

# Doing buses differently

Have your say on the impact  
of **Covid-19** on our proposals  
for the future of your buses

## Consultation Document

Consultation runs from Wednesday 2 December 2020  
to Friday 29 January 2021



Find out more at [gmconsult.org](https://gmconsult.org)

Responses will be accepted through the following channels:



Complete and submit a questionnaire at [gmconsult.org](https://gmconsult.org)



Email a completed questionnaire or your comments to  
[gmbusconsultation@ipsos-mori.com](mailto:gmbusconsultation@ipsos-mori.com)



Post a completed questionnaire or your comments to:

**Freepost GM BUS CONSULTATION**

(You do not need a stamp and can write this address on any envelope)



Via telephone on **0161 244 1100** (You will be forwarded through to independent research organisation Ipsos MORI to record your response)



Paper copies of the questionnaire are available in Travelshops across Greater Manchester. Locations of Travelshops can be found at [tfgm.com/public-transport/travelshops](https://tfgm.com/public-transport/travelshops) and in Appendix 2 of this document

If you need to respond in a different way, or require the consultation materials in a different format, please contact [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) or call **0161 244 1100** to discuss your requirements.

Support for non-English speakers is also available on **0161 244 1100**.

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## SECTION 1

## Overview

**This consultation concerns the proposal to introduce bus franchising in Greater Manchester made by the Greater Manchester Combined Authority (GMCA). The consultation runs from 09:00 on 2 December 2020 to 23:59 on 29 January 2021.**

Bus franchising would mean that GMCA would control the bus services to be provided in the city-region and would award contracts to operators to run services. From October 2019 to January 2020, GMCA consulted on its proposed bus franchising scheme which was supported by an Assessment of it ('the Assessment'), prepared by Transport for Greater Manchester (TfGM). That consultation received over 8,500 responses, and you can find out more about it at [gmconsult.org](https://gmconsult.org) (search for 'Doing Buses Differently'). The Assessment and that consultation, however, did not take account of the possible effects of Covid-19.

TfGM have therefore produced a *Covid-19 Impact Bus Franchising Report* ('the Report'). The Report is not a new Assessment of the Proposed Franchising Scheme. It considers the potential impact and effects of Covid-19 on the bus market in Greater Manchester and how they may affect the key conclusions of the Assessment and the recommendation that franchising is the best option for reforming the bus market in Greater Manchester.

This consultation document explains why GMCA considers that bus franchising remains the right way to reform the bus market, having considered the possible effects of Covid-19. The purpose of this consultation is to allow you to provide your views on the Assessment in the light of the Report across the five cases in the Assessment, on the Proposed Franchising Scheme, and on whether or not the Mayor should make such a scheme.

The 12 questions for this consultation have been reviewed by an independent agency, Ipsos MORI, to ensure they are clearly worded and neutrally constructed. Ipsos MORI will also process and analyse the responses. You do not have to respond using the questionnaire, or to answer all the questions, in order to submit a response. The other ways you can respond are set out below.

This consultation does not replicate or replace the consultation that took place between October 2019 and January 2020. Any representation that you previously made will be taken into account in any event by GMCA and the Greater Manchester Mayor before any decision is taken whether or not to make a franchising scheme. This means you do not need to repeat any earlier representations that you may have made in the previous consultation, although you are free to do so or to indicate where you may wish to modify or supplement them in the light of Covid-19.

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

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# How to get involved and have your say

## Where do I get more information?

This Consultation Document includes information to help you to respond to the consultation. Some references for further detail are included where relevant and more detail can be found in the following documents (which are also available):

- The Proposed Franchising Scheme (also included in this document at Appendix 3)
- The Covid-19 Impact on Bus Franchising Report
- GMCA report on the Covid-19 Impact on Bus Franchising Report and Consultation (27 November 2020)
- The consultation documentation and questions from GMCA's consultation on a proposed bus franchising scheme which ran from October 2019 to January 2020 and supporting papers, including:
  - 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
  - Consultation Document
- The reports on the outcomes of the previous consultation
  - Ipsos MORI consultation summary report
  - Ipsos MORI qualitative research summary report
  - TfGM Consultation Report (June 2020)
  - GMCA report (26 June 2020)
  - Stakeholder responses

All of these documents are available at [gmconsult.org](https://gmconsult.org) or can be requested as paper copies by contacting [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) or calling **0161 244 1100**.

Paper copies of this Consultation Document are also available in **Travelshops** across the ten Greater Manchester local authorities. Locations of Travelshops can be found at [tfgm.com/public-transport/travelshops](https://tfgm.com/public-transport/travelshops) and in Appendix 2 of this document.

## How do I respond?

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Via telephone on **0161 244 1100** (You will be forwarded through to independent research organisation Ipsos MORI to record your response).



Paper copies of the questionnaire are available in Travelshops across Greater Manchester. Locations of Travelshops can be found at [\*\*tfgm.com/public-transport/travelshops\*\*](https://tfgm.com/public-transport/travelshops) and in Appendix 2 of this document.

## 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 to have your say.

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.

## Access for all

If you need to respond in a different way, require the consultation materials in a different format or want hard copies of any documents, please contact [\*\*info@gmbusconsultation.com\*\*](mailto:info@gmbusconsultation.com) or call **0161 244 1100** to discuss how we can help you.

Support for non-English speakers is also available on **0161 244 1100**.

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## **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 analysed as part of the consultation process. This will be reported to GMCA when it considers its response to this consultation, alongside the outcomes from the previous consultation.

The Mayor of Greater Manchester will also take the responses into account when taking any decision on whether to introduce the Proposed Franchising Scheme.







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# Introduction

## Background

**This section sets out the background to this consultation, including the steps followed so far towards making a statutory change to the way buses in Greater Manchester are run.**

In June 2017 GMCA decided to consider using powers now in the Transport Act 2000 to improve bus services in Greater Manchester by reforming the current bus market. The options available included franchising – the system used in London and other cities globally – and various forms of partnership working with the bus operators.

GMCA instructed TfGM to produce an assessment of a proposed bus franchising scheme for Greater Manchester. Between 14 October 2019 and 8 January 2020, GMCA held a consultation on a Proposed Franchising Scheme for the city-region's buses, which asked questions about the Scheme and the Assessment.

More than 8,500 responses to the consultation were received.

An independent research agency, Ipsos MORI, reviewed, analysed and summarised all the responses to the consultation in a report. Of the 5,905 respondents who answered the question on whether they supported or opposed the Proposed Franchising Scheme, 83% said they supported the Scheme.

As well as responding to the consultation, several Greater Manchester bus operators submitted alternative partnership proposals during the consultation period. These were considered by TfGM alongside the consultation responses. TfGM's response to the consultation and partnership proposals was summarised in a report – *TfGM Consultation Report (June 2020)*.

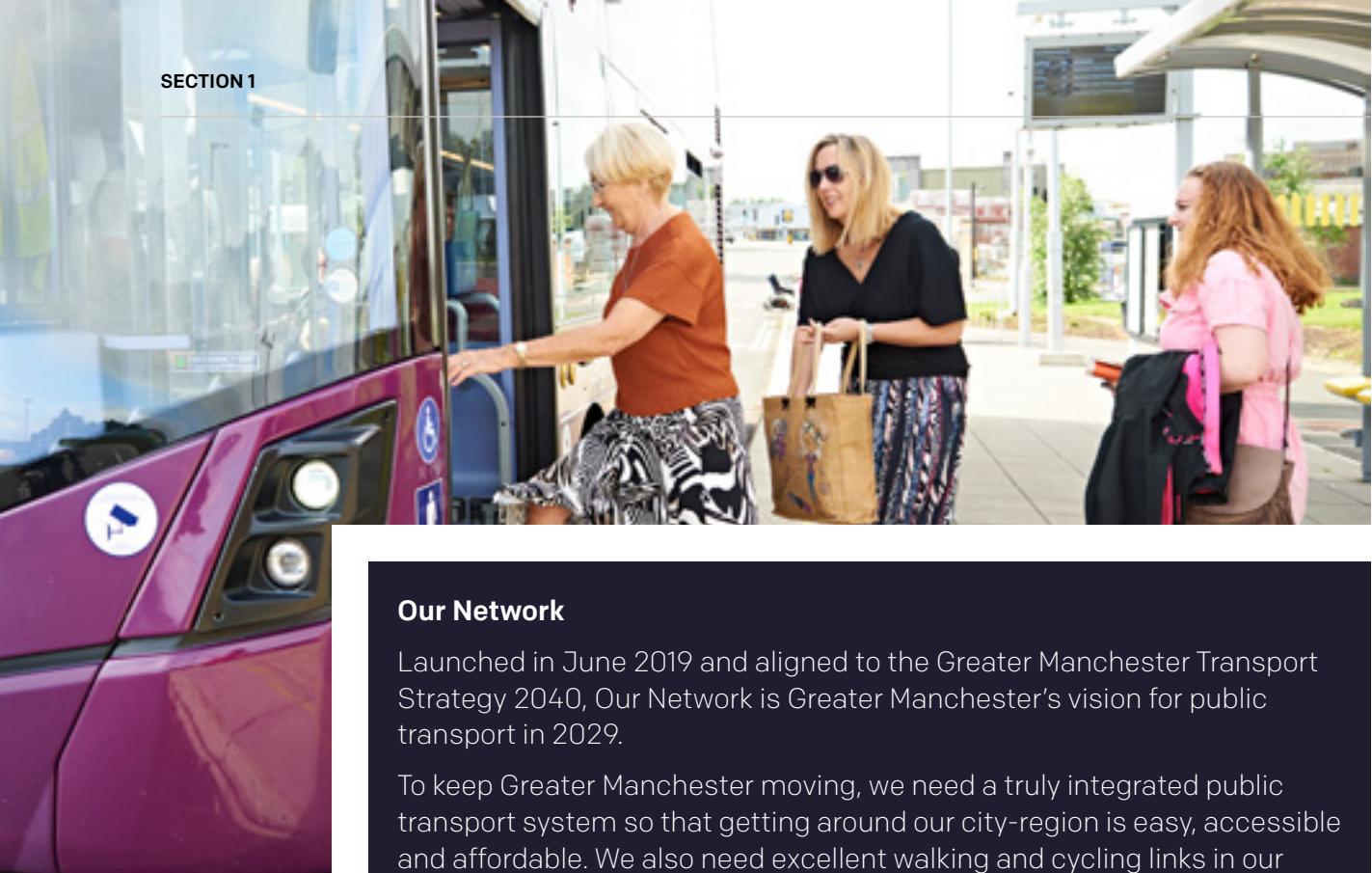
The outcome of the consultation was due to be considered by GMCA in spring 2020 but was deferred due to Covid-19. In June 2020, GMCA noted the results of the consultation and asked TfGM to consider what impact the Covid-19 pandemic may have on the bus market and its proposals before making a final decision.

The Report, which has been submitted to GMCA, considers the impact against four potential 'Scenarios' developed to help plan for an uncertain recovery from the pandemic, covering a range of effects on bus patronage and the scale of the network. It also considers how the Covid-19 pandemic affects TfGM's analysis, and the key conclusions, in the Assessment, and any changes arising from the previous consultation.

The purpose of this consultation is to allow you to provide your views on the Assessment in the light of the Report across the five cases in the Assessment, on the Proposed Franchising Scheme in the light of it, and on whether or not the Mayor should make such a scheme.

The results of this consultation, combined with the previous consultation, will inform any decision on whether to implement a franchising scheme. The final decision rests with the Mayor of Greater Manchester.

Details of where to find the documents referenced in this section are included on page 5.



## 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**

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## Greater Manchester Strategy and Transport Strategy 2040

GMCA 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, explains our ambitions for the future of the city-region and the 2.8m who live in the towns, cities, communities and neighbourhoods that make up Greater Manchester.

Even though Covid-19 has been harmful to both our health and our economy, it has brought some benefits. Neighbourhoods, communities and towns across Greater Manchester have experienced lower traffic and cleaner air, and some workers have been able to embrace flexible working. GMCA wants its transport plans to sustain these benefits and, over the next five years, these plans will focus on supporting recovery from the Covid-19 pandemic at the same as tackling climate change, improving air quality, tackling social exclusion and helping to deliver expected housing and employment growth.

The Our Network vision, launched in June 2019, aligned to the Greater Manchester's Transport Strategy 2040 ("the 2040 Strategy"), is the city-region's long-term plan for transport and underpins Greater Manchester's ambitions to become one of the best places in the world to grow up, get on and grow old. This sets out GMCA's transport ambitions for an integrated, simple and convenient London-style transport system; allowing people to change easily between different modes of transport with simple, affordable ticketing and an aspiration for a daily price cap on fares across different transport modes.

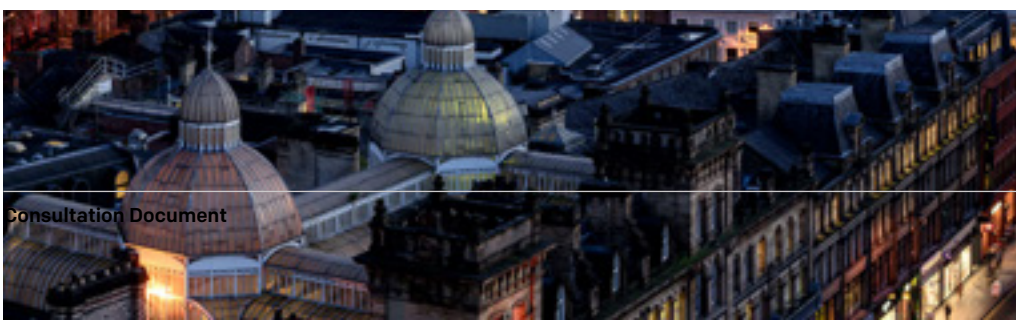
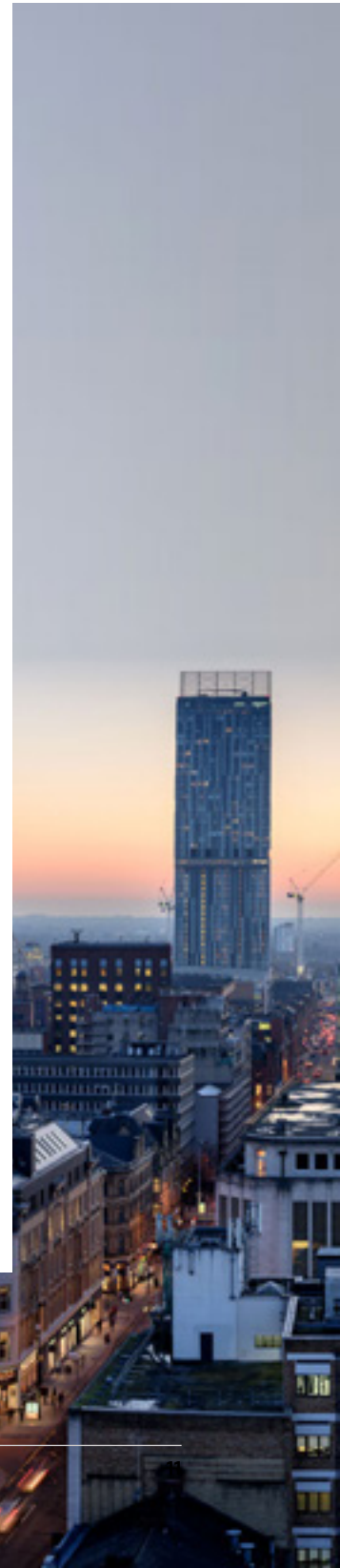
World-class connectivity is central to our ambitions for Greater Manchester so that everyone can get to where they need to go. To deliver the 2040 Strategy, 50% of all journeys in the city-region will need to be made by foot, bike and public transport (including bus) by 2040.

The 2040 Strategy will be underpinned by a series of Five-Year Transport Delivery Plans, which set out the actions we want to take to achieve the transport ambitions of GMCA and the Mayor.

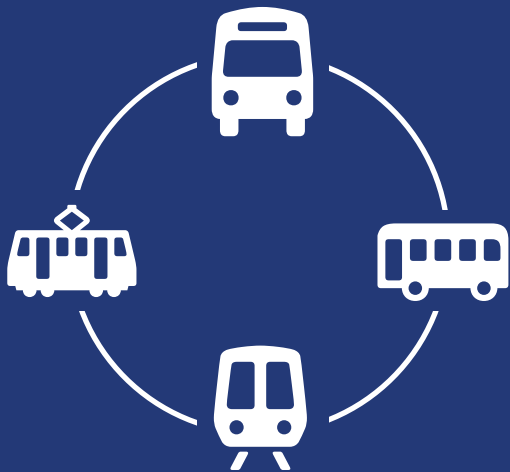
GMCA's Vision for Bus is a key part of these plans. It is a vision for:

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

Both the Assessment and the Report take as their starting point the ambitions set out in the 2040 Strategy.



## GMCA's Vision for Bus is...



**Network  
integration**



**A simplified and  
integrated fares system**



**A consistent  
customer experience**



**Value for  
money**

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**Greater Manchester Combined Authority (GMCA)** is made up of the ten Greater Manchester local authorities and the Greater Manchester Mayor (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 make decisions about public transport policies, strategies and funding. GMCA is responsible for making certain decisions under that and other Acts, including some decisions on bus franchising.



**Transport for Greater Manchester (TfGM)** is Greater Manchester's Passenger Transport Executive, the public body responsible for securing the provision of such passenger transport services as GMCA considers appropriate. It is responsible for coordinating the Greater Manchester Transport Strategy 2040 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 GMCA, which is made up of the 10 Greater Manchester local authorities and the GM Mayor. TfGM prepared the Assessment and the Report 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 Transport Act 2000 to decide whether or not to implement a franchising scheme.

**ANDY BURNHAM**  
**MAYOR OF**  
**GREATER**  
**MANCHESTER**





## Buses in Greater Manchester

Buses are a vital part of Greater Manchester's public transport network. 75% of public transport journeys made in Greater Manchester before and during the pandemic are by bus, and they continue to be a critical link to jobs and essential services for some of our poorer communities.

Since 1986 bus services in Greater Manchester have been deregulated. This 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.



## 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.



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## **Public sector funding and the impact of Covid-19 on buses in Greater Manchester**

During the Covid-19 pandemic, fewer people have been travelling, and there has been reduced capacity on the network due to social distancing, which has led to significant changes to the city-region's bus network and services.

Whilst the number of people using buses reduced to around 27% of pre-Covid-19 levels between the start of the pandemic and June 2020, by the end of October 2020 it had risen again to around 60% of pre-Covid-19 levels. This demonstrates how important buses are for Greater Manchester, for example in how key workers have relied upon bus services to get to work and to support the response to and recovery from Covid-19.

Public subsidy has maintained Greater Manchester's bus network throughout the pandemic. This includes ongoing revenue funding for subsidised services (c.£3m per month) and concessionary fares (c.£4m per month) as well as emergency funding. For the period March 2020 to end of September 2020 emergency funding of £33.6m has been provided to the operators by central Government.

Before Covid-19, public investment in the bus network included over £250m in infrastructure (such as bus priority measures, stations and interchanges) since 2014, as well as providing ongoing revenue funding which is currently up to £86.2m per annum for subsidised services and concessionary fares and £16m per annum for fuel duty rebates.

It is likely that additional public funding will need to continue for some time and that there may also be further changes to the bus network and services. In the longer term, whilst services are likely to continue to recover as the economy recovers, and restrictions reduce, the timing and extent of this continue to be in doubt.





## Covid-19 Bus Franchising Impact Report: Executive Summary

This section summarises some of the key findings of the Report, including:

- TfGM's approach to using 'Scenarios' to understand how the conclusions of the Assessment could be impacted by Covid-19
- How Covid-19 could impact the Strategic, Economic and Financial Cases of the Assessment
- What Covid-19 could mean for GMCA's approach to funding and whether the Proposed Franchising Scheme remains affordable.

The Report considers the potential impact and effects of Covid-19 on the bus market in Greater Manchester, how they may affect the key conclusions of the Assessment and GMCA's proposals for franchising. Further details about the Report findings are set out in section 2 of this document.

