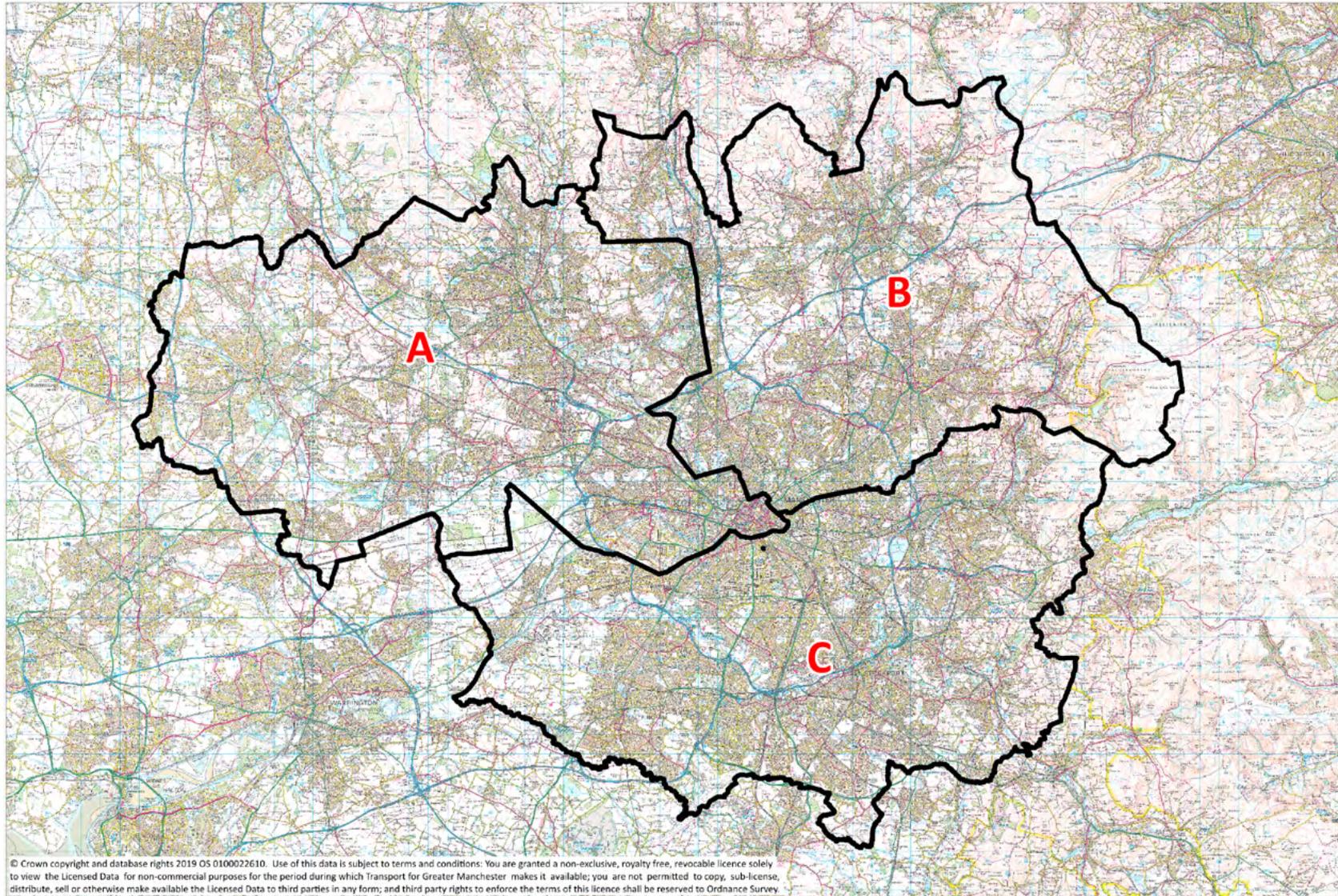
ANNEX 3: EXCEPTED SERVICES - ARTICLE 6

- 1.1 a Scholars' Service;
- 1.2 Any Local Service marked # in Annex 4 to the extent that it operates in Franchise Scheme Sub-Area A until immediately before the date on which subsections (2) and (3) of section 123J of the 2000 Act applies to Franchise Scheme Sub-Area B; and
- 1.3 Any Local Service marked ^ in Annex 4 to the extent that it operates in Franchise Scheme Sub-Area A or Franchise Scheme Sub-Area B until immediately before the date on which subsections (2) and (3) of section 123J of the 2000 Act applies to Franchise Scheme Sub-Area C.

ANNEX 4: TEMPORARY EXCEPTIONS – ANNEX 3 PARAGRAPHS 1.2 AND 1.3

Wythenshawe - Sale - Stretford – Eccles ^
Oldham - Mossley - Stalybridge – Hyde ^
Uppermill - Mossley - Heyrod – Ashton ^
Carrcote - Uppermill - Stalybridge – Ashton ^
Newton Heath - Fitton Hill – Ashton ^
Middleton - Chadderton - Coppice – Ashton ^
Bolton - Breightmet - Bury - Sudden – Rochdale #
Bury - Tottington - Tonge Moor – Bolton #
East Didsbury - Manchester - Salford Quays ^
Bolton – Ainsworth – Walshaw – Bury #
Bolton – Breightmet – Ainsworth – Walshaw – Bury #
Failsworth - NMGH - Salford - intu Trafford Centre #
Bolton – Little Lever – Radcliffe – Bury #
Salford - Old Trafford - Cheetham Hill #

ANNEX 5: FRANCHISING SCHEME SUB-AREAS



Find out more at gmconsult.org

Responses will be accepted through the following channels:



Complete and submit a questionnaire at gmconsult.org



Email a completed questionnaire or your comments to gmbusconsultation@ipsos-mori.com



Post a completed questionnaire or your comments to:
Freepost GM BUS CONSULTATION (You do not need a stamp)



Paper copies of the questionnaires are available in designated public buildings in Greater Manchester (listed in Appendix 2 of this document) or both versions can be downloaded at gmconsult.org.

For any questions or to discuss a different way of responding and alternative formats, email

gmbusconsultation@greatermanchester-ca.gov.uk or call **0161 244 1100**

Consultation runs from Monday 14 October 2019 to Wednesday 8 January 2020