Due to the uncertainty about the long-term impact of Covid-19, the Report uses four different Scenarios – developed by TfGM as part of a wider response to the pandemic – to consider how bus services and the city-region's transport plans and priorities could be affected.

These Scenarios illustrate a wide range of outcomes for transport and how people might travel in future. However, not all of these Scenarios are equally likely to happen.

The four Scenarios have helped TfGM to review the impact of transport in the future and take into account two main factors:

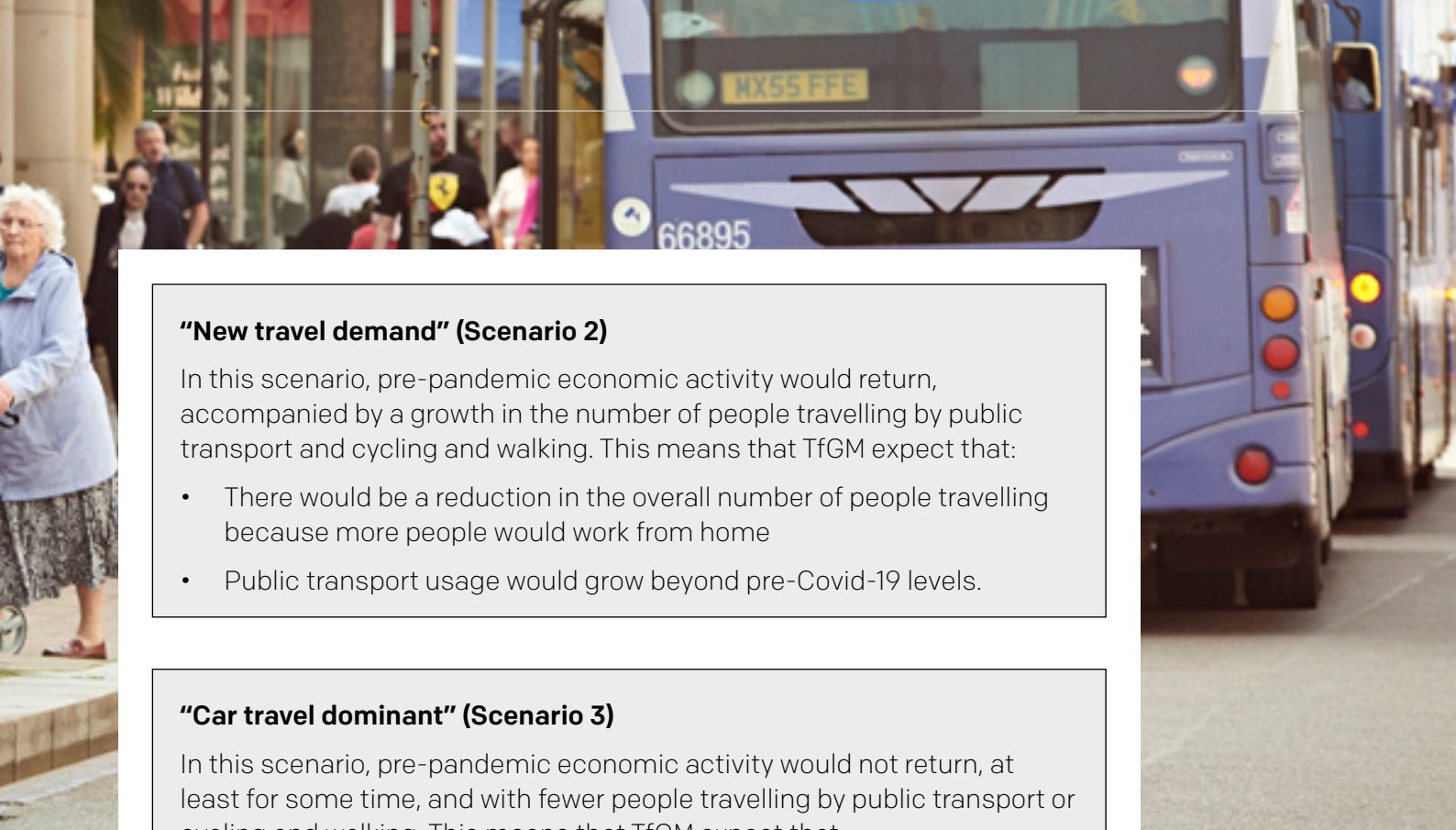
- a) the time that it takes for the Greater Manchester economy to recover and then grow further, and
- b) the rate at which people choose to travel by public transport.

A summary of the four Scenarios based on different combinations of (a) and (b) and their likely impact on transport and how people could travel is outlined in the following boxes.

### **"Back to Normality" (Scenario 1)**

In this scenario, pre-pandemic economic activity would return but with a lower likelihood of travel by public transport and cycling and walking. This means that TfGM expect that:

- Travel demand would return as Government restrictions are lifted, with some reduced travel to work but more people travelling for leisure
- Car travel would increase slowly to reach new highs after five years.



### **“New travel demand” (Scenario 2)**

In this scenario, pre-pandemic economic activity would return, accompanied by a growth in the number of people travelling by public transport and cycling and walking. This means that TfGM expect that:

- There would be a reduction in the overall number of people travelling because more people would work from home
- Public transport usage would grow beyond pre-Covid-19 levels.

### **“Car travel dominant” (Scenario 3)**

In this scenario, pre-pandemic economic activity would not return, at least for some time, and with fewer people travelling by public transport or cycling and walking. This means that TfGM expect that:

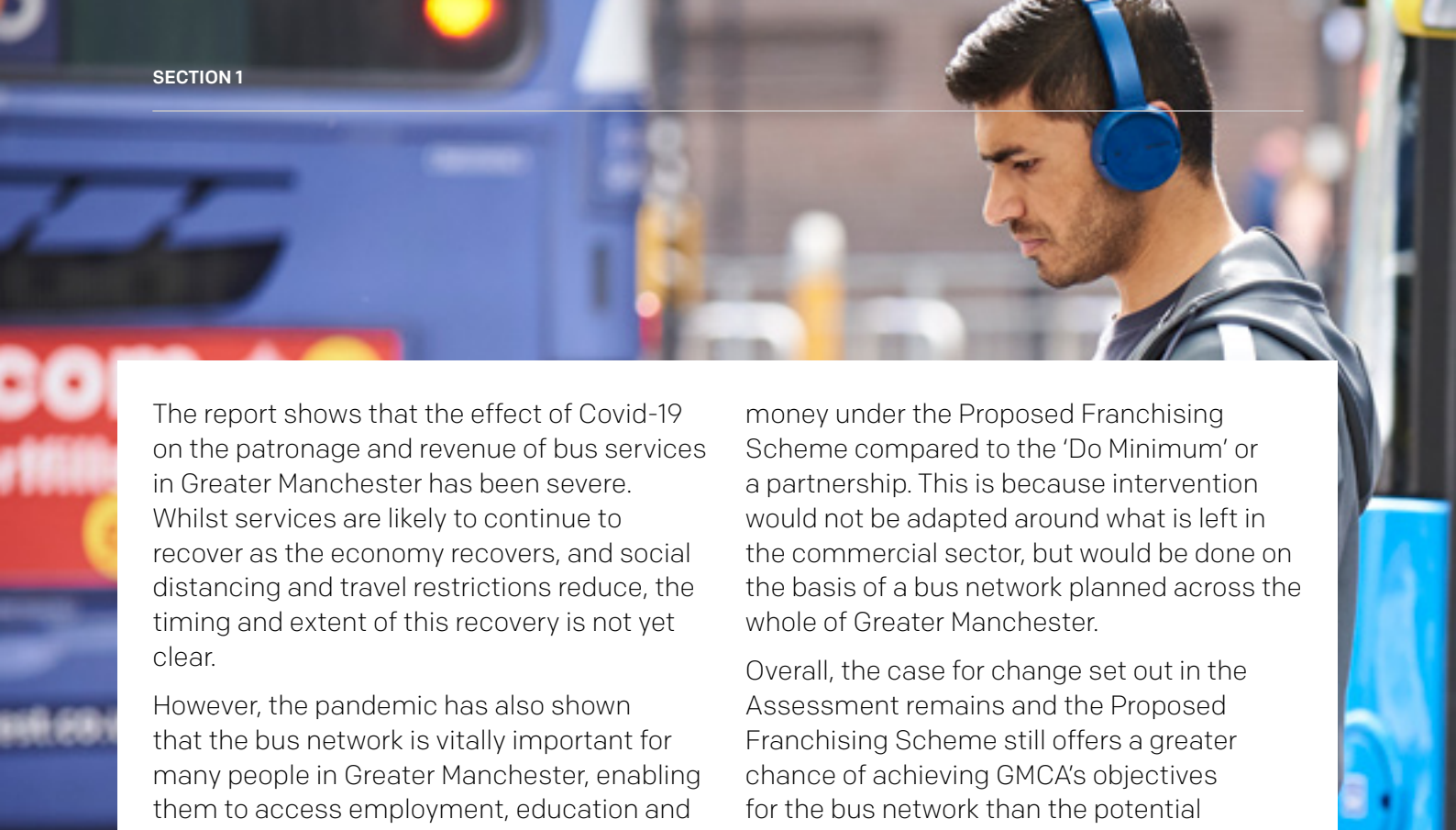
- The decline in public transport travel would continue alongside lower economic activity
- Private car travel would increase as a proportion of total travel and exceed pre-Covid-19 levels after five years.

### **“Poorer and more local” (Scenario 4)**

In this scenario, pre-pandemic economic activity would not return, at least for some time, but there would be a growth in the proportion of travel by public transport or cycling and walking. This means that TfGM expect that:

- Public transport travel would remain lower than pre-pandemic, replaced by more home-working and a greater take up of cycling and walking
- Car-use would also remain lower than pre-pandemic, reduced by a weak economy.

Having compared the options under these four Scenarios, the Report finds that the Proposed Franchising Scheme is still the best option to deliver GMCA's objectives for the bus network and achieve Greater Manchester's long-term ambition for a fully integrated public transport system. This is compared to leaving buses organised as they are now (the 'Do Minimum' option) or a partnership with bus operators.



The report shows that the effect of Covid-19 on the patronage and revenue of bus services in Greater Manchester has been severe. Whilst services are likely to continue to recover as the economy recovers, and social distancing and travel restrictions reduce, the timing and extent of this recovery is not yet clear.

However, the pandemic has also shown that the bus network is vitally important for many people in Greater Manchester, enabling them to access employment, education and essential services. This is recognised by the significant central and local government support provided to keep buses running. If bus patronage continues to be low either in general or in certain parts of Greater Manchester, there will be threats to individual services as they become less commercially viable, and there is a likelihood that the bus network will reduce further.

If the bus network did reduce further, it would leave people without travel options, or only more expensive travel options, particularly the third of households in Greater Manchester without a car.


As a result, GMCA would need to intervene more to support the market so that people in Greater Manchester could access bus services. This would happen whether or not franchising is introduced. As set out in the Assessment, the Proposed Franchising Scheme would give GMCA the opportunity to support the whole bus service and to gain the advantages of integrated network planning, simplified and integrated fares and improved customer service through a single point of contact and unified information. An intervention to support the market so that people in Greater Manchester could access bus services would also be better value for

money under the Proposed Franchising Scheme compared to the 'Do Minimum' or a partnership. This is because intervention would not be adapted around what is left in the commercial sector, but would be done on the basis of a bus network planned across the whole of Greater Manchester.

Overall, the case for change set out in the Assessment remains and the Proposed Franchising Scheme still offers a greater chance of achieving GMCA's objectives for the bus network than the potential partnership option in Greater Manchester under the different Scenarios. The Proposed Franchising Scheme remains the only option that would enable Greater Manchester to get the full benefit of an integrated transport system. It also still offers more scope for introducing additional measures over time that would improve bus services, and provide greater value for money when doing so than the partnership option.

The Report reviews the robustness of the economic appraisal in the Assessment against the Scenarios in terms of potential changes to patronage, associated changes in implementation costs and the achievement of benefits. This review finds that, when allowing for these factors, the Proposed Franchising Scheme would be likely to offer high value for money and better net economic benefits than the alternatives. The analysis was designed to include 'worst-case scenarios' (or downside tests), including the outlier Scenario 3, which is the scenario the report found least likely to occur. This shows there are risks that some of the benefits of franchising would be harder to achieve in these circumstances; and pressure would increase on GMCA to intervene more to support the market so that people in Greater





Manchester could access bus services. However, this would also be likely under any anticipated partnership under Scenario 3. Therefore, on balance, although the Proposed Franchising Scheme involves GMCA more directly in additional financial risks, it remains preferable to partnership as the overall net benefits are likely to remain higher and more deliverable than a partnership, particularly given it is not clear what, if any, partnership options are available.

In relation to finance and funding, the Report concludes that the Proposed Franchising Scheme remains affordable. It confirms that the sources of funding which were included in GMCA's preferred funding strategy for transition period, which total £134.5m, remain available for the Mayor, GMCA and local authorities to prioritise to bus reform over a transition period to 2025/26 if they wish to do so. These sources of funds are:

- an allocation of 'earn back' funding provided from Greater Manchester's devolution agreement with central government
- a one-off contribution from the Local Authorities of Greater Manchester
- a requirement from the mayoral precept.

These resources are intended to cover the transition to a fully franchised bus network across the whole of Greater Manchester and include acquisition of assets such as depots and ticketing systems, as well as provide an allowance to manage risks.

The Report identifies that there is now greater uncertainty as a result of Covid-19 than there was at the time of preparing the Assessment. This uncertainty could impact future bus demand and therefore the money

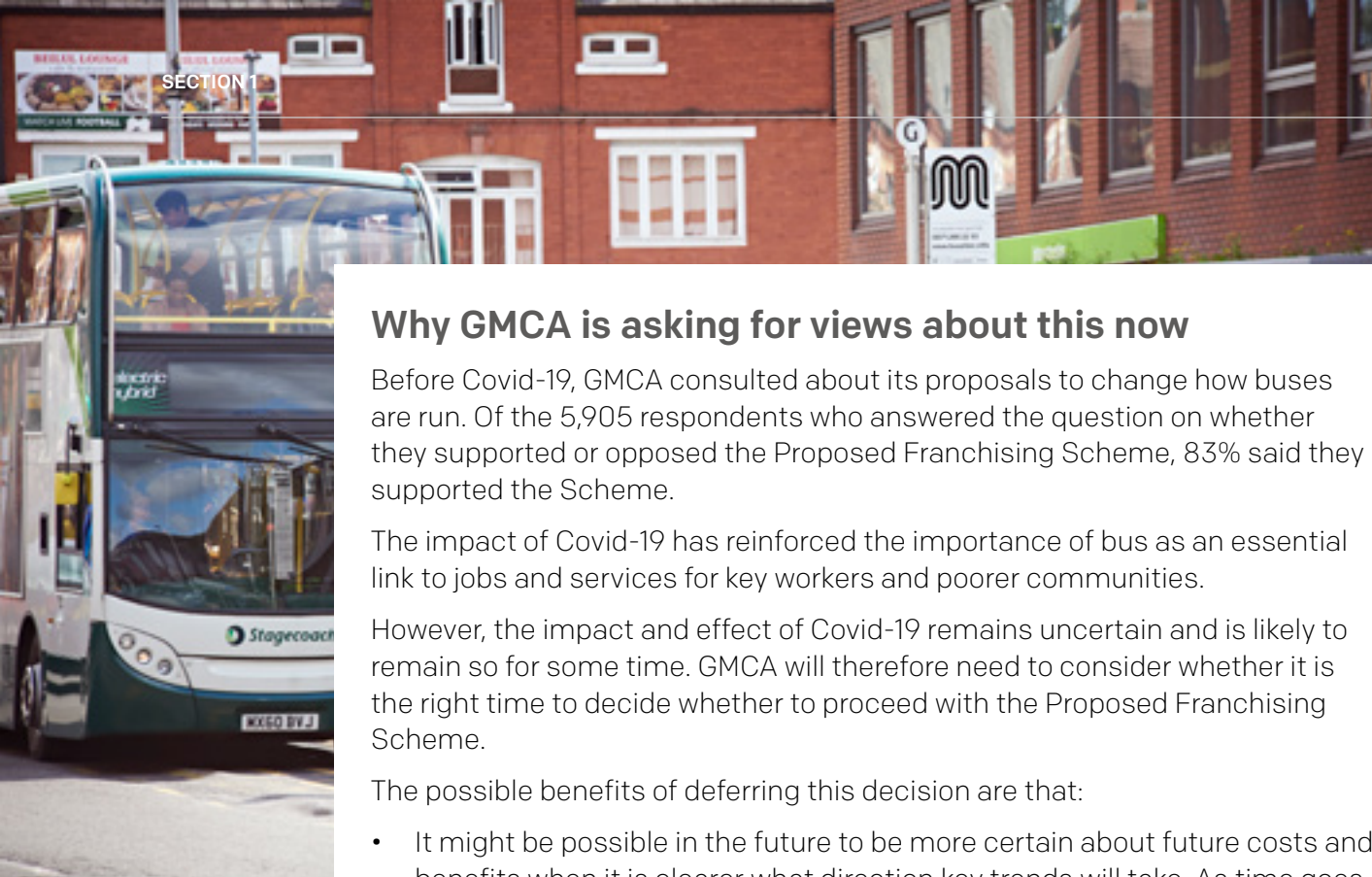
that GMCA would receive from fares. If franchising is introduced, it would mean more of the financial responsibility for – and the financial risks associated with – the provision of bus services would belong to GMCA and the public sector.

In the event that bus revenues and net revenues were lower than forecast in the Assessment, GMCA would need to consider further mitigations and/or funding sources in order for the Proposed Franchising Scheme to remain affordable. These mitigation options build upon the Assessment, but the scale of any or all of the options may need to change. These mitigations could include:

- Paying concessionary reimbursement based on actual usage as opposed to pre-Covid-19 levels
- Reducing transition costs
- Using other sources of funding available to GMCA, and
- Making reductions to the network.

Further information on the mitigations identified can be found in section 5 of the Report.

The Report sets out that as a result of Covid-19, central Government is providing additional funding support for bus services. It is not certain that this additional financial support will continue to be available. GMCA continues to engage with Government about additional, longer term, more sustainable funding options for both transport services and transport infrastructure. If this funding was available to GMCA, then, depending on the amount, it may supplement any local contribution including council tax/precept requirements.



## Why GMCA is asking for views about this now

Before Covid-19, GMCA consulted about its proposals to change how buses are run. Of the 5,905 respondents who answered the question on whether they supported or opposed the Proposed Franchising Scheme, 83% said they supported the Scheme.

The impact of Covid-19 has reinforced the importance of bus as an essential link to jobs and services for key workers and poorer communities.

However, the impact and effect of Covid-19 remains uncertain and is likely to remain so for some time. GMCA will therefore need to consider whether it is the right time to decide whether to proceed with the Proposed Franchising Scheme.

The possible benefits of deferring this decision are that:

- It might be possible in the future to be more certain about future costs and benefits when it is clearer what direction key trends will take. As time goes on there will be less uncertainty about the impacts of Covid-19. However, effects on the bus market are likely to be longer lasting than the Covid-19 pandemic itself. The Department for Transport (DfT) could produce further guidance on a scenario approach to transport planning at some point next year. TfGM has been involved in discussions with DfT on this guidance and consider that the approach taken to the application of scenario analysis in the Report will align with the guidance once published
- Bus operators may be able to provide a better indication of what partnership they may be prepared to offer, but they have indicated it won't be before spring 2021 and it is not clear what level of certainty might then be offered.

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There are a number of reasons why a decision should not be deferred:

- The Assessment concluded that there was a need to address the challenges facing the bus market in Greater Manchester with urgency. These challenges the bus market faces have not disappeared but may have increased under Covid-19
- There is potential for increased car travel and therefore increased congestion. This would hamper economic growth, causing greater delay to different bus routes, and worsening air quality in some of the future scenarios. To defer a decision about how buses are run in future has the potential to damage GMCA's objectives of promoting sustainable modes of transport
- To defer a decision on whether to proceed with the Proposed Franchising Scheme would mean that GMCA would potentially have less ability to intervene to support the transport system during a period when the economic recovery is still going on. If a decision is not made, GMCA would continue to support the bus network through subsidised services. If Government reduces or stops funding while fewer people are travelling, bus operators would need to seek additional funding elsewhere. If this happens, it is likely to mean a reduction in services, increased fares and an increase in the price/fares of tendered services. This would increase the pressure and need for GMCA to fund a greater proportion of services to avoid the risk of more services being cut. This could impact on poorer and more vulnerable people in particular.

As it is likely that GMCA will be required to invest further funding into the bus market in Greater Manchester – whether the Proposed Franchising Scheme is made or not – it is considered that a decision about how buses are run should be made sooner rather than later.







# Consultation questions and supporting information

## Introduction

- 2.1 The consultation questions with the supporting information you need to respond to them are set out below.
- 2.2 You will find the consultation questions at the end of each section to which they apply. It is important that you read all the relevant information before responding. We have included some references to help you find the information that you might need. For a full list of consultation questions, please see Appendix 1 of this document. Details of all of the ways that you can respond are set out in section 1 on page 6.
- 2.3 The information below includes a summary of the overall conclusions of the Covid-19 Impact on Bus Franchising Report (the Report), which considers the potential impact and effects of Covid-19 on the bus market in Greater Manchester and how they may affect the key conclusions of the Assessment and the recommendation that franchising is the best option for reforming the bus market in Greater Manchester. A brief overview of the Assessment and Proposed Franchising Scheme, including a short explanation of the options against which the Proposed Franchising Scheme was compared in the Assessment, is included below by way of background. Short summaries of what the Assessment says are included in the sections on each of the five cases (Strategic, Economic, Commercial, Financial, and Management) below.
- 2.4 The remainder of this section sets out:
- The effects that Covid-19 has had on the bus market in Greater Manchester
  - Potential future scenarios for travel in Greater Manchester and the effects on the bus market (the Scenarios)
  - How Covid-19 and the Scenarios may affect:
    - The case for change set out in the Strategic Case in the Assessment, and the conclusion that the Proposed Franchising Scheme would be the best option to achieve GMCA's objectives
    - The conclusion set out in the Economic Case in the Assessment that the Proposed Franchising Scheme would be good value for money
    - The considerations set out in the Commercial Case in the Assessment on the commercial strategy for implementing the Proposed Franchising Scheme, and the conclusion that it could be successfully procured
    - The conclusion set out in the Financial Case in the Assessment that the Proposed Franchising Scheme would be affordable
    - The considerations set out in the Management Case in the Assessment on the implementation of the Proposed Franchising Scheme and the conclusion that this could be managed successfully
    - The impacts that the Proposed Franchising Scheme, and the other options, may have on passengers, operators, GMCA and wider society

- The Proposed Franchising Scheme and the conclusion that no modifications to the Proposed Franchising Scheme are required at this stage beyond those that the GMCA already contemplated
    - The partnership options considered in the Assessment and those put forward by operators during the previous consultation (described within each of the Cases).
  - A conclusion on the effect of Covid-19 on the previous recommendation that the Proposed Franchising Scheme should be implemented.
- 2.5 The section concludes with the following sub-sections which were not included in the Report:
- Independent assurance review conclusion on the approach taken by TfGM in preparing the Report
  - Whether this is the right time to proceed with the Proposed Franchising Scheme (which formed part of the report to GMCA in November 2020).
- 2.6 Where 'the Act' is referred to below, this relates to the Transport Act 2000 (as amended by the Bus Services Act 2017).



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## Overview of the Assessment and the Proposed Franchising Scheme

- 2.7 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. The Assessment was prepared in accordance with the process set out in the Act that must be followed to make a statutory change to the way buses in Greater Manchester are run.
- 2.8 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 (the Assessment). That Assessment was completed in June 2019, along with 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 be reviewed, as also required by the Act.
- 2.9 The Act required the Assessment to:
- Describe the effects that the Proposed Franchising Scheme is likely to produce and to compare the Proposed Franchising Scheme to one or more other options
  - Consider how the Proposed Franchising Scheme would contribute to the implementation of local transport policies of GMCA and 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
  - Consider whether the Proposed Franchising Scheme would represent value for money
  - Consider whether GMCA would be likely to be able to secure the provision of services under the Proposed Franchising Scheme through local service contracts (or ‘franchise contracts’).
- 2.10 The Assessment compared 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. The first partnership option reflected propositions that had been discussed with the operators, incorporating the consolidated proposal put forward by operators and outputs of ongoing dialogue (the Operator Proposed Partnership). The second option was developed by TfGM because a partnership could theoretically deliver more than the Operator Proposed Partnership. This partnership was developed to better inform decision-making (the Ambitious Partnership).
  - The Proposed Franchising Scheme – the GMCA would control bus services in Greater Manchester and TfGM would award franchise contracts to run local bus services on GMCA’s behalf, setting routes, timetables, fares and standards, for which bus companies would competitively bid for contracts to run services on GMCA’s behalf.

- 2.11 As required by the Act, the Proposed Franchising Scheme itself provides the technical and practical details of how it is proposed that bus franchising would work. It also provides for a timetable to be set for moving from the current deregulated bus market to a fully franchised system (which is known as transition). A copy of the Proposed Franchising Scheme is attached to this document at Appendix 3.

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## How the options were considered in the previous consultation

2.12 During the previous consultation feedback was sought on the options considered in the Assessment. This included the Proposed Franchising Scheme and the two forms of partnership described above. To summarise the findings of TfGM's report on the outcome of the previous consultation (the Consultation Report) in relation to those options:

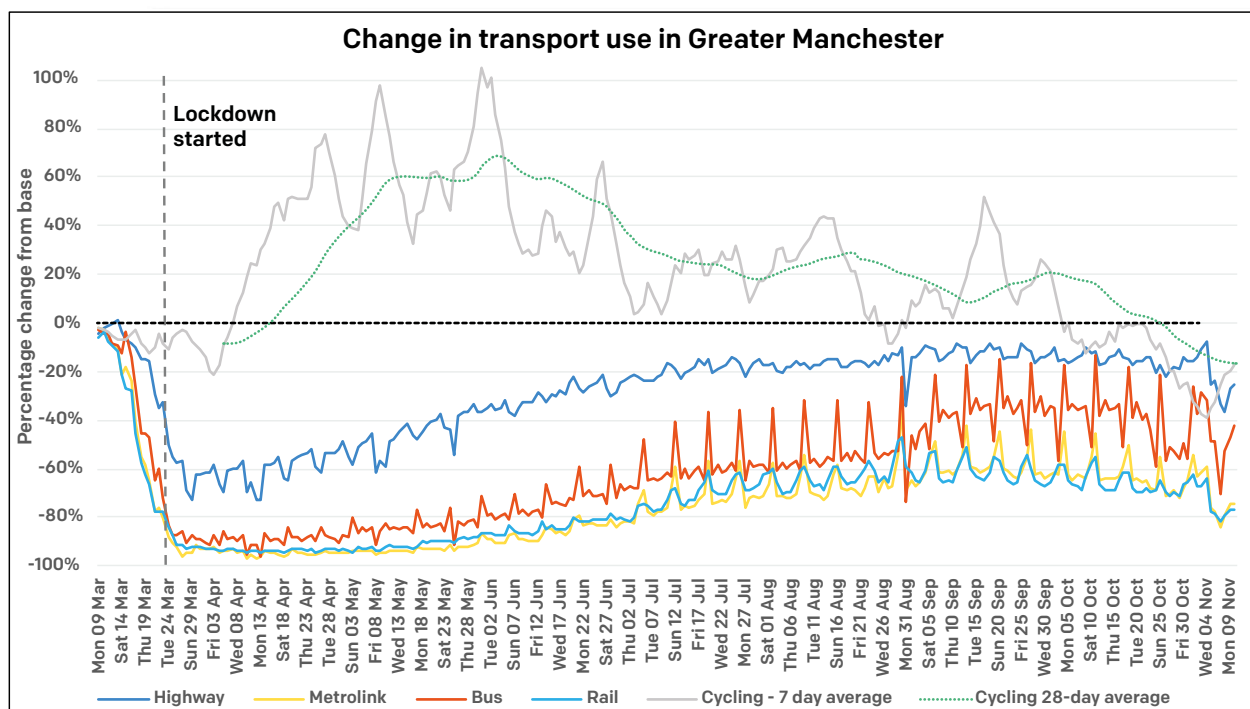
- Partnership – as part of their consultation responses alternative partnership proposals were put forward by operators. This included First, Stagecoach and OneBus (being the organisation representing Greater Manchester bus operators). Further information on those options can be found in sections 9, 10 and 11 of the Consultation Report. A summary of those options following the previous consultation and the Report is as follows:
  - As part of their response to the consultation, OneBus, Stagecoach and First all put forward alternative partnership proposals. OneBus submitted their 'Partnership Plus' offer where operators confirmed their preference for a VPA (Voluntary Partnership Agreement) and confirmed they would not want to enter into an Enhanced Partnership Scheme. Stagecoach submitted a 'South Manchester Partnership Proposition' which details their proposal to run a partnership in the South of Greater Manchester alongside franchising in the North of Greater Manchester, should GMCA decide to pursue franchising in the North. First Manchester submitted a letter which set out their proposal to adopt a 'Local Partnership', being a pilot-based approach for both franchising and a partnership in specific but undefined areas of Greater Manchester.
  - The Consultation Report found that the Partnership Plus proposal did not represent a significant improvement on the Ambitious Partnership that was considered in the Assessment, offering some measures not considered under the ambitious partnership, but also being less ambitious in other areas. The other partnership proposals from Stagecoach and First were not considered to be superior, especially as they created a set of complex coordination and branding issues associated with having competing franchising and partnership networks.
  - In their recent correspondence as part of the Report, operators did not specifically refer to their commitment to a potential for a freeze in the price of a multi-operator ticket. Given the likely cost of this commitment, it is reasonable to assume that this (along with other commitments involving spending, such as accelerated fleet renewal) might be at greater risk than some of the other commitments. The nature of commitments to asset renewal under Partnership Plus, relating to both their commitment to provide thirty extra vehicles during the period of the partnership and also to transition their fleet to greener vehicles, were not binding on operators and so were not considered to be of great benefit to Greater Manchester. It is likely that one result of the Covid-19 pandemic has been to delay investment plans, and this may affect operators' ability to invest in new vehicles. This is supported by the various public statements on suspending or deferring capital investment in the short and medium term that operators have made in light of the Covid-19 pandemic.
  - These responses received from OneBus, Rotala, Stagecoach and First indicate that any revenue-related commitments made in the partnership proposals cannot now be relied upon in light of Covid-19.

- The Proposed Franchising Scheme – consultees were asked to comment on the individual aspects of the Proposed Franchising Scheme. The Consultation Report recommended that some modifications to the Proposed Franchising Scheme ought to be made to take into account some of the consultation responses. Further information about the findings of the Consultation Report and those changes can be found in section 13 of the Consultation Report. The Report, as summarised in the section on The Proposed Franchising Scheme below, considers whether any further modifications other than those previously recommended by the Consultation Report are needed in light of Covid-19.

## The effects of Covid-19 on the bus market

- 2.13 Following the imposition of social distancing rules in March 2020 and choices made by passengers concerned about their wellbeing, patronage across all modes of travel in Greater Manchester reduced drastically, as shown in Chart 1. As rules relaxed and the impact of the pandemic lessened, there was a gradual return of patronage on bus and tram. As social distancing is more difficult on public transport, car travel has returned to a greater extent than public transport.

Chart 1: Change in transport use in Greater Manchester, March–November 2020



- 2.14 Public transport has relied heavily on Government subsidy in order to continue to operate effectively, as the reduction in patronage has significantly reduced revenues. As directed by Government, concession payments have been maintained at pre-Covid-19 levels. The Covid-19 Bus Services Support Grant (CBSSG) provided additional temporary funding for the bus industry nationally, in addition to the increased amounts of Bus Service Operators' Grant (BSOG) to pre-Covid-19 levels. The scheme is subject to monthly reviews by the Department for Transport (DfT) and HM Treasury.
- 2.15 Bus operators have reported losses or lower profitability and pointed to the impact of Covid-19 on their businesses, warning of the potential effects of the reduction in patronage in the longer term. As a result, across the bus industry, investment in vehicles and other areas has largely been put hold.

## The Scenarios

- 2.16 To help make informed decisions across different aspects of travel, not just bus reform, TfGM has taken a scenario-based approach as set out in Section 1. Not all of these scenarios are equally likely to occur, but it is helpful for decision-makers to be aware of what the market might look like in the future. None of these scenarios is likely to be exactly what happens to travel and the bus network, but they help to illustrate the range of potential outcomes to 2026 that should be considered when deciding whether to proceed with the proposal to franchise bus services in Greater Manchester.
- 2.17 Whilst there are many factors that affect the bus market, to give a useful range of outcomes, the Scenarios reflect the potential outcomes of two important trends:
- the pace and nature of the economic recovery, and the associated changes to employment and travel that would occur
  - social attitudes to public transport and employment (for instance where people choose or are able to work).
- 2.18 This creates four potential future Scenarios, which are characterised by different social and economic circumstances and which are likely to have different outcomes in terms of bus patronage.

### Scenarios

As set out in Section 1, a **scenario-based approach** is used to consider the extent to which conclusions in the Assessment of the Proposed Franchising Scheme remain valid. The four Scenarios are summarised below.

There are two **‘central’ Scenarios** where bus use approaches, but does not fully recover to previous levels as follows:

- **Scenario 1:** travel demand returns due to a strong V-shaped recovery but with a slight shift to car
- **Scenario 4:** there is weaker rate of economic recovery, but greater active and local travel means bus demand does recover progressively.

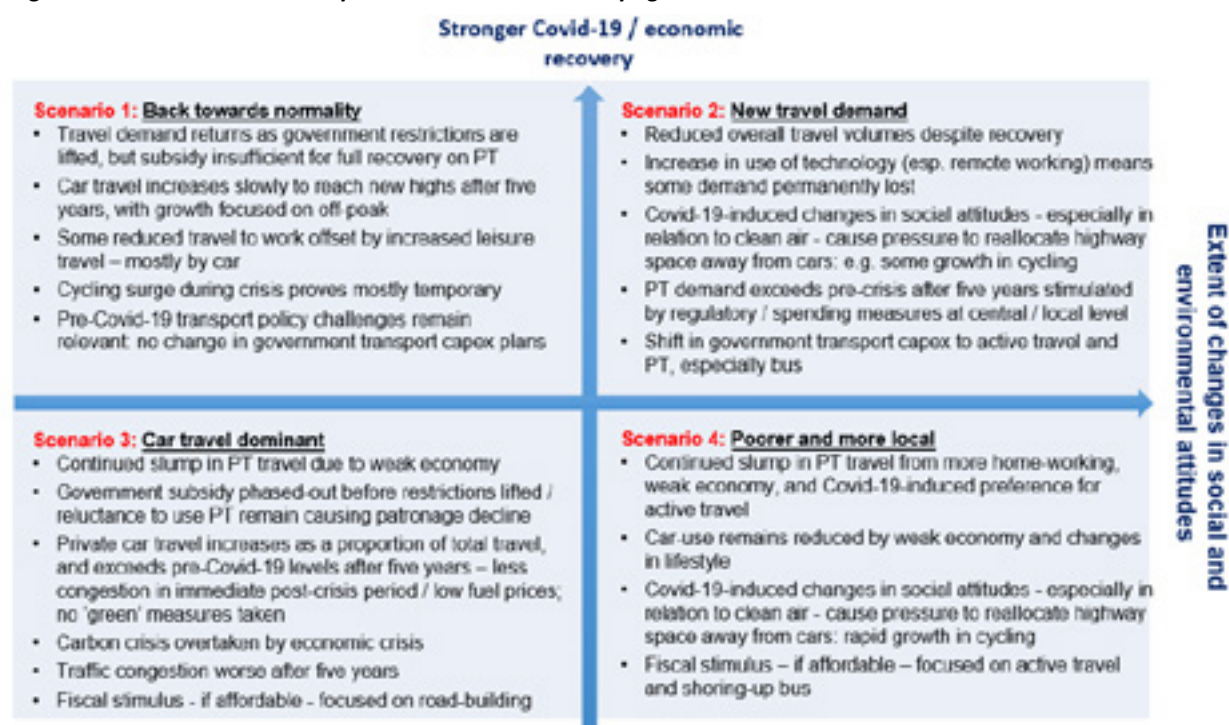
Two **‘outlier’ Scenarios** that are now considered less likely were developed to test a very optimistic and very pessimistic outcome as follows:

- **Scenario 2 (most optimistic):** leads to an increase in bus use compared with pre-Covid-19 levels due to public attitude shifting to more sustainable journeys and ensuring ongoing increased Government funding to promote public transport
- **Scenario 3 (most pessimistic):** there is a weak economic recovery, a strong shift to car usage, and Government subsidy to public transport reduces, leading to even greater decline than anticipated in the Do Minimum option in the Assessment.



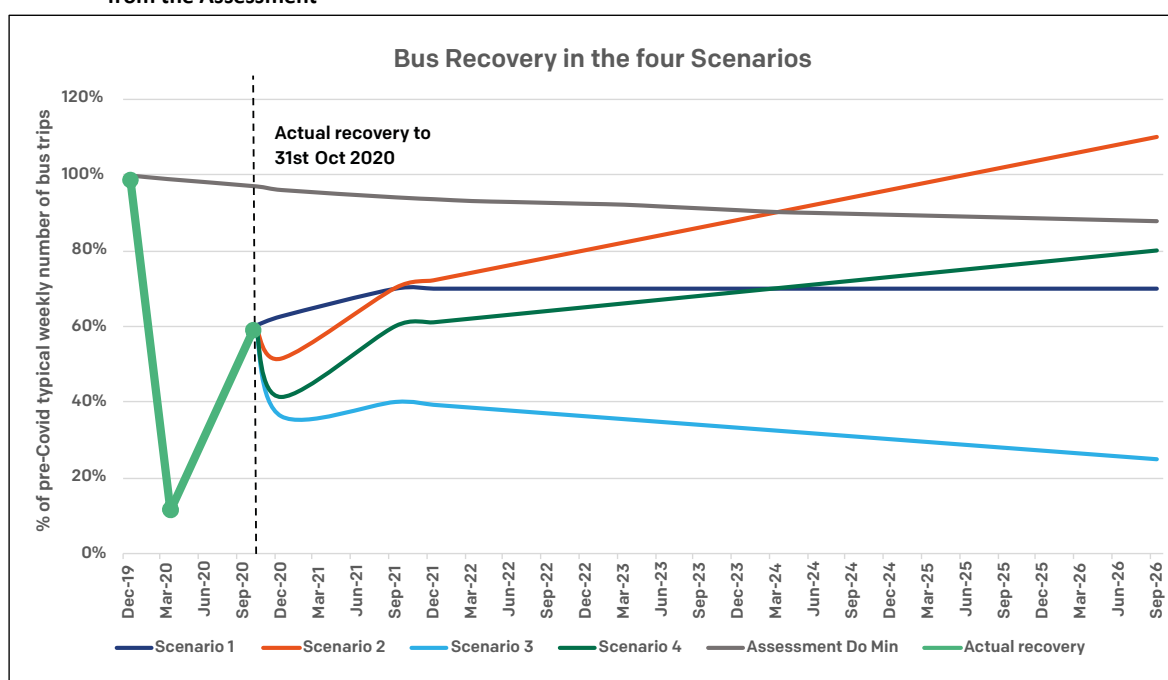
2.19 Figure 1 below summarises the characteristics of the Scenarios in more detail.

Figure 1: Grid of the four recovery Scenarios and their underlying drivers



2.20 An illustration of how bus patronage may evolve under the different Scenarios is set out below in Chart 2.

Chart 2: Actual bus recovery, bus recovery under the four Scenarios, and the forecast decline in patronage from the Assessment



2.21 Since the Scenarios were initially formulated, developments have meant that the likelihood of the different Scenarios happening has changed. In particular, the recovery of bus (and the fact bus has shown it can rebound quickly following restrictions being lifted) and the continued support for public transport mean that Scenario 3 may be less likely to occur. Also,

there is no sense that Government is not still committed to support for both public transport and the wider economy through schemes such as the furlough scheme, which has been extended until end of March 2021. Furthermore, the lack of a sustained change in attitudes to sustainable transport means that Scenario 2 (showing an increase in bus patronage and all modes of sustainable transport) may also be less likely to occur.

- 2.22 Apart from Scenario 2, an outcome that looked like any of the other Scenarios (1, 3 and 4) would see a weakened bus service in Greater Manchester, particularly by comparison with more expensive modes of travel such as the car. This would have damaging effects on access to education, employment and services for poorer people. The greater this effect, the more this would damage people's life chances and make GMCA's objectives for Greater Manchester harder to achieve. GMCA remains committed to a policy framework and working with Government so as to best avoid any such outcome.

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**Q1: In looking at the effects of the Covid-19 pandemic on the decision about whether or not to implement the Proposed Franchising Scheme, TfGM has used a number of scenarios which illustrate a wide range of potential longer-term outcomes for travel demand in Greater Manchester. Do you have any comments on this scenario-based approach?**

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## **Summary of the findings in the Assessment, the Consultation Report and the Report**

2.23 The sections below set out:

- A summary of the conclusions in the Assessment across the five cases (Strategic, Economic, Commercial, Financial and Management), the impacts on groups, and the Proposed Franchising Scheme
- Where appropriate, a summary of what, if any, changes were made to the five cases, impacts on users and the Proposed Franchising Scheme as a result of the responses to the previous consultation
- A summary of the findings on the impact of Covid-19 on the five cases (Strategic, Economic, Commercial, Financial and Management), the impacts on groups, and the Proposed Franchising Scheme in the report
- The consultation questions related to the impacts of Covid-19 on the five cases, the impacts on groups and on the Proposed Franchising Scheme.

## Strategic Case

### Summary of the Strategic Case in the Assessment

- 2.24 The Strategic Case in the Assessment set out information about the bus market in Greater Manchester, the challenges that it faced, GMCA's objectives for reforming the market to improve it and an assessment of different options for reform. They form four pillars: improving the network, integrating and simplifying fares, improving customer service and ensuring value for money. The objectives are:
- Reach and stability of the bus network
  - Integration and efficiency
  - Quality of service provided
  - Harmful emissions from buses are reduced and CO2 emissions from buses are reduced
  - Integrated and simple fares
  - Fares should offer value for money
  - Account-based smart ticketing introduced as soon as possible
  - Ease of understanding of the bus service is improved
  - Safety of travel is improved
  - Improvement in on-bus experience
  - Value for money for public investment
  - Any market intervention is sustainable in the long term
  - Any market intervention is affordable
- 2.25 It also set out the options available to address these challenges. Three options were shortlisted in the Assessment: the Do Minimum option, a new partnership and the Proposed Franchising Scheme. Under a new partnership two versions were assessed, both covering the whole of Greater Manchester, which illustrated the range of potential outcomes that could be achieved. The first partnership option reflected current propositions that have been discussed with the operators, incorporating the consolidated proposal put forward by operators and the outputs of ongoing dialogue (the Operator Proposed Partnership). The second option was developed by TfGM, because a partnership could theoretically deliver more than the Operator Proposed Partnership, to better inform decision making (the Ambitious Partnership).
- 2.26 The analysis of the options against GMCA's objectives was set out in section 9 of the Assessment. This analysis concluded that the Proposed Franchising Scheme was the best way of achieving these objectives, and would do so to a greater extent than an improved partnership in Greater Manchester.
- 2.27 The Strategic Case concluded 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 Greater Manchester Transport Strategy 2040 (the 2040 Strategy) vision for integrated travel in the city-region.
- 2.28 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.
- 2.29 It also found that 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. The Assessment also considered how effectively the different options would

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support further Phase 2 measures to support the bus service in Greater Manchester. It concluded that the Proposed Franchising Scheme would facilitate more types of intervention and would improve value for money of those interventions when compared to a partnership.

- 2.30 The Proposed Franchising Scheme would mean GMCA could invest in both capital projects and revenue spending, with the confidence they have control of the strategic delivery.
- 2.31 The Assessment also set out the objectives of neighbouring authorities and the extent to which the different options would address these. Whilst the Do Minimum and partnership would have little effect, the Assessment notes that the Proposed Franchising Scheme could affect some commercial cross boundary services, though it would also make fare arrangements easier and that it would be possible to jointly support services.

### **Summary of the impact of Covid-19 on the Strategic Case**

- 2.32 Although the different Scenarios would lead to different outcomes for the bus network in Greater Manchester under any of the options considered in the Assessment – such as a deregulated market with a partnership or a franchised market run by GMCA, there remain critical differences in the extent to which the different options would achieve GMCA's objectives for the bus service.
- 2.33 The analysis set out in the Strategic Case in the Report demonstrates that the fundamental issues affecting the bus service have largely not changed as a result of the Covid-19 pandemic. Some challenges to the service are potentially greater – for example, from demand-responsive transport (such as taxis). However, whilst the context is more challenging, there is no change to the aspects of the bus service that GMCA has the ambition to change. GMCA's objectives for the bus service, improving the network, integrating and simplifying fares, improving customer service and ensuring value for money, are still valid.
- 2.34 The Do Minimum option remains similar to as outlined in the Assessment. GMCA would continue their current efforts to improve the bus network, for instance, through capital investment. Under Scenarios 1, 3 and 4, the impact of Covid-19 threatens GMCA's specific objectives for bus, the broader objectives of the 2040 Strategy and public wellbeing, health and the economy resulting from a decrease in the ability of people in Greater Manchester to travel. Bus plays an important role in recovery as it would allow people to travel to return to work, to seek new employment opportunities or to resume social activities. The situation would be more optimistic under Scenario 2, although there would be a dip in patronage before its eventual recovery. Although Scenarios 2 and 3 can be considered less likely, there is a clear case for intervention in Greater Manchester under all Scenarios to improve the lives of residents and to facilitate the recovery.
- 2.35 As part of the work done on the Report, TfGM has written to the operators regarding their partnership offers made as part of the previous consultation, and the responses indicate that:
- Operators cannot guarantee commitments made pre-pandemic, including those in the OneBus Partnership Plus proposal (put forward during the earlier consultation)
  - Benefits of the Operator Proposed Partnership are now highly uncertain, particularly in relation to fare reductions.
- 2.36 Based on the responses received from operators noted above, it is highly unlikely that operators would still be able to commit to all of the commitments outlined in their partnership proposals received in response to the previous consultation. This means that for the partnership option that can be currently envisaged, it would be likely to achieve less than the Ambitious Partnership, and maybe less than the Operator Proposed Partnership, which included a freeze in the all-operator ticket price.



- 2.37 The Proposed Franchising Scheme remains substantially the same as that considered in the Assessment. Further information can be found in the section on The Proposed Franchising Scheme.
- 2.38 For each of the GMCA's objectives, section 2.3 of the Report finds that the conclusions reached in the Assessment in terms of which intervention would best achieve those objectives stand. Section 2.5 of the Report sets out how the conclusions of the Assessment on how the options compare against the objectives are affected by the Covid-19 pandemic. In terms of the choice of intervention, this analysis shows that the Proposed Franchising Scheme is still likely to perform better in achieving GMCA's objectives for the bus service than a partnership under each of the Scenarios in terms of supporting the bus service in Greater Manchester. A full consideration of how the options compare against the objectives in light of Covid-19 can be found in section 2.5 of the Report. As the Economic Case points out, the value for money of the intervention is affected by the Scenarios, and the value for money of franchising would be lower under Scenario 3, with a severe downturn in the number of passengers on Greater Manchester's buses.
- 2.39 The way the partnership and the Proposed Franchising Scheme affect the objectives of neighbouring authorities remains unchanged. Cross-boundary services may need more public sector support during the recovery from Covid-19 than previously. The Proposed Franchising Scheme is also better able to facilitate further spending on Phase 2 measures to support the bus service, which may become more important in the recovery from Covid-19.

#### **'Phase 2' interventions**

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.

- 2.40 Therefore, the conclusion remains that the Proposed Franchising Scheme would best address GMCA's objectives.

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**Q2: Do you have any comments on the conclusion that the Proposed Franchising Scheme is likely to perform better than the partnership option in achieving GMCA's objectives, notwithstanding Covid-19?**

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## Economic Case

### Summary of the Economic Case in the Assessment

- 2.41 The Economic Case considered the value for money of the potential interventions, looking at their costs to the public purse (including allowances for risk) and their benefits over a 30-year period.
- 2.42 The appraisal assessed impacts to passengers of 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 GMCA.
- 2.43 The level of benefits was set out for each option and then compared against the capital and operating costs to the public purse to derive an understanding of how well each option performed economically.
- 2.44 As Table 1 below shows, the Proposed Franchising Scheme was considered to have an overall economic benefit almost three times higher than that for the Operator Proposed Partnership as measured by Net Present Value - the benefits minus the costs. In other words, the appraisal showed that the Proposed Franchising Scheme performed significantly better in boosting patronage, generating passenger benefit and creating wider economic value for Greater Manchester. In terms of value per pound to achieve these benefits, the Assessment found that both the options had a 'high' benefit-cost ratio rating, with the partnership option performing slightly better in this regard.

**Table 1: Summary of Economic Case results from the Assessment**

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

- 2.45 As set out in section 2.39 above in relation to Phase 2, none of the options were forecast to arrest the decline in bus patronage, and it was considered that further interventions would be likely to be needed to more fully arrest the decline in the market including investment. It was considered that the Proposed Franchising Scheme would create a much stronger platform for this additional investment.

### Summary of the impact of Covid-19 on the Economic Case

- 2.46 The analysis in the Report considers the potential impact and effects of Covid-19 and reviews the extent to which the assumptions underpinning the Proposed Franchising Scheme as set out in the Assessment still hold and whether the Proposed Franchising Scheme would still represent value for money.
- 2.47 The uncertainty due to Covid-19 means that there is potential for structural, rather than simply incremental, changes to the bus market, and that the elasticity-based framework

used to complete the economic appraisal in the Assessment (section 14) is not well-suited to dealing with structural changes in travel behaviour. It has not been possible, therefore, to create a robust single central estimate of the value for money of the Proposed Franchising Scheme with the same level of certainty as in the Assessment.

- 2.48 Scenario planning offers a tool to explore the range of possible alternative futures and hence test the robustness of the assumptions underpinning a proposal. The analysis in the Report, therefore, uses the Scenarios and ‘What If?’ tests to consider the robustness of the Economic Case presented in the Assessment and to consider under what, if any, circumstances the Proposed Franchising Scheme may not offer value for money and how likely this may be.
- 2.49 The ‘What If?’ tests presented in the Report reflect a simple factoring of the appraisal results from the Assessment and look at:
- Rebasing the appraisal to reflect changes to the size of the bus travel demand by:
    - Step 1 – the impact of changes to aggregate benefits due to overall changes in trip-making under the Scenarios
    - Step 2 – the impacts of changes to the implementation costs to scale the options to the revised bus market size
  - And then look at some potential downside tests that consider what level of benefit reduction would be required to conclude that the Proposed Franchising Scheme was not value for money by:
    - Step 3 – changes to the benefits of individual impacts if bus market size reduced, and further analysis of the branding benefit.
- 2.50 Section 3 of the Report considers the implications of the Scenarios for the Economic Case, presents the findings from the ‘What If?’ tests described above and then discusses their implications for the value for money of the Proposed Franchising Scheme. The Report concludes that:
- Covid-19 has added uncertainty to the central Economic Case presented in the Assessment. The ‘What If?’ testing shows that, on balance, there is a level of robustness in the economic appraisal to the Scenarios tested and that the Proposed Franchising Scheme is still the best performing option, because:
    - In the Scenario tests that allow for demand changes and adjustments to implementation costs, the re-based appraisals show, in all but the outlier Scenario 3, that the Proposed Franchising Scheme is still likely to offer at least medium value for money, although, in those additional downside tests in Step 3 in which a significant proportion of the benefits were not realised, its value for money would be low or even poor
    - Whilst an illustrative partnership option is tested, which shows high value for money in most Scenarios, this illustrative partnership option, as in the Assessment, has lower net economic benefit than the Proposed Franchising Scheme. There is considerable uncertainty surrounding the delivery of the benefits from this option when compared with the Assessment, as operators have stated that they can no longer commit to their previous proposals at this time.
  - In Scenario 3, where decline is exacerbated by the assumed early withdrawal of significant proportions of Government funding (which is now considered unlikely), the analysis suggests that the Proposed Franchising Scheme would be poor value for money using the standard transport framework. If such conditions did transpire, however, the problems of market failure in the bus market would be more acute than those previously

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assumed and further economic analysis would be required to reflect sufficiently the role that bus network plays in supporting the economy of Greater Manchester and the value for any money used to support it

- 2.51 Whilst the 'What If?' downside tests, where a significant proportion of the benefits were assumed not to be realised, show that the value for money for the Proposed Franchising Scheme would be low or even poor, the overall conclusion of the analysis confirms that, on balance, the value for money of the Proposed Franchising Scheme is likely to be robust to the uncertainty created by Covid-19 in all reasonably likely scenarios. The Proposed Franchising Scheme also remains preferable to a partnership option as, on balance, the overall net benefits are likely to remain higher and more deliverable, particularly given the considerable uncertainty surrounding what, if any, partnership options are on offer.
- 2.52 The Scenario analysis highlights the importance that the franchise specifications must include suitable uncertainty management strategies to address any resilience issues which may arise in respect to value for money. A consideration of the commercial levers available to TfGM to address these issues is articulated in the Commercial and Management Case sections (sections 4 and 6) of the Report.

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**Q3: Do you have any comments on the consideration of the impact of Covid-19 on the value for money of the Proposed Franchising Scheme and partnership option?**

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## Commercial Case

### Summary of the Commercial Case in the Assessment

- 2.53 The following section sets out an overview of the Commercial Case of the Assessment, which looked at the options from a commercial perspective and assessed their viability.

#### *Franchise model*

- 2.54 The Commercial Case set out the commercial aims for the implementation of the Proposed Franchising Scheme, including driving competition for franchises; creating and sustaining an enduring market; providing flexibility to adapt to changing demand, and enabling access for small and medium-sized operators.
- 2.55 Sections 25 to 27 of the Assessment describe the franchise commercial proposition. It covered 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. It is also summarised below.

#### *Franchise Design*

- Packaging
  - Five to ten 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 2 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 similar to the way they are currently secured by TfGM on behalf of GMCA.
- Franchise Length
  - Large franchise contracts would be let for five years, with an optional two-year extension at GMCA's discretion
  - Small franchise and school contracts would be let for shorter terms of three to five years.
- Risk and Responsibility Allocation
  - Risks and responsibilities would be allocated to the party best able to manage them. This supports value for money and ensures that risks are most efficiently managed on an ongoing basis
  - To best facilitate GMCA gaining greater control of the passenger offer in order to achieve their strategic objectives.

#### *Asset Strategy*

- Depots
  - GMCA would seek to take control of strategic depots and provide these to large franchise operators to remove a key barrier to entry for bidders for these services



- With control over the depot estate, GMCA would also be able to coordinate and consolidate depot capacity across Greater Manchester, managing the specification and quality of the depot assets better
- Provision of depot facilities for small franchise contracts and school contracts would remain the responsibility of their operators. The smaller scale of these facilities means that they were not considered strategic in nature and do not present a material barrier to entry.
- Fleet
  - Operators would continue to own or lease buses
  - GMCA would introduce a residual value (RV) mechanism to guarantee the future value of franchisees' bus fleets at franchise end.
- Intelligent Transport Systems (ITS)
  - GMCA would oversee implementation of common ITS, such as ticketing, vehicle location and driver communications systems, across Greater Manchester to secure efficiencies and a consistent customer experience
  - Other aspects of ITS, such as CCTV, where there is limited benefit from uniformity, would be provided by operators subject to GMCA minimum standards.

#### **Procurement**

- Procurement Strategy
  - Franchises would be initially let under a negotiated procedure to enable flexibility as the procurement process progresses
  - If there were a large number of bidders, a two-stage process would be used. Initial bidders would be assessed through evaluation and scoring of a first stage submission. A refined number of operators would then be invited for detailed dialogue and final bid submissions
  - For procurements under the future process, the strategy may be streamlined, for instance, to omit detailed negotiation.
- Procurement Programme
  - Under the first round of franchising, 10 large franchise contracts would be let in three tranches. An estimated 25 small franchise contracts and the resource-based contracts for schools (c.300 buses) would be let alongside these large franchise contracts.
  - Tranches would be procured sequentially, with the small number of tranches enabling:
    - The benefits of franchising to be achieved faster
    - GMCA to manage transition risk
    - Opportunities for lessons to be learned between tranches.

2.56 The Commercial Case concluded that 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 indicated a high degree of appetite from the operator market
- The franchise model would be deliverable, including during the transition period.

### **Partnership model**

- 2.57 The Commercial Case in the Assessment also considered the partnership models that could be used to deliver the Operator Proposed Partnership and the Ambitious Partnership. Sections 35 to 37 of the Assessment describe the Commercial Case for those partnership options. It set out the key features from a commercial perspective, including process, timescales and performance management.
- 2.58 The Assessment 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 18 months prior to the Assessment being completed
  - 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. The use of an EPS was ruled out by the incumbent Greater Manchester operators who were engaged with OneBus in the partnership discussions with TfGM during the preparation of the Assessment.

### **Partnerships**

**A VPA is a voluntary partnership agreement** under which one or more local transport authorities agree to take action to improve local bus services, for example by providing facilities such as bus priority measures or interchanges. For their part, one or more bus operators agree to provide services of a particular standard. This therefore covers a broad range of potential agreements and/or arrangements relating to delivery of bus services.

**Enhanced partnerships** are a new option under the Act which potentially provide some of the benefits of voluntary partnership agreements, as well as other regulated options such as qualifying agreements between operators, advanced ticketing schemes and quality partnership schemes in a single regulatory scheme (an EPS). As a result, they potentially allow for more significant market change whilst maintaining the existing deregulated bus environment, and therefore provide an opportunity for bus operators and local transport authorities to agree more significant changes to the bus market in an area.

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## Summary of the impact of Covid-19 on the Commercial Case

### *Franchise model*

- 2.59 The Report (see from section 4.2 of the Report) concludes that the franchising commercial proposition would remain largely consistent with that set out in sections 25 to 27 of the Assessment. It therefore meets the commercial aims described in the Assessment of:
- Delivering franchised bus operations that offer high quality of service and value for money
  - Allowing access to the market for small and medium-sized operators.
- 2.60 The flexible nature of the commercial model would enable GMCA to adapt the model to the changing requirements that Covid-19 presents.
- 2.61 In the event of:
- No change to operated mileage (e.g. Scenario 2), there would be no impact on the commercial model in either the steady state or during transition. The commercial proposition described in the Assessment would not be affected
  - A mid-range reduction in operated mileage (e.g. Scenarios 1 and 4), the commercial model may be adapted as follows:
    - Packaging: Any such reduction in operated mileage could be managed by GMCA in two ways:
      - Firstly, a reduction in the number of franchises to maintain franchise economies of scale (e.g. by minimising spare capacity at depots) and preserving the range of franchise sizes previously indicated by the operator market as being attractive
      - Secondly, a reduction in individual franchise sizes where inefficiencies caused by dead mileage (where buses run 'out of service') and/or other factors exceed the benefit of franchise economies of scale.
    - Alternative models of much smaller packages or route-by-route packages were assessed, but these were discounted due to a range of factors: a likely reduced attractiveness to new entrants; that they would not allow GMCA to benefit from the economies of scale; that making network improvements would be more challenging and that there would be an increased number and cost of contractual and operational interfaces to be managed.
    - Risk allocation: in the event that the market's appetite for risk is lower during transition than it was at the time of the Assessment, areas of risk transfer could be modified to mitigate operator exposure and ensure the franchises remained attractive to potential bidders. However, this would only apply during transition, and it is not anticipated that these would materially change the overall risk-and-reward model
    - Depot strategy: Irrespective of any reduction in operated mileage, GMCA would seek to secure control of the 10 strategic depots identified in the Assessment, as failure to do so would:
      - Increase the impact on incumbent operators in the event of otherwise stranded assets
      - increase transition risk from the perspective of both operational continuity and depot capacity.

- Therefore, in the event that the number of large franchises let at transition is less than the number of strategic depots controlled by GMCA, it may result in more than one strategic depot being allocated to a single large franchise during transition
- Procurement strategy: Given the number of potential bidders in the market, and the likely attractiveness of lower risk/ more certain contracting, it is considered that there would still be sufficient market appetite to bid for franchised contracts. However, in the event of reduced bidder appetite, there are changes that could be introduced to the procurement strategy to make it more attractive and strengthen competition by streamlining the bidding process. The ultimate introduction of any of these measures would need to be balanced against the risk that the procurement process is weakened as a consequence.
- With a more significant reduction in operated mileage (e.g. Scenario 3), the commercial model may be adapted as described above in respect of a mid-range reduction in operated mileage, and also as follows:
  - Franchise length: letting of shorter-term franchises during transition to mitigate any potential Covid-19 impacts such as a short-term reduction in operator robustness, or an increased need for GMCA to adapt franchises as the Greater Manchester bus network stabilises. No changes are anticipated in the event of a mid-range reduction in operated mileage (e.g. Scenarios 1 and 4) as this level of change is not considered sufficiently significant to require intervention
  - ITS strategy: the smaller number of interfaces required in the event of a significantly smaller bus network potentially with fewer active operators in the Greater Manchester franchised market, may reduce the risk and complexity such that the relative benefits of common GMCA ITS solutions are reduced or eroded when compared with individual operator solutions. No changes to the approach set out in the Assessment are anticipated in the event of a mid-range reduction in operated mileage (e.g. Scenarios 1 and 4) as this level of change is not considered to sufficiently reduce the risk and complexity necessary to enable the adoption of individual operator solutions.

2.62 The Report concluded that there would be no impact on the following areas of the commercial model in either the steady state or during transition under any of the Scenarios:

- Staff: The proposed key contractual arrangements relating to the transfer of staff under the TUPE Regulations have been considered and would not be impacted by any of the Scenarios
- Fleet: It is expected that, by the steady state, the underlying strength and appetite of the operator market will be largely consistent with that of pre-Covid-19, and therefore the benefits of operator responsibility for provision of fleet remain unchanged. TfGM has also considered the risk that the underlying financial robustness of operators during a period of volatility may impact their ability to raise the capital required to invest in franchise fleet. However, on balance, it is considered that the committed revenues receivable under a franchise contract, combined with the RV mechanism's compensating payment at the end of a franchise term, would be sufficient to secure finance for the required investment in franchise fleet. Similarly, the principles of the RV mechanism facilitating transfer of fleet at franchise expiry remain valid regardless of the size of the Greater Manchester network

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- Procurement programme: Although a significant reduction in operated mileage in the steady state (e.g. Scenario 3), may result in a significantly smaller number of franchises being procured than described in the Assessment, the implementation of the Proposed Franchising Scheme via three tranches would still be appropriate. This is because:
    - The time needed to procure and mobilise franchise tranches means that it would be difficult for GMCA to forecast the future network size prior to the commencement of a procurement in order to simplify the roll-out of sub-areas B and C
    - GMCA would need to formally vary the Proposed Franchising Scheme before any changes could take effect which would eradicate much of the time which GMCA were hoping to save by speeding up the rollout of those areas.

#### ***Partnership model***

- 2.63 The Report concludes that although it is clear that Covid-19 is likely to have an impact on the commitments provided under the various partnership offers (as described above), there is no reason to consider that it would impact the choice of commercial model.
- 2.64 In correspondence from the operators who provided partnership offers, there is no indication that the commercial arrangements in terms of length of partnership, performance management and others would change due to Covid-19. It is not considered that Covid-19 would impact GMCA's commercial arrangements that would support partnership.

#### **Conclusion**

#### ***Franchise Model***

- 2.65 Following the consideration of the potential commercial implications of Covid-19 on the proposed franchise model, the conclusion drawn is that the existing commercial model would continue to:
- Allow the majority of the network to operate under franchised contracts, whilst allowing operators to apply to run cross-boundary and other non-franchised services under service permits
  - Achieve the key commercial aims of delivering franchised bus operations that offer high quality of service and value for money, whilst allowing access to the market for small and medium-sized operators
  - Be accepted by the operator market, and
  - Be deliverable by GMCA, including during the transition period.

#### ***Partnership Model***

- 2.66 The section on the effects on the partnership commercial proposition (see section 4.3 of the Report) covers GMCA's commercial arrangements that would support the way the partnership would be introduced and run. It is not proposed that this would materially change because of Covid-19.

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**Q4: Do you have any comments on the conclusion that the commercial arrangements described in the Assessment for franchising and the partnership option remain appropriate, notwithstanding Covid-19?**

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## Financial Case

### Summary of the Financial Case in the Assessment

#### *Franchising*

- 2.67 The franchising Financial Case is in section 42 of the Assessment. The Financial Case considered whether GMCA would be able to afford the transition to, and to operate, any of the options considered in the Assessment, including the Proposed Franchising Scheme. The Financial Case considered the forecast income, costs and risks of each option and the associated funding requirements.
- 2.68 The Assessment concluded that there would be a forecast net transition funding requirement of £122m for the Proposed Franchising Scheme. Following transition to the end of the appraisal period, there would be a forecast net cumulative surplus of £94m.
- 2.69 The GMCA at its meeting on 7 October 2019 approved a preferred funding strategy for the purposes of the previous consultation, which would fully fund the forecast transition requirement without relying on any future modelled surpluses. In brief, the funding sources and values included in the preferred funding strategy consisted of:
- £78.0 million, in total, of Mayoral earn-back funds provided by central Government as part of Greater Manchester's Devolution Agreement
  - £11.0 million, in total, raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes
  - £17.8 million, in total, of contributions by Local Authorities as a proposed one-off increase in the statutory contribution
  - £5 million, in total, of existing and forecast business rates pooling receipts held by GMCA
  - £22.7 million, in total, of Mayoral precept required from future years' budgets.
- 2.70 These sources total £134.5m which, in addition to funding the net transition requirement of £122m, also prudently included £12.5m of forecast cost escalation over the period relating primarily to concessionary reimbursements.
- 2.71 The future years' precept requirement reflected progressive requirements of a precept per Band D property up to approximately £18.20, in total, by the end of the transition period, phased over a four-year period.
- 2.72 As well as fully funding the transition period, the preferred funding strategy would also provide an additional source of ongoing revenue funding post transition through the proposed Mayoral precept. The Proposed Franchising Scheme was, therefore, considered feasible and affordable.

#### *Partnership*

- 2.73 The partnership Financial Case is in section 43 of the Assessment. The Financial Case forecast a net deficit over the full modelled period of £97.4m for the Operator Proposed Partnership. The Assessment also explained that the distribution of the partnership funding requirement and risk profile was different to franchising. The partnership funding requirement is a more consistent steady-state annual requirement reflecting incremental ongoing costs and risks. Franchising has higher short-term transitional costs and funding requirement. The partnership options considered in the Assessment did not involve a transfer of revenue risks and therefore, were considered to result in lower financial risks for GMCA when compared with the Proposed Franchising Scheme.

- 2.74 The ongoing revenue sources identified in the Assessment, including the Mayoral precept and revenue earn-back, were considered credible funding sources for the partnership options. The Assessment concluded that the partnership options could be considered feasible and affordable if funding of the required value from these ongoing revenue sources were allocated.

### Summary of the impact of Covid-19 on the Financial Case

#### *Transition period revenue impacts and mitigation options for the Proposed Franchising Scheme*

- 2.75 The impact of Covid-19 is principally related to uncertainty over the levels of bus demand and associated farebox revenue in Greater Manchester and the extent of the operated mileage that will be run. In Scenarios 1 and 4, there is a substantial decline, and in Scenario 3 there is a very substantial decline, in farebox revenue in the transition period. Scenario 2 only sees an increase after several years, so there might still be reductions during a potential transition to the Proposed Franchising Scheme.
- 2.76 As a result of the uncertainties caused by Covid-19, it is not currently considered possible to provide a different central forecast of bus demand and a precise funding requirement for the Proposed Franchising Scheme. The Scenarios, therefore, represent possible rather than forecast changes compared with the Assessment more generally.
- 2.77 Table 2 below estimates the potential unmitigated change in farebox revenues accruing to GMCA compared with the Assessment under each Scenario over a transition period up to 2025/26, assuming a one-year implementation deferral compared to the Assessment.

Table 2: Estimates of the potential unmitigated change in farebox revenues

GMCA's potential (unmitigated) change in farebox compared with the Assessment	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total over the period £m
Scenario 1	(4)	(16)	(33)	(43)	(96)
Scenario 2	(3)	(4)	7	31	31
Scenario 3	(10)	(43)	(97)	(141)	(292)
Scenario 4	(5)	(17)	(29)	(30)	(82)
Note: Proportion of farebox accruing to GMCA	9%	35%	74%	100%	

- 2.78 In the event that downside changes to farebox revenues materialise, GMCA would need to consider further mitigations and/or funding in order for the Proposed Franchising Scheme to remain affordable. These mitigations would be of the same kind as those set out in the Assessment and previous reports to GMCA (increase fares and/or reduce the network and/or increase funding contributions), but the scale of any or all of the options may need to change.
- 2.79 The potential mitigation options, during transition, if Government funding is reduced or withdrawn would include:
- **Concessionary reimbursements.** Local authorities, in conjunction with additional Government funding, are currently being advised to pay concessionary reimbursements (and subsidised services payments) at pre-Covid-19 levels. If concessionary reimbursements were once again paid on a usage basis, they could generate additional resources of at least £30 million, including £12.5 million previously provided for

concessionary liabilities as part of GMCA's preferred funding strategy, up to 2025/26 in the central Scenarios

- **Reducing transition costs** (including on bus equipment, depots and risk allowances). Savings of between £5 million to £10 million, net of inflation, could be achieved under the central Scenarios and further savings could be achieved under a more pessimistic Scenario
- **Other, credible, locally prioritised funding sources** included in the Assessment which GMCA/the Mayor could prioritise in the transition period. The value of Integrated Transport Block from 2021/22, based on previous years' allocations, could be up to £16 million per annum. Uncommitted earn-back funding of approximately £15 million per annum from 2025/26 would be subject to confirmation through future gateway reviews
- **Making reductions to the network.** This would be a significant mitigation option in the event of lower demand scenarios, although noting that there would be some time lag in realising savings. The contracting strategy has the flexibility to accommodate such changes. For example, a 1% reduction in fleet volumes, operating kilometres and operating hours could result in a saving in the order of £4.5 million over the period from 2022/23 to 2025/26. Some of the changes may well be made by private sector operators before those parts of the network are franchised, so GMCA might potentially be taking over a smaller, less costly part of the network.

### *Ongoing phase and mitigation options*

- 2.80 The Scenarios do not specifically include any assumptions about the position beyond 2025/26 (i.e. beyond a revised transition period). It is reasonable to assume that, if a more pessimistic Scenario materialised, demand and associated revenue would not simply revert to a pre-Covid-19 level or the level previously forecast in the Assessment, but there would be some continuation of trends and potential ongoing reduction in revenues compared with the Assessment forecast.
- 2.81 It is considered in general that GMCA could have greater surety over its ability to mitigate any shortfall in farebox revenue and its ability to afford the Proposed Franchising Scheme beyond any transition period as:
- Over time, uncertainty as to the effects of Covid-19 is considered likely to lessen and prevailing trends would become established, giving greater certainty over the level of any mitigation required to achieve a balanced budget
  - A limitation to operating cost savings offsetting a reduction in farebox revenue in full or in part may be the fixed nature of some operating costs in the short term and associated time lags. However, over the full appraisal period, operating costs could vary to a greater degree and thus realise a greater degree of operating cost savings
  - GMCA's preferred funding strategy includes a progressive Mayoral precept requirement over the transition period, which would provide an ongoing source of revenue funding of approximately £13.5 million per annum from 2025/26
  - Subject to consideration of the further mitigations set out above, GMCA could prioritise uncommitted funds in the event risks materialised and could not be accommodated through other mitigations, including specifically uncommitted earn-back funding of £15 million per annum which could be available up to financial year 2045/46.

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### ***Approved funding availability***

- 2.82 The sources of funding included in the preferred funding strategy remain available for the Mayor, GMCA and local authorities to prioritise to bus reform, as they reflect existing and available mechanisms.
- 2.83 In particular, since the Assessment was completed the next five-year tranche of earn-back (£30m per annum), covering financial years 2020/21 to 2024/25, from central Government has been confirmed and therefore has mitigated the risk of non-availability of this funding.
- 2.84 The profile of funding required would be deferred compared with the assumed implementation timeline in the Assessment if the Proposed Franchising Scheme were now implemented. The extent of this deferral would depend upon any implementation date. As an assumption, an approximately one-year deferral would reflect the earliest possible implementation date for the Proposed Franchising Scheme. Based on this assumption, the future years' precept requirement would commence in 2022/23 and increase progressively over a four-year period to 2025/26.
- 2.85 As well as the deferral compared with the assumed implementation timeline in the Assessment, it is proposed in recognition of Covid-19 pressures to defer the local authorities' contribution to the end of any transition period (to approximately 2025/26). The deferral of this contribution could be accommodated through earn-back funding of similar value.

### ***Partnerships***

- 2.86 Covid-19 impacts are not considered to significantly affect the affordability of a partnership option from GMCA's perspective, as farebox revenues would remain with operators. This is set out further in section 5.6 of the Report. The direct financial risks for GMCA are considered to remain lower than under the Proposed Franchising Scheme. There is, however, greater uncertainty in relation to the commitments that would be offered by operators, and the associated benefits under a partnership option.

### ***Conclusion***

- 2.87 A potential mismatch between income and costs could affect all bus reform options, as well as the Do Minimum. This is the case at present. As a result, operators have been financially supported by:
- Government emergency funding through various iterations of the Covid-19 Bus Services Support Grant (CBSSG)
  - Use of the Coronavirus Job Retention Scheme
  - Payment of concessionary reimbursement, tendered service payments and Bus Service Operators' Grant (BSOG) at pre-Covid-19 levels.
- 2.88 However, the ongoing availability of additional financial support to sustain the bus industry is uncertain. The Coronavirus Job Retention Scheme has been extended up to the end of March 2021, and the Government has committed to ongoing CBSSG funding subject to an eight week notice period that would be provided before its withdrawal.
- 2.89 The further mitigations and funding options set out above, could offset a loss of farebox revenue compared with the Assessment and could provide significant resources and resilience both in the transition period and beyond if the Proposed Franchising Scheme were implemented. A package of these mitigation options could offset the potential farebox revenue losses during the transition period and the Proposed Franchising Scheme would remain affordable under Scenarios 1, 2 and 4. After transition, the proposed precept

included as part of GMCA's funding strategy would provide an ongoing source of revenue funding. Clearer indication of prevailing trends, combined with the ability to fully adapt the network and associated operating costs, if required, would also provide further confidence that the Proposed Franchising Scheme would be affordable over the appraisal period under these Scenarios.

- 2.90 It remains possible that, under a more significant downside scenario (such as Scenario 3), these resources would still leave a residual funding gap, during and post transition. In the event that such a downside Scenario materialised, GMCA would need to accept this residual risk and, in the absence of sufficient levels of Government funding, underwrite this risk through further local funding.
- 2.91 It is important to note that, although the Proposed Franchising Scheme exposes GMCA to an increased level of risk if demand and farebox revenue does not return to the forecast levels set out in the Assessment, under the Do Minimum option GMCA would continue to support the bus network through subsidised services that are run on a tender basis, as is done at present. Under all Scenarios, but particularly Scenario 3, the problems caused to the overall transport system by the decline in bus would mean that GMCA would need to determine how to respond to this pressure. If GMCA were to make more funding available to support services under the Do-Minimum, this would still be a reactive process that adapted itself around decisions made by private sector operators.

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**Q5: Do you have any comments on the affordability to GMCA of the Proposed Franchising Scheme and partnership option in the light of Covid-19?**

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## Management Case

### Summary of the Management Case in the Assessment

- 2.92 The Management Case for franchising detailed in Sections 45 to 50 of the Assessment set 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. It was considered that this would require 57 (net) additional full-time equivalent (FTE) employees, new processes and capabilities and investment in systems.
- 2.93 The Management Case also looked at how the transition would be managed and how any disruption to services would be mitigated. The Management Case concluded that TfGM would be able to manage the Proposed Franchising Scheme on behalf of GMCA.
- 2.94 Sections 51 to 56 of the Management Case in the Assessment set out how TfGM would manage a partnership approach. It was considered that this would 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 concluded that TfGM could manage a partnership approach on behalf of GMCA.

### Summary of the impact of Covid-19 on the Management Case

#### *Franchising*

- 2.95 Covid-19 has undoubtedly introduced new challenges for the implementation and operation of the Proposed Franchising Scheme. The lack of certainty around the nature, extent and timing of any recovery makes planning for the future more challenging. Implementation of the future operating model post any Mayoral decision will very likely commence whilst Covid-19 is still disrupting normal activities. The Report considers that TfGM can flex the operating model to meet future requirements, no matter what happens in the market (higher or lower usage because of different Scenarios).
- 2.96 The fundamentals of the future operating model as defined in section 46 of the Assessment are still relevant. The design and framework provide the flexibility and agility required to increase or reduce the resources aligned to the economic predictions at the point of a decision. This allows the effective and efficient management of franchising whilst minimising the risk of incurring significant unnecessary costs. The approach proposed which is described in sections 6.2.2 to 6.2.44 in the Report demonstrates that TfGM could still implement the future operating model. What may need to change is the workforce planning assumptions, be that a smaller number of roles to manage less demand or increasing resource in a particular set of skills, depending on the need at the point of transition. For example, across all Scenarios, a greater focus on a market analysis skillset will support TfGM's plans for better outcomes. Some of the ongoing operating costs such as driver training costs and sales and marketing would need to be adjusted in line with the size of the network and farebox revenues.
- 2.97 However, if Scenario 3 emerges then, whilst the capabilities and processes remain appropriate, how they are delivered, and the size of the future team would need to be reviewed.
- 2.98 Following the review of the impact of Covid-19 on the transitional arrangements, described in sections 6.2.45 to 6.2.49 of the Report, it is considered that there would be a level of savings that could be realised when reviewing actual direct transition costs as compared with

section 47 of the Assessment. However, over the coming months, TfGM will continue to explore and identify efficiency savings whilst maintaining implementation timescales.

- 2.99 The reviews of the risk registers and mitigation plans in section 48 of the Assessment indicate TfGM would be able to manage transition mobilisation despite the high level of uncertainty driven by the impact of Covid-19. Sections 6.2.61 to 6.2.65 of the Report conclude that most approaches defined in the Assessment to mitigate the risks are unchanged. There are some slight changes in the costs with some risk costs increasing and others reducing.
- 2.100 The Report concludes that, despite the level of market and economic uncertainty, the proposed approach outlined sections 46 to 48 of in the Assessment demonstrated how TfGM on behalf of GMCA would be able to manage the Proposed Franchising Scheme whilst mitigating potential cost risk.

### ***Partnership***

- 2.101 Section 6.3 of the Report demonstrates that the approach to transition to and management of the partnership option defined in sections 51 to 54 of the Assessment provides the flexibility required to accommodate the requirements of Scenarios 1, 2 and 4. The proposed level of resources (people and systems) required to manage a partnership would be broadly the same as that proposed in the Assessment. It is recommended that people resources are initially employed on a fixed-term basis due to the level of market and economic uncertainty and the risk on the enduring nature of a partnership. The Report concludes that TfGM on behalf of GMCA would be able to manage the transition and implementation of a partnership operating model and work with the operators to manage the partnership effectively. If Scenario 3 emerged as the future forecast there would be a question on the scale of support that TfGM would be able to put in place to support the partnership.

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**Q6: Do you have any comments on the approach to the transition and implementation of the Proposed Franchising Scheme, including the proposed approach to managing the risks associated with Covid-19 (as set out in the Management Case of the Covid-19 Impact on Bus Franchising Report) and whether TfGM would be able to manage and implement a partnership on behalf of GMCA, notwithstanding Covid-19?**

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## Impacts on different groups

### *Passengers*

- 2.102 The effects of the different options are described in the Strategic Case of the Report. Options were compared in terms of the extent to which they achieved GMCA's objectives for the bus service. The relative performance of the options has not changed from that described in sections 16 and 61.1 of the Assessment. The Do Minimum option would leave many challenges unresolved and passengers would suffer under Scenarios 1, 3, and 4 from a smaller network and potentially higher fares. Passengers may have some benefits in the medium term from patronage increases and a stronger network under Scenario 2. Passengers would still be likely to benefit from the advantages of the Proposed Franchising Scheme rather than a partnership in terms of the comprehensiveness, stability and efficiency of the network; greater fares simplification; better provision of information and a single point of contact for customer service.
- 2.103 The Assessment (section 48) sets out the potential for some disruption to passengers from the transition to the Proposed Franchising Scheme, and the risk management that would be undertaken to mitigate this. In the context of Covid-19, the reduced financial strength of some operators may increase the potential for some withdrawals of service before franchising is in place. The Management Case of the Report sets out how TfGM has strengthened provisions to monitor and mitigate this risk.
- 2.104 Section 9.6 of the Report considers how Covid-19 may impact on how the options would affect different groups. There is no indication of a differential effect of Covid-19 on cross-boundary services (affecting passengers outside Greater Manchester), or that this would affect the proportion of revenue that would come from journeys wholly within Greater Manchester. The impact on passengers from neighbouring authorities may be increased if commercial cross-boundary services are more vulnerable to the loss of any revenue, but it is not clear that this would be the case. The response to the consultation set out the measures that GMCA would be able to take to support services if they became commercially unviable following the implementation of the Proposed Franchising Scheme, as happened during the consultation period (section 4.8 of the Consultation Report). It may be more straightforward to support cross-boundary services under the Proposed Franchising Scheme because the portion within Greater Manchester could be run as a franchised service and would not be subject to the restrictions on competition that currently affect supported services.

### *Operators*

- 2.105 Further challenges to the bus market from the Covid-19 pandemic not anticipated in the Assessment (such as a decline in revenue) are set out in sections 2.2.21 to 2.2.25 of the Report. Smaller operators may suffer more because of the Covid-19 pandemic because they lack the ability to survive long periods of low profitability or losses. The context for the potential options is different. However, the effects of the different options are largely unchanged.
- 2.106 If GMCA chooses the Do Minimum option there would be little change to operators in Greater Manchester (and elsewhere in the UK). Operators would be exposed to the risks of the reductions in patronage in Scenarios 1 and 4, and the more extreme Scenario 3 where patronage reduces more significantly. In these circumstances, operators would need to make choices about reductions in services and fare rises to maintain their profitability. Operators would continue to benefit from the continued financial support of TfGM in concessionary travel, subsidised bus services and capital investment in the bus network.

- 2.107 As set out in Sections 2.4.8 to 2.4.23 of the Report (and summarised above in paragraph 2.36), operators in Greater Manchester have indicated that previous commitments on partnerships in documents submitted to TfGM can no longer be relied on in the context of Covid-19. This means that the effects on operators of a partnership are now difficult to determine. Closer co-operation may improve how TfGM is able to deploy support for the bus network (e.g. through tendered services or infrastructure investments), and this could benefit operators. Smaller operators may find it more difficult to make commitments as part of a partnership. Operators outside Greater Manchester would not be greatly affected by a partnership, a situation that remains unchanged from the original Assessment.
- 2.108 The Proposed Franchising Scheme would affect the operators in Greater Manchester in the same way as was set out in the Assessment (sections 17 and 61.2): they would need to compete for franchise contracts and would not be able to operate services (other than excepted services) outside the franchise system without a service permit. The effects of the scheme in the light of Covid-19 would remain broadly the same as described in the Assessment (in terms of likely effects on market share, profitability etc.) and the position with regard to the potential for stranded assets would be the same. In Scenarios 1, 3 and 4 where there is reduction in patronage, operators may start from a worse position in terms of their profitability and potentially, more so under Scenario 3. In each of these Scenarios, operators may be in the position of having stranded assets because of patronage reductions prior to any intervention. Operators with cross-boundary services would be affected in the same way in Scenarios 1, 3 and 4, as would operators from outside of Greater Manchester who would be able to compete for franchise contracts. Smaller operators would be affected in the same way as before the Covid-19 pandemic in that they would need to compete for franchise contracts (several of which will be smaller in scale). Relatively few small operators run services outside the subsidised market. The effects of the Proposed Franchising Scheme on operator pension funds are as set out in the Assessment. Those with defined benefit schemes (now the minority) may see debt crystallising through a 'Section 75 debt' or causing a more conservative valuation of assets against liabilities, creating demand for greater contributions from the employer.

### ***TfGM and GMCA***

- 2.109 Impacts on GMCA and TfGM are set out in the Assessment at sections 17 and 62. The Do Minimum option would have little direct effect on the roles and responsibilities of TfGM or GMCA in the running of the bus network. However, there is potential for further funding requests, for bus services where there are cuts made by operators as a result of the Covid-19 pandemic. This could become particularly acute under Scenario 3, where services could be severely affected.
- 2.110 Any partnership option would mean that GMCA would incur ongoing costs to support the arrangement for as long as it exists. The benefits of a partnership are currently in doubt, so this expenditure might not be value for money under any of the Scenarios.
- 2.111 The Proposed Franchising Scheme would make the greatest changes to the position of GMCA and TfGM, as described in the Assessment. They would take on the responsibility for the bus network in Greater Manchester and hence the responsibility of setting fares and routes to maximise the benefit to the people of Greater Manchester. The effect of the Covid-19 pandemic is to increase the risk that there would be a reduction in revenue, as patronage would fall under Scenarios 1 and 4, and would fall more precipitately under Scenario 3. If those scenarios were to materialise, GMCA would rely on the mitigations that are as set out in paragraph 2.79.

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### ***Wider society***

- 2.112 The impacts on wider society are set out in the Assessment at sections 19 and 63. Wider society would suffer from the damage to the bus service under the Scenarios where bus patronage reduces, both in terms of the economic and environmental outcomes (from a less environmental fleet and increased relative car use). Under Scenario 3, these effects would be greater. The Do Minimum option would not make any differences in these areas, given these Scenarios.
- 2.113 The Assessment considered the wider economic impacts of the options from effects such as agglomeration and access to labour markets. Wider society would benefit to the extent that an improved transport system would support economic activity and reduce congestion. The uncertainty of the level of economic benefit under the different Scenarios means that it is difficult to say how many wider economic impacts would remain, but they would be fewer than previously envisaged for both the partnership options and the Proposed Franchising Scheme.
- 2.114 The Assessment concluded the Proposed Franchising Scheme would result in better environmental outcomes both because it offered a greater degree of mode shift from private cars and because it offered a greater prospect of improvement in the environmental performance of the fleet. In terms of the former, it is still likely that under all Scenarios the Proposed Franchising Scheme would offer a greater degree of mode shift because it will offer greater benefits to passengers than a partnership. However, the scale of those benefits may be less than would have been the case before Covid-19, particularly under Scenario 3. Operators have retreated from commitments about the composition of the bus fleet. This could still be specified by GMCA under the Proposed Franchising Scheme. In all cases, improvements to fleet age and performance would require investment.

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**Q7: Do you have any comments on the conclusions of the Covid-19 Impact on Bus Franchising Report about how Covid-19 is likely to affect the impacts of the Proposed Franchising Scheme, partnership and Do Minimum options on (a) passengers, (b) operators, (c) GMCA and (d) wider society?**

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## The Proposed Franchising Scheme

### Summary of the Proposed Franchising Scheme in the Assessment

- 2.115 Section 3 of the previous consultation document included a description of the way that bus franchising would work in Greater Manchester and a summary of the Proposed Franchising Scheme.
- 2.116 In summary, the Proposed Franchising Scheme set out:
- The geographical area that would be covered by the Proposed Franchising Scheme: it was proposed that the Proposed Franchising Scheme would cover all of Greater Manchester
  - The local bus services that would be provided under franchise contracts, and which local services are proposed to be excepted from regulation: it was proposed that the services to be franchised would reflect the local services being run in Greater Manchester when the scheme was made and that the services which would be franchised were identified in the Proposed Franchising Scheme through a description of the route served. The services to be franchised did not include dedicated school services, which were proposed to be excepted from the Proposed Franchising Scheme (as were some services local services until they were franchised during the transition period)
  - The date when it is proposed that the Proposed Franchising Scheme would be introduced: for the purposes of consultation and to allow consultees to see how the Proposed Franchising Scheme would work, a date of 6 March 2020 was suggested
  - The date or dates by which it is proposed that franchise contracts may first be entered into: to make the transition from the current deregulated system to a fully franchised system as smooth as possible it was proposed that franchising would be introduced in three phases (by reference to three sub-areas). The dates when GMCA would first be able to enter into franchise contracts for in each of those sub areas were also suggested for illustrative purposes.
  - The facilities which it was appropriate for GMCA to provide: The Assessment found that it would be appropriate for GMCA to provide depots for the purposes of operating large franchises from
  - The period that is proposed to expire between entering into a franchise contract and the provision of a service under that contract: a period of nine months was included in the Proposed Franchising Scheme
  - A description of GMCA's proposed plans for consultation on how well the Proposed Franchising Scheme is working. The Assessment considered that it would be appropriate for GMCA to consult immediately after the expiry of the first franchise contracts, and at other times thereafter, to consider how well the Proposed Franchising Scheme was working.

### Summary of changes previously recommended to the Proposed Franchising Scheme

- 2.117 TfGM's Consultation Report and the 27 June 2020 report to GMCA proposed that the Proposed Franchising Scheme should be modified so that:
- Any specific dates which are to be included in the Proposed Franchising Scheme would be removed. As set out above, dates were only included for illustrative purposes and some consultees commented on whether those dates would be appropriate. In any

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event no decision was taken to introduce the Proposed Franchising Scheme on 6 March 2020. As a result of this, it was recommended that the dates would be removed. Instead, those specific dates would remain blank and would only be included if a decision was taken to introduce franchising

- The description of GMCA's proposed plans for consultation on how well the Proposed Franchising Scheme is working would be changed so that GMCA would consult sooner than originally proposed
- The scheme would include the dates on which services might first be provided under a franchise contract in each sub-area. During the previous consultation, the Proposed Franchising Scheme set out when GMCA could first enter into franchise contracts in each sub-area and the nine-month period that had to expire until a service could start. Although these additional dates (being the date nine months after it was proposed that franchise contracts would be entered into in each sub-area) merely spell out what was implicit, they are also proposed to be included in the Proposed Franchising Scheme to comply with the relevant regulations. It was therefore proposed that those dates would be included in the Proposed Franchising Scheme, despite the fact that as set out above, the dates would remain blank and would only be included if a decision was taken to introduce franchising.

- 2.118 Further information on the outcome of the previous consultation and what changes to the Proposed Franchising Scheme were recommended can be found at sections 13 and 14 of the Consultation Report.

### **Summary of the impact of Covid-19 on the Proposed Franchising Scheme**

- 2.119 The Report considers the potential impacts of Covid-19 on the Proposed Franchising Scheme and whether any further modifications to that proposal might be needed. The Report concludes that other than the changes recommended by TfGM or noted by GMCA as no further changes to the Proposed Franchising Scheme are required at this stage. Reasons are explained in section 7.4 of the Report and are summarised below.
- 2.120 The Act specifies the required content of a franchising scheme, including the geographic area covered by a franchising scheme. As set out above, it was proposed that the Proposed Franchising Scheme would apply to the entirety of GM. This has not changed and any intervention should apply to the entire bus market, and not just a specific area, as GMCA aims to meet the objectives of the Greater Manchester Transport Strategy 2040 and to recover from the pandemic.
- 2.121 It was also proposed to split the Proposed Franchising Scheme into three sub-areas to help transition. This is still considered appropriate.
- 2.122 The Proposed Franchising Scheme provides for the dates on which GMCA may first let franchise contracts in each sub-area and also for the dates when franchised services will start to operate in those sub-areas to be included in the Proposed Franchising Scheme. Those dates are not currently known as they would be determined as part of any decision to introduce the Proposed Franchising Scheme. For the purposes of this consultation, a cover sheet has been included on the front of the Proposed Franchising Scheme included at Appendix 3 which informs consultees what those dates would be, should a decision be taken to make the Proposed Franchising Scheme on 2 April 2021.
- 2.123 The Proposed Franchising Scheme proposes that a period of nine months would expire between the letting of a franchise contract in each sub-area and the date of a service first being provided in that area. This has not changed, although the Proposed Franchising Scheme has been corrected to clarify that this would be a minimum period of nine months

(as opposed to just a period of nine months, as the Act requires the minimum period to be defined in the Proposed Franchising Scheme).

- 2.124 It is still considered that it would be appropriate for GMCA to provide depots for the purposes of letting large franchises and the Proposed Franchising Scheme makes provision for this, albeit without defining how many depots would be provided or where they would be.
- 2.125 It is also proposed that GMCA would consult on how well the Proposed Franchising Scheme is working, within 12 months of franchising being operational in all sub-areas. As set out in the Consultation Report, this would allow GMCA to consult sooner than previously proposed and it remains the case that it would be appropriate to consult when franchising was operational, as opposed to before it is introduced in all three sub-areas.
- 2.126 It has always been envisaged that the list of local services in the Proposed Franchising Scheme would need to be updated prior to any decision to take into account any changes to the network of services. Changes to the Proposed Franchising Scheme would not be needed should service frequencies change, as these are not specified in the Proposed Franchising Scheme. If any changes to the Proposed Franchising Scheme are required after it becomes operational, GMCA would have to consult and then vary the Proposed Franchising Scheme, as allowed for under the Act.
- 2.127 A copy of the Proposed Franchising Scheme can be found at Appendix 3 of this consultation document.

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**Q8: Do you consider that the Proposed Franchising Scheme (attached at Appendix 3 of the Consultation Document) would not require any further modification beyond those already contemplated and included in the draft scheme?**

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## Overall conclusion

### Summary of the overall conclusion from the Assessment

- 2.128 The Assessment concluded that the Proposed Franchising Scheme was the option that was most likely to:
- Support the delivery of GMCA's strategic objectives for Greater Manchester set out in Our People Our Place - 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.
- 2.129 The Assessment concluded 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 were assessed over the same 30-year appraisal period as the other options, the Assessment also set 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.
- 2.130 The Assessment concluded that, whilst 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 partnership.

### Summary of the overall conclusion from the Report

- 2.131 The Report sets out how the effect of the Covid-19 pandemic on the patronage and revenue of bus services in Greater Manchester has been severe. Whilst services are likely to continue to recover as the economy recovers and restrictions reduce, the timing and extent of this recovery continue to be uncertain.
- 2.132 The pandemic has also shown that the bus network is vitally important for people in Greater Manchester to access employment, education, services, and wider opportunities, as evidenced by central and local Government support to keep buses running. Where patronage will be reduced, there will be threats to individual services as they become less viable and there is a likelihood that the bus network will reduce further. This could be driven by mode shift as those who can switch to more expensive modes do so, leaving the services that disadvantaged people in Greater Manchester rely on less viable. This change is more likely to occur when Government support for bus services reduces or is stopped at an early stage.
- 2.133 If there were greater damage to the bus market leaving people without travel options, or only more expensive travel options, there would be a greater imperative for GMCA to intervene to support the market and people's ability to travel, irrespective of whether or not the Proposed Franchising Scheme had been introduced. The Proposed Franchising Scheme would give GMCA the opportunity to support the whole bus service on a coherent basis, and to gain the advantages of integrated network planning, simplified and integrated fares and improved customer service through a single point of contact and unified information. Such

intervention would also be better value for money under the Proposed Franchising Scheme than the Do Minimum or a partnership because that intervention would not be adapted around what is left in the commercial sector but would be done on the basis of a coherent intervention across the whole of Greater Manchester.

- 2.134 The case for change set out in the Assessment remains and the Franchising Scheme still offers a greater chance of achieving GMCA's objectives for the bus network than the potential partnership option in Greater Manchester under the different Scenarios that could occur. The Proposed Franchising Scheme remains the only option that will enable Greater Manchester to get the full benefit of an integrated transport system. The Proposed Franchising Scheme also still offers more scope for introducing Phase 2 measures that would improve the service, and to do so with greater value for money than a partnership option.
- 2.135 The analysis in the Report confirms that, on balance, the value for money of the Proposed Franchising Scheme is likely to be robust to the uncertainty created by Covid-19 in all reasonably likely Scenarios. The Proposed Franchising Scheme also remains preferable to a partnership option as, on balance, the overall net benefits are likely to remain higher and more deliverable, particularly given the considerable uncertainty surrounding what, if any, partnership options are on offer.
- 2.136 As with a partnership, the commercial arrangements for implementing franchising are still thought to be appropriate but may show some changes, and the management of implementation for both options would be possible under the different Scenarios.
- 2.137 The specific risks identified in the risk register and quantified in the economic analysis have not changed a great deal. However, the overall shift in GMCA taking revenue risk in a situation where revenues could fail to recover to previous levels is significant. If revenues do not recover fully, as is the case in three of the four Scenarios, GMCA would be in the position of making difficult decisions to reduce services or offer more public support. In the most pessimistic Scenario, where patronage falls dramatically, it may be difficult to build it up again, and this could affect the affordability of the Proposed Franchising Scheme; GMCA would need to find further funding to support the same level of service. The Proposed Franchising Scheme has the level of flexibility required to adapt to changes in demand and reductions in patronage and mileage – and so maintain its affordability despite the challenges that the recovery from Covid-19 may bring.
- 2.138 Although certainty on the level of the value for money of the Proposed Franchising Scheme in the economic analysis is now lower, and under a Scenario that sees a dramatic fall in patronage the affordability of the Proposed Franchising Scheme would be under threat, there is nonetheless a strong case to implement the Proposed Franchising Scheme. The lack of any certain partnership option that could be relied upon to bring benefit to Greater Manchester means that this option would potentially offer very little more than the Do Minimum. If there is long-term damage to the bus network that affects the ability of people in Greater Manchester to travel, GMCA will need to consider how to intervene. Intervention would be more straightforward and better value for money if the Proposed Franchising Scheme had been implemented. Without intervention, the long-term recovery of Greater Manchester could be under threat, and the ability to make a greater impact on issues of congestion and air quality that affect the economy and people in Greater Manchester. Given the strength of the Strategic Case and the importance of the bus service to Greater Manchester, the recommendation is to implement the Proposed Franchising Scheme.



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## Assurance review

- 2.139 Following preparation of an assessment, the Act requires an authority to obtain a report from an independent audit organisation on its assessment.
- 2.140 Before the previous consultation was undertaken, such a report was prepared by Grant Thornton UK LLP (the Auditor) on the Assessment. A copy of that report was available as part of the previous consultation; in summary, the report concluded that in the Auditor's opinion in all material respects:
- 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 value for money, was of sufficient quality
  - The analysis of that information in the Assessment was of sufficient quality
  - TfGM had had due regard to the guidance issued under section 123B of the Act in preparing the Assessment.
- 2.141 As well as preparing that report, a number of observations were made by the Auditor. A copy of those observations, alongside TfGM's response to those matters, was also made available during the previous consultation.
- 2.142 The Auditor has also been asked to provide a review of the Covid-19 Impact on Bus Franchising Report (the Report). Its purpose is to provide GMCA with independent assurance on the approach taken by TfGM in preparing the Report. The Auditor was not required to audit the Report on the same basis as its audit of the Assessment but the Auditor was requested to provide assurance and comment on the overall appropriateness of the approach taken in the Report, and, in particular:
- Whether the approach taken in the Report is appropriate in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19
  - Whether the information and analysis of that information as contained in the Report on the affordability and value for money of the Proposed Franchising Scheme is of sufficient quality for the purposes of the report
  - To provide any specific recommendations on how the approach, information or analysis of that information might be improved.
- 2.143 The Auditor was also asked to report on those instances where, in preparing the Report, TfGM has departed from of the guidance issued under section 123B of the Act on preparing the Assessment. The Auditor was asked to comment on whether any such departures are appropriate given the circumstances.
- 2.144 The Auditor's report was completed and sent to TfGM on 19 November 2020. In summary, the Auditor found that:
- The approach taken in the Report in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19 was appropriate
  - The information and analysis of that information as contained in the Report on the affordability and value for money of the Proposed Franchising Scheme was of sufficient quality.

- 2.145 Further information on the outcome of the Auditor's report can be found in their report, which is attached at Appendix 4.

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## Whether or not to proceed with Proposed Franchising Scheme now

- 2.146 With ongoing uncertainty around the pandemic, it is important to consider whether this is the right time to make a decision about proceeding with the Proposed Franchising Scheme. That decision will be taken by the Mayor of Greater Manchester.
- 2.147 The original Assessment noted that whilst the bus market in Greater Manchester has been in decline for a number of years, it is vital for the economy and people of Greater Manchester. It made the case for intervention because GMCA's objectives for Greater Manchester – for economy, society and environment – were at risk without intervention, and because of the importance of the bus service to achieving the objectives of the 2040 Strategy. The Report has found that the Proposed Franchising Scheme remains the option most likely to enable GMCA to meet its objectives for the bus service in Greater Manchester.
- 2.148 Given that finding, and the position outlined in the Report on affordability and value for money, the Proposed Franchising Scheme remains an important option for bus reform. However, given continuing uncertainty over the future of the bus market in Greater Manchester, the question is whether a decision to proceed further with the Proposed Franchising Scheme should be taken now or be further delayed.
- 2.149 The possible benefits of deferring a decision on whether to proceed with the Proposed Franchising Scheme are:
- The Scenarios set out in the Report envisage a range of futures. Whilst (as set out in section 9 of the Report) it is now possible to say that Greater Manchester is less likely to see a scenario where bus patronage falls to a very low level (Scenario 3), uncertainty remains. It might be possible in the future to be more certain about future costs and benefits when it is clearer what direction key trends will take. As time goes on, there will be less uncertainty about the impacts of Covid-19. There are likely to be further developments in the efforts to deal with the pandemic, including the development and distribution of vaccines and mass testing; developments in terms of the economy and recovery both nationally and locally, and in terms of support for the bus market. However, whilst there may be some more clarity about the direction of the bus market in spring 2021 or later in that year, the future shape of that market will not necessarily be easy to predict. The different Scenarios partly depend on an economic recovery, which will take place over a longer period than the more immediate effects of Covid-19, and partly depend on how attitudes to and need for public transport change over time. Both of these factors will play out over a longer timeframe, as suggested by the Scenarios. Whilst there would be some benefit to waiting, it will be longer before questions about the future direction of the bus market can be answered with certainty
  - The approach to addressing uncertainty taken in the Report will be familiar to transport planners. Using scenarios rather than 'point' estimates (as has been done in the Report) is a well-established methodology. In July 2020, the DfT published a policy document in response to Covid-19, which indicated that scenario planning is likely to play a greater role in economic appraisal and that they would *"provide further detail on the use of scenarios by the end of the year"*. TfGM's current understanding is that DfT are still developing guidance and that DfT will be issuing an uncertainty toolkit and providing guidance on the use of scenarios in scheme appraisal in February 2021. TfGM has been involved in discussions with DfT on this guidance and feel confident that the approach taken to the application of scenario analysis in the Report will align with the guidance once published
  - Bus operators may be able to provide a better indication of what partnership they may be prepared to offer. The effects of the Covid-19 pandemic on bus operator finances

might be long-lasting. It is not clear when a firm partnership offer might emerge that could be relied upon. Operators are still likely to be supported by Government in spring of 2021. They are unlikely to be able or willing to commit to a set of clear proposals at that time or for a period afterwards. Pre-Covid-19 partnership proposals are largely a 'commitment to commit' and it is likely to be some time before any commitments comparable to those envisaged in the Ambitious Partnership might come forward. It would not be appropriate to wait until operators decide that they wish to determine a new partnership offer, as there is no clarity on when this might be, or what level of certainty might then be offered.

2.150 There are a number of reasons, however, why it is important to take any decision to proceed with the Proposed Franchising Scheme sooner rather than later.

- The Assessment concluded that there was a need to address the challenges facing the bus market in Greater Manchester with urgency, because of the nature and importance of these challenges and because of the importance of the bus service to Greater Manchester: doing so would be vital to achieving the objectives of the 2040 Strategy. The challenges the bus market faces that were set out in the Assessment have not disappeared, and in terms of competition from other modes (particularly private cars and taxis), have increased under Covid-19. It is still important, therefore, to intervene in the market in a timely manner to make improvements to the transport system in Greater Manchester, and to address the challenges set out in the Assessment, as quickly as possible. The Covid-19 pandemic has reinforced this by demonstrating how important bus services are to Greater Manchester, for example in how key workers relied upon bus services to get to work and to support the response to and recovery from Covid-19.
- There is potential for increased car travel and therefore increased congestion (hampering economic growth, causing greater delay to different bus routes, and worsening clean air) in some of the future scenarios because of the Covid-19 pandemic. There are already indicators of this happening with car travel recovering more fully than public transport over the last few months. Mode shift is hard to achieve, and once the use of car transport becomes the default for certain types of journeys or in certain areas, it may be harder to change, even when good alternatives become available. This would both damage the bus market (through increasing congestion and reducing revenue) and make it yet more difficult to achieve the objectives of the 2040 Strategy. The implementation plan for the 2040 Strategy contains the objective of increasing the share of sustainable modes of transport to 50%, in order to reduce congestion, which will support economic growth, social inclusion and clean air. To defer a decision on the intervention that has the best chance of achieving GMCA's objectives for the bus service has the potential to damage the prospects of promoting sustainable modes of transport.
- To support the recovery from the pandemic, it may be more important for GMCA to be able to intervene in the transport system if its performance is further damaged by the Covid-19 pandemic. To defer a decision on whether to proceed with the Proposed Franchising Scheme would mean that GMCA would potentially have less ability to intervene to support the transport system during a period when the economic recovery is still going on (for instance by supporting bus services in a coherent way or planning bus service around the needs to key workers) even if the direct effects of Covid-19 have faded and hence hamper the recovery from the Covid-19 pandemic in the medium to long term.

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- 2.151 Whilst there is always a case to defer making decisions until there is more information, it is considered that the question, whether and how to intervene in the bus market, should be looked at sooner rather than later. The findings of the Report that the key conclusions reached in the Assessment are likely to remain valid, notwithstanding the impact of Covid-19, mean that it would be appropriate to take a decision to proceed with the Proposed Franchising Scheme. Failing to do so would hamper the delivery of the 2040 Strategy and the ability to build back better.



## Final questions

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**Q9A: Did you respond to the previous consultation?**

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**Q9B: If you did respond to the previous consultation, please explain in what ways, if at all, your views about the introduction of the Proposed Franchising Scheme have changed as a result of the impact of the Covid-19 pandemic. If your views have not changed then there is no need to provide any additional information.**

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**Q10: Taking everything into account, do you have any comments on the conclusion that this is the right time to make a decision about whether or not to proceed with the Proposed Franchising Scheme?**

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**Q11A: To what extent do you support or oppose the introduction of the Proposed Franchising Scheme?**

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**Q11B: Why do you say this?**

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**Q12: Finally, do you have any other comments you want to make?**

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## Appendix 1: Consultation Questions

**Q1:** In looking at the effects of the Covid-19 pandemic on the decision about whether or not to implement the Proposed Franchising Scheme, TfGM has used a number of scenarios which illustrate a wide range of potential longer-term outcomes for travel demand in Greater Manchester. Do you have any comments on this scenario-based approach?

**Q2:** Do you have any comments on the conclusion that the Proposed Franchising Scheme is likely to perform better than the partnership option in achieving GMCA's objectives, notwithstanding Covid-19?

**Q3:** Do you have any comments on the consideration of the impact of Covid-19 on the value for money of the Proposed Franchising Scheme and partnership option?

**Q4:** Do you have any comments on the conclusion that the commercial arrangements described in the Assessment for franchising and the partnership option remain appropriate, notwithstanding Covid-19?

**Q5:** Do you have any comments on the affordability to GMCA of the Proposed Franchising Scheme and partnership option in the light of Covid-19?

**Q6:** Do you have any comments on the approach to the transition and implementation of the Proposed Franchising Scheme, including the proposed approach to managing the risks associated with Covid-19 (as set out in the Management Case of the Covid-19 Impact on Bus Franchising Report) and whether TfGM would be able to manage and implement a partnership on behalf of GMCA, notwithstanding Covid-19?

**Q7:** Do you have any comments on the conclusions of the Covid-19 Impact on Bus Franchising Report about how Covid-19 is likely to affect the impacts of the Proposed Franchising Scheme, partnership and Do Minimum options on (a) passengers, (b) operators, (c) GMCA and (d) wider society?

**Q8:** Do you consider that the Proposed Franchising Scheme (attached at Appendix 3 of the Consultation Document) would not require any further modification beyond those already contemplated and included in the draft scheme?

**Q9A:** Did you respond to the previous consultation?

**Q9B:** If you did respond to the previous consultation, please explain in what ways, if at all, your views about the introduction of the Proposed Franchising Scheme have changed as a result of the impact of the Covid-19 pandemic. If your views have not changed then there is no need to provide any additional information.

**Q10:** Taking everything into account, do you have any comments on the conclusion that this is the right time to make a decision about whether or not to proceed with the Proposed Franchising Scheme?

**Q11A:** To what extent do you support or oppose the introduction of the Proposed Franchising Scheme?

**Q11B:** Why do you say this?

**Q12:** Finally, do you have any other comments you want to make?





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## Appendix 2: Where can I pick up a hard copy of the Consultation Document and Questionnaire?

Hard copies of both the consultation document and questionnaire can be requested by ringing 0161 244 1100 or obtained from Travelshops across Greater Manchester which are listed below. Freepost envelopes will also be available to return your response to the consultation.

### Travelshops

#### **Altrincham Interchange**

Stamford New Road Altrincham WA14 1EN

#### **Ashton Bus Station**

Wellington Road Ashton-under-Lyne OL6 6DU

#### **Bolton Interchange**

Great Moor Street, Bolton, BL1 1NS

#### **Bury Interchange**

Haymarket Street, Bury, BL9 0AY

#### **Eccles Interchange**

Church Street, Eccles, M30 0LH

#### **Hyde Bus Station**

Clarendon Road, Hyde, SK14 2AQ

#### **Leigh Bus Station**

King Street, Leigh, WN7 4LP

#### **Manchester Airport Bus Station**

Malaga Avenue, Manchester Airport, M90 3RR

#### **Middleton Bus Station**

Manchester New Road, Middleton M24 1DE

#### **Oldham Bus Station**

Cheapside, Oldham, OL1 1NZ

#### **Rochdale Interchange**

Smith Street, Rochdale, OL16 1YG

#### **Shudehill Interchange**

Shudehill, Manchester, M4 2AF

#### **Stockport Bus Station**

Daw Bank, Stockport, SK1 1NU

#### **Trafford Centre Bus Station**

Trafford Centre, M17 8AA

#### **Wigan Bus Station**

Hallgate, Wigan, WN1 1HP

#### **Wythenshawe Interchange**

Poundswick Lane, Wythenshawe, M22 9PQ



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# **Appendix 3: Draft Proposed Franchising Scheme**

**DRAFT**

**TRANSPORT ACT 2000**

**The Greater Manchester Franchising Scheme for Buses 20\_\_**

**COVERING SHEET**

The proposed scheme as set out below contains a number of changes which were recommended to be made by TfGM as set out in “Bus Franchising in Greater Manchester June 2020 Consultation Report”.

Assuming that the date on which the scheme may be made is 02/04/2021 (see article 1.1), the title of this document would be "The Greater Manchester Franchising Scheme for Buses 2021". 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 included a draft procurement plan which is underpinned by various key assumptions, one of which was a Mayoral decision in December 2019 that the scheme will be made. Accordingly, because the date of any Mayoral decision will be later than that anticipated in the assessment, the dates to be included in this scheme would be 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), would be 02/05/2022, 24/04/2023 and 08/04/2024 respectively (assuming that the scheme is made on 02/04/2021). In this context, it is also proposed that the minimum 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 05/02/2023. It also means that the dates provided in article 4.3 on which a local service may first be provided under a local service contract in Sub-Areas A, B and C would be 05/02/2023, 28/01/2024 and 12/01/2025 respectively.

As noted above, the dates, periods and numbers referred to above within the draft scheme are provisional and are included only for the purposes of the consultation. It should also be noted that as explained in the TfGM’s “Covid Impact on Bus Franchising Report”, it is proposed that the list of services which are identified in the Appendices of the draft scheme would be amended to reflect the network at the time of any decision to make the scheme.

**DRAFT**

**TRANSPORT ACT 2000**

**The Greater Manchester Franchising Scheme for Buses 20\_\_**

**Made \_\_\_\_\_**

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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 2021 and is made on \_\_\_\_\_.
- 1.2. This Scheme shall come into operation on \_\_\_\_\_ 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;
- "**Commencement Date**" has the meaning ascribed to it in article 1.2;
- 2.1.3 "**Franchising Scheme Area**" means the GMCA Area;
- 2.1.4 "**Franchising Scheme Sub-Area A**" means the area marked 'A' in the map of Annex 5, being part of the Franchising Scheme Area;
- 2.1.5 "**Franchising Scheme Sub-Area B**" means the area marked 'B' in the map of Annex 5, being part of the Franchising Scheme Area;
- 2.1.6 "**Franchising Scheme Sub-Area C**" means the area marked 'C' in the map of Annex 5, being part of the Franchising Scheme Area;
- 2.1.7 "**Franchising Scheme Sub-Area**" means each of Franchising Scheme Sub-Area A, Franchising Scheme Sub-Area B and Franchising Scheme Sub-Area C;
- 2.1.8 "**GMCA**" means the Greater Manchester Combined Authority;
- 2.1.9 "**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;

- 2.1.10 **"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;
- 2.1.11 **"Local Service Contract"** has the same meaning as in section 123A(5) of the 2000 Act;
- 2.1.12 **"Local Services"** has the same meaning as in section 2 of the 1985 Act;
- 2.1.13 **"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 relates<sup>1</sup>.
- 3.2. Franchising Scheme Sub-Area A, Franchising Scheme Sub-Area B and Franchising Scheme Sub-Area C are specified areas within the GMCA Area<sup>2</sup>.

### 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:<sup>3</sup>
- 4.1.1 in respect of the Franchising Scheme Sub-Area A, shall be \_\_\_\_\_;
- 4.1.2 in respect of the Franchising Scheme Sub-Area B, shall be \_\_\_\_\_; and
- 4.1.3 in respect of the Franchising Scheme Sub-Area C, shall be \_\_\_\_\_.
- 4.2. The minimum 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.
- 4.3. The date on which a Local Service may first be provided under a Local Service Contract:

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<sup>1</sup> s123H(2)(a).

<sup>2</sup> S123H(3)(a).

<sup>3</sup> Section 123H(2)(c).



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- 4.3.1 in respect of Franchising Scheme Sub-Area A, shall be \_\_\_\_\_;
  - 4.3.2 in respect of Franchising Scheme Sub-Area B, shall be \_\_\_\_\_; and
  - 4.3.3 in respect of Franchising Scheme Sub-Area C, shall be \_\_\_\_\_.

## **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 Scheme<sup>4</sup>.
- 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.

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<sup>4</sup> s123H(2)(b).

- 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 working<sup>5</sup>. The GMCA will consult in accordance with this article 8 within a period of twelve months from the date set out in article 4.3.3 and at such other times periodically as the GMCA considers appropriate.
- 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.

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<sup>5</sup> Section 123(A)(9).

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## 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  
Crumpsall - Moston - Manchester City Centre  
Altrincham - Wythenshawe – Stockport  
Middleton - Birch Circular  
Leigh - Boothstown - intu Trafford Centre +  
Middleton - Moorclose Circular  
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  
Chadderton – Oldham – Blackley  
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  
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  
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  
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  
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  
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

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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 - Denton Circular  
Bryn - Leigh - Manchester City Centre  
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  
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  
Ashton – Stalybridge – Dukinfield – Yew Tree  
Logistics North - Walkden - Manchester City Centre  
Ashton - Hazelhurst Circular  
Ashton - Smallshaw Circular  
Newton Heath - Fitton Hill – Ashton  
Wigan - Kitt Green Circular  
Oldham - Royton Circular  
Shaw - High Crompton - Rushcroft 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 – Yew Tree  
Oldham - Holts 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  
Shaw - Turf Hill – Rochdale  
Stockport – Ladybarn - Manchester City Centre  
Rochdale – Syke  
Rochdale - Foxholes Circular  
Norden - Bamford – Rochdale  
Rochdale – Healey  
Peppermint Bridge - Newhey – Rochdale  
Shore - Littleborough – Rochdale  
Wardle – Rochdale  
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 - Tottington – Bolton  
Whitefield - Prestwich – Eccles \*  
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  
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



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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 - Middlebrook - Leigh  
Wigan - Horwich - Bolton  
Wigan - Middlebrook - Bolton  
Blackrod - Brazley - Bolton  
Rochdale – Oldham  
Leigh - Atherton - Bolton  
Hag Fold - Atherton - Leigh  
Crankwood - Leigh  
Leigh - Lowton Circular  
Leigh - Lowton - Pennington Circular  
Rushcroft - Oldham - Manchester City Centre  
Leigh - Pennington - Lowton Circular  
Wigan - Hindley - Castle Hill - Leigh  
Leigh - Tamar  
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 - 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  
Clifton - Salford Quays

Pendleton - Seedley Circular  
Hollinwood - Newton Heath - Manchester City Centre  
Oldham - Failsworth - Manchester City Centre  
Swinton - Salford Quays – Stretford  
Bolton - Westhoughton - Wigan  
Leigh - Hindley - Wigan  
Oldham - 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 - Prestwich – Pilsworth  
Salford - Prestwich – Bury  
Simister - Higher Broughton - Manchester City Centre  
Bury - Unsworth - Manchester City Centre  
Bury - Radcliffe - Manchester City Centre  
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  
Davyhulme – Chorlton  
Manchester Airport – Stockport  
Greengate – Manchester  
Higher Blackley – Moston – Manchester City Centre  
Partington – Trafford Park  
Bolton – Johnson Fold Circular  
Rochdale – Littleborough Circular  
Piccadilly – Victoria Circular  
Holts – Oldham  
Sholver – Oldham  
Oldham – Fitton Hill Circular  
Bury – Bamford – Rochdale  
Bury – Norden – Rochdale  
Nangreaves – Limefield - Bury

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## **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  
Hawkley 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

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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.

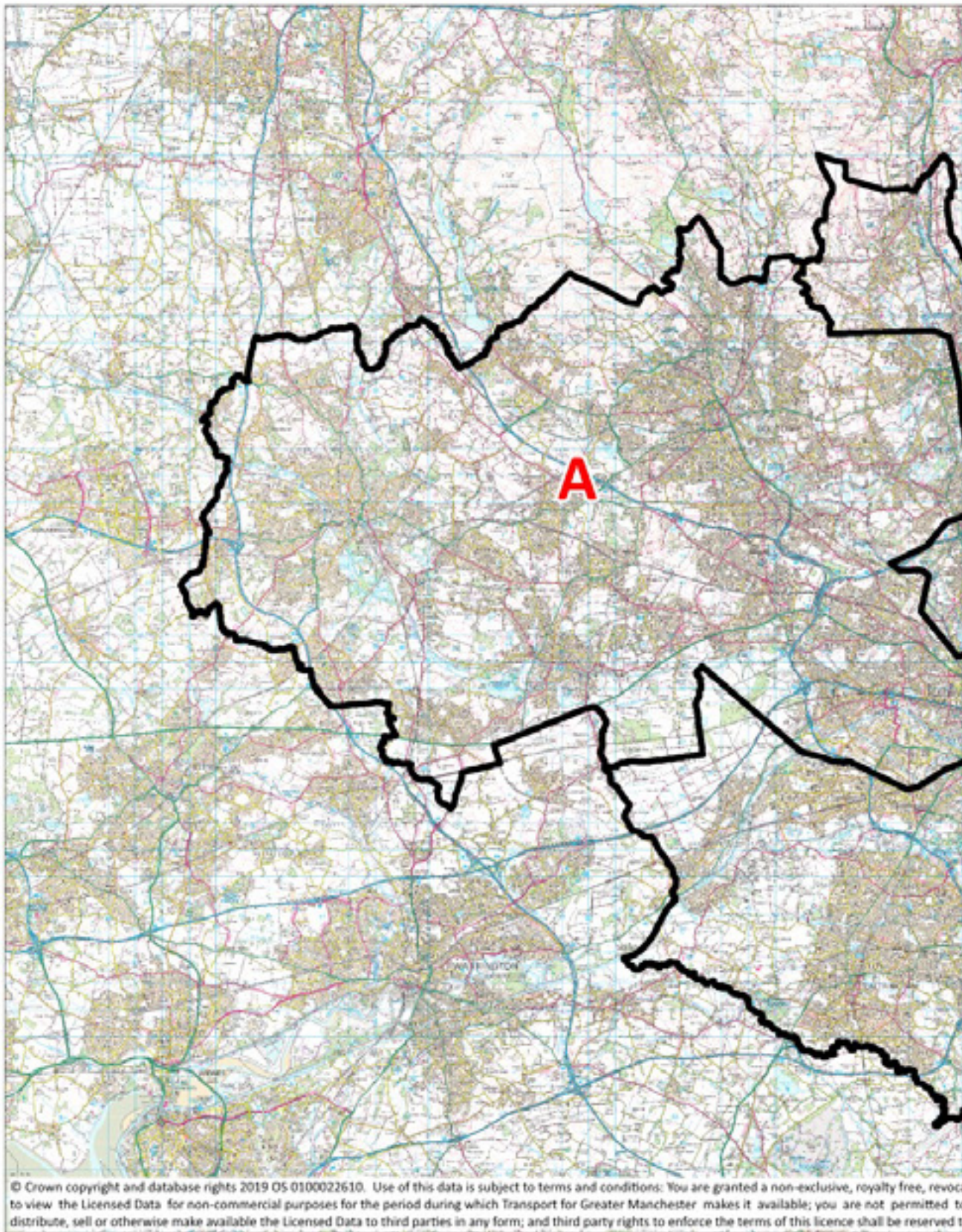


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#### **ANNEX 4: TEMPORARY EXCEPTIONS – ANNEX 3 PARAGRAPHS 1.2 AND 1.3**

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 #

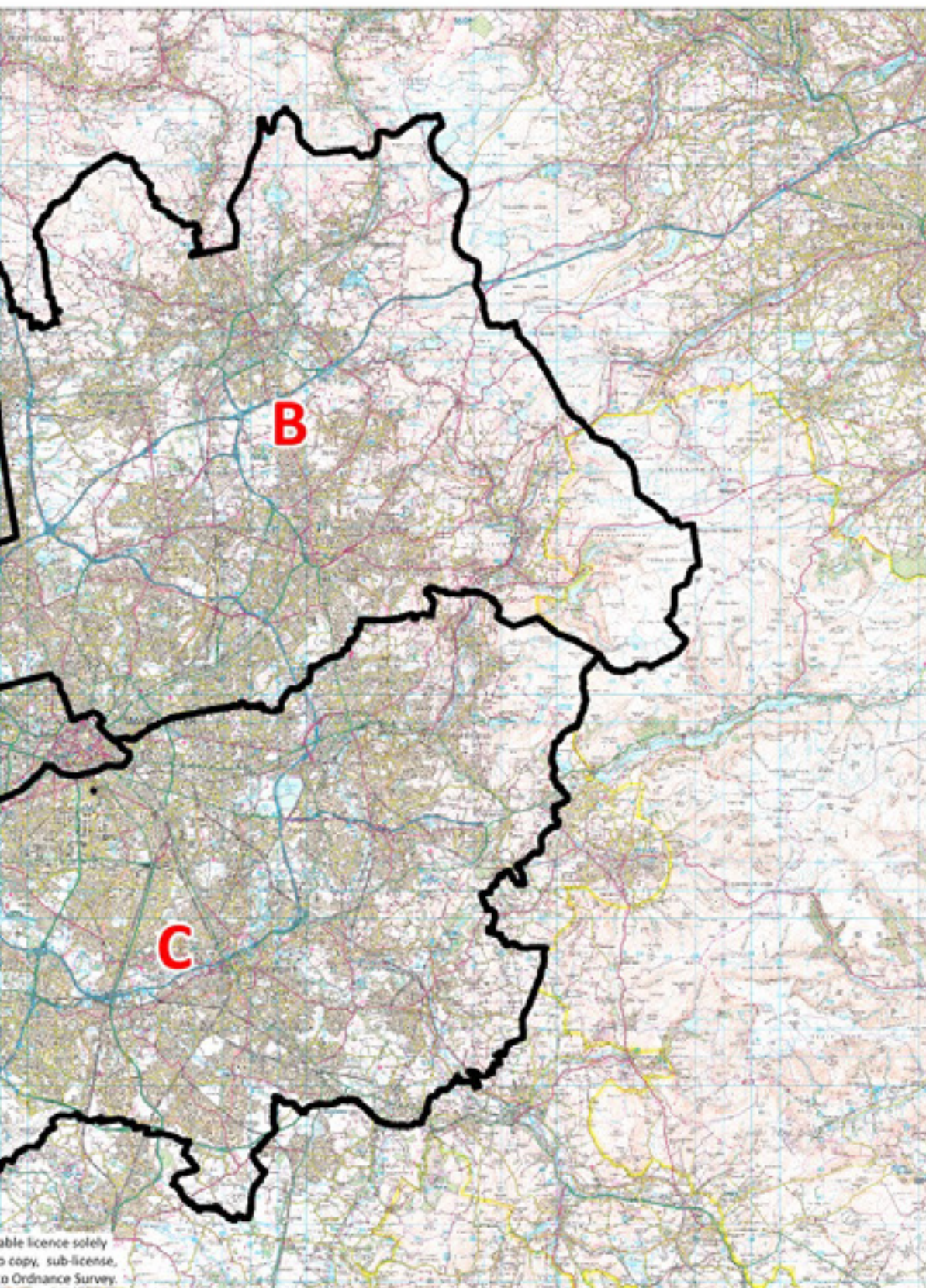
## ANNEX 5: FRANCHISI



<sup>6</sup> Please note that a more detailed version of this map will be made available online and copies will be



## NG SCHEME SUB-AREAS<sup>6</sup>



made available upon request to TfGM.

## **Appendix 4: Auditor's Report: Assessment of the TfGM Covid-19 Impact on Bus Franchising Report**



Transport for Greater Manchester  
2 Piccadilly Place  
Manchester  
M1 3BG

FAO Eamonn Boylan (Chief Executive Officer)

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110 Bishopsgate  
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F +44 (0)20 7383 4715

19 November 2020

Dear Sirs

## Assessment of the Transport for Greater Manchester's (TfGM) Covid-19 Impact on Bus Franchising Report

**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 assessment reviewing TfGM's Covid-19 Impact on Bus Franchising Report (our "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))). Its purpose is to provide the Greater Manchester Combined Authority (GMCA) with independent assurance on the approach taken by TfGM in preparing the Covid-19 Impact on Bus Franchising Report.

### Background

In September 2019, Grant Thornton provided its opinion on TfGM's assessment of a proposed bus franchising scheme ("the Assessment") in accordance with section 123D of the Transport Act 2000 ("the Act"). From October 2019 to January 2020, GMCA consulted on its proposed bus franchising scheme ("the Proposed Franchising Scheme") and in June 2020, TfGM reported on the findings of the consultation.

As the potential implications of Covid-19 were not taken into account in either TfGM's Assessment or the consultation, GMCA noted the contents of that report and requested TfGM to prepare a further report to consider the potential impact and effects of Covid-19 on the bus market in Greater Manchester ("the Covid-19 Impact on Bus Franchising Report" hereafter referred to as "the Covid Impact Report" which is to be presented as an appendix to a report to the 27 November 2020 meeting of the GMCA ("the CA Report")).

This Report should be read in conjunction with our opinion of the Assessment dated 26 September 2019. For the avoidance of doubt, this Report has not been prepared in accordance with section 123D of the Act.



### Responsibilities of TfGM

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

- preparing the Covid Impact Report;
- providing us with any such information as was reasonably requested by us in connection with the preparation of this Report;
- responding to any queries that were raised by us and ensuring that there were appropriate resources available to respond to such queries.

### Our responsibilities

Our responsibility is to report and provide assurance and comment on the overall appropriateness of the approach taken by TfGM in preparing the Covid Impact Report, and, in particular:

- whether the approach taken in the Covid Impact Report in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19 is appropriate;
- whether the information and analysis of that information as contained in the Covid Impact Report on the affordability and value for money of the Proposed Franchising Scheme is of sufficient quality for the purposes of the Covid Impact Report; and
- provide any specific recommendations on how the approach, information or analysis of that information might be improved.

We also report on those instances where, in preparing the Covid Impact Report, TfGM has departed from the guidance issued under section 123B of the Act on preparing the Assessment (as detailed by TfGM or identified by ourselves) and comment on whether any such departures are appropriate or not given the circumstances.

For the avoidance of doubt, our Report does not constitute a statutory audit under the Local Audit and Accountability Act 2014 nor is it either:

- an evaluation of the Covid Impact Report conducted in accordance with auditing standards issued by the Financial Reporting Council;
- an audit per the requirements of section 123D of the Act; or
- based on any other formal guidance.

### Findings

#### General

We note that TfGM has set out its rationale for why a decision to proceed with the scheme is still appropriate now, in this period of uncertainty. In summary, TfGM explains that the franchising scheme is a central pillar of the Greater Manchester Transport Strategy 2040 and a failure to move forward now would have longer term consequences on the delivery of this overall strategy. Whilst we accept this is a reasonable argument to make, we highlight here, and specifically in the sections below, that the Covid-19 pandemic has created significant uncertainty and therefore has not allowed for as accurate forecasting as was previously the case. TfGM accepts this principle and accepts that in choosing to proceed now the risk has increased that the outturn position may be materially different from the central case previously set out in the Assessment.

#### Funding and Affordability – approach and analysis

Our original 'Observations Report' (dated 20 September 2019) noted that the Assessment did not include an annual assessment of the budget available to the GMCA to fund the Proposed Franchising Scheme. Instead, this information (up to the end of the transition period) was provided in a separate



report to GMCA. The Covid Impact Report confirms that each component of the original funding agreement that was approved by GMCA has been reviewed, and that these sources remain available.

The Covid impact report notes that there are additional financial pressures across GMCA and the Local Authorities of Greater Manchester as a result of Covid-19. We understand that the previously approved funding arrangements and additional mitigation options are to be considered in the CA Report.

The Covid Impact Report also indicates that the assumptions around the approved value of the precept are less prudent than in the Assessment, due to the future uncertainty around the Greater Manchester tax base. However, the analysis that has been undertaken indicates that the assumed value of the precept has been calculated on a reasonable basis in the context of the information available.

The CA Report includes the Covid Impact Report and the proposed funding strategy for the Proposed Franchising Scheme. We note that no updated annual profile of the budget available has been provided, but the impact on the annual profile previously agreed with GMCA has been described in the Report. The Assessment previously noted that further funding from Central Government would be desirable. The Covid Impact Report goes further and indicates this may be necessary particularly if material downside risks, for example the risks inherent within Scenario 3, were to materialise.

The Covid Impact Report recognises the present uncertainty that exists in the bus market and sets out that the central case in the Assessment is now subject to significant uncertainty. The Financial Case concludes that the material risk is to the farebox revenue assumptions made in the Assessment, and notes that, based on a range of scenarios, the unmitigated change to the Assessment assumptions for the transition period could be between a £31m (nominal) increase in revenue to a £292m (nominal) downside in revenue. Whilst the potential range across the four scenarios is significant, TfGM considers that scenarios 1 and 4 are more likely to reflect the potential bus patronage recovery from the Covid-19 pandemic which show a narrower range of downsides of between £82m (nominal) and £96m (nominal) reduction in revenue. Scenarios 2 and 3 are viewed to be less likely upside and downside scenarios respectively.

The Covid Impact Report provides a high-level assessment of a range of possible short, medium and long-term mitigating actions that could be taken to absorb future downside financial risks, and considers the risks and issues associated with each potential mitigation. Each mitigation also includes a high-level estimate of the additional resources that could be generated over the transition period if each mitigation were applied in isolation.

One of the key mitigations will be the extent to which network costs could be reduced if required. TfGM has provided us with analysis which sets out, by way of illustration, its estimate of what a 1% decrease in network size would deliver in terms of cost reduction from 2022-23 (excluding the impact on farebox). In certain scenarios, particularly if central government support is at lower levels than is currently being provided, or if some of the other mitigations are not realised in full, then reductions in network size of more than 1% may be required. It is likely that the relationship between network size and costs savings may not be linear. There remains a risk that for Scenario 3, without central government support, further local funding would be required to support the Proposed Franchising Scheme as the estimated impact of mitigations could be less than the potential funding gap. Nevertheless, we note that the potential value of the mitigations suggests that they would be sufficient to manage the farebox revenue downside in most scenarios, if implemented successfully.

We agree, that as noted in the Covid Impact Report, for all scenarios, including a 'Do Minimum' scenario, financial support to the bus industry will be required to enable recovery, though there is currently material uncertainty as to the form, value and duration of this from central government.

In summary, the approach taken to considering the affordability in the Proposed Franchising Scheme appears to be appropriate in the context of the limited amount of information available to TfGM on which to prepare detailed analysis. Based on the information provided to us in the Covid Impact Report and supporting documentation, the analysis appears to be of sufficient quality.

### Value for Money – approach and analysis

The Covid Impact Report states that the outcome will be one of a wide range of possibilities that could be materially different from that of the original Assessment and we agree that a scenario-based approach is a sensible way to consider economic impacts in the current climate of uncertainty.

The “What If?” process allows a range of potential Value for Money (“VfM”) outcomes to be understood. These show that the uncertainty reflected in the range of scenarios adopted could be compounded by uncertainty in the realisation of important benefits that drive the economic case. This inherent uncertainty makes it more difficult for any conclusions to be robust because a wide range of possible outcomes all appear more likely now than they were at the time of the original Assessment.

The quality of information available (and hence quality of analysis that it is reasonable to do) is significantly lower than would be expected during times of relative stability. The limitations of the analysis are recognised in the documentation developed by TfGM, which is intended qualitatively to inform the robustness of Assessment findings on VfM. Although there might be some possibility to improve the evidence for relationships between bus market demand/revenue and costs (taking account of structural change), we would agree that the quality of analysis undertaken is generally reasonable, given the prevailing uncertainty.

When taking account of the age and relevance of the evidence used to support the value of the branding benefits in the original Assessment (which remains the case) this includes plausible outcomes that represent poor value for money, as is highlighted in the Step 3A plus 3B ‘What If?’ test. TfGM has documented these outcomes in the conclusions to the Covid Impact Report and the draft CA Report.

The documentation developed by the team notes an opportunity for increased benefits of franchising in the context of a smaller bus network. These arguments seem sound in principle and, given the inevitable limitations on the quality of information available more generally, it seems reasonable for these to be identified to inform the conclusions drawn in the Covid Impact Report. Based on that limited quality of information, however, we would advise caution on anticipating more positive outcomes as a result of these observations, than were envisaged by the original Assessment.

Subject to the above caveats on how conclusions may reasonably be drawn, we do otherwise find that this process represents a fair and reasonable way to assess potential VfM outcomes.

### Risk

TfGM has conducted a review of the Quantified Risk Assessment which supported the original Assessment. The review involved workshops with individual workstream leads to reassess the risks and understand the impact of Covid-19 under the 4 scenarios. This led to a change in the probabilities of some of the risks occurring. These updated probabilities were incorporated into a series of Monte-Carlo simulations for each of the 4 scenarios to provide updated values for risk contingency. The conclusion of this process is that Covid-19 will generally have a limited impact on the probability of risks materialising in Scenarios 1, 2 and 4, with the greatest proportional impact being in Scenario 3. The process and outcomes of this exercise are documented within the Covid Impact Report within the Financial Case (and aspects within the Management and Commercial Cases). TfGM has indicated that it will continue to monitor risks as the programme progresses.

### 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 Covid Impact Report and does not extend to any financial statements of TfGM nor the statutory financial statements of any of the bus operators on which the Assessment (and Covid Impact Report) is based.

We have not undertaken any review of the financial models which have been updated to produce the Covid Impact Report.

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 variation dated 18 November 2020. 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 summary, our review concludes that:

- the approach taken in the Covid Impact Report in considering the affordability and value for money of the Proposed Franchising Scheme in light of the potential impact of Covid-19 is appropriate; and
- the information and analysis of that information as contained in the Covid Impact Report on the affordability and value for money of the Proposed Franchising Scheme is of sufficient quality for the purposes of the report recognising the uncertainty and difficulty in forecasting in the current environment and therefore the use of scenarios represents a sensible approach.

### Specific Recommendations

Our review has been an iterative process and we have corresponded with TfGM over a number of versions of the Covid Impact Report and any suggestions and recommendations we have made have been reflected in the final version reviewed.

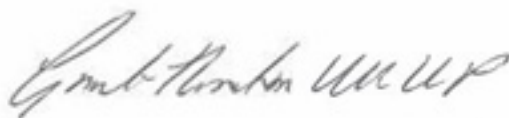
### Departures from the guidance

Our scope of work required us to report on instances where, in preparing the Covid Impact Report, TfGM has departed from the guidance issued under section 123B of the Act on preparing the Assessment. We note that the guidance issued under section 123B did not consider the impact of a global pandemic and any updates that would be required to the Assessment as a result. As there is no guidance that TfGM could follow, we have not been able to report in this regard.

The purpose of our review was not to undertake an audit of any financial or other supporting models since the audit of the Assessment. Any areas where TfGM has made different assumptions to the Assessment have been commented on in the findings section above, but we note that any such changes do not necessarily represent departures from the guidance. Furthermore, we believe that the approach of using scenarios is sensible in light of the uncertainty created by the Covid-19 pandemic.

### 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 Covid-19 Impact on Bus Franchising Report. 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  
19 November 2020

Find out more at [gmconsult.org](http://gmconsult.org)

Responses will be accepted through the following channels:



Complete and submit a questionnaire at [gmconsult.org](http://gmconsult.org)



Email a completed questionnaire or your comments to [gmbusconsultation@ipsos-mori.com](mailto:gmbusconsultation@ipsos-mori.com)



Post a completed questionnaire or your comments to: **Freepost GM BUS CONSULTATION**

(You do not need a stamp and can write this address on any envelope)



Via telephone on **0161 244 1100** (You will be forwarded through to independent research organisation Ipsos MORI to record your response).



Paper copies of the questionnaire are available in Travelshops across Greater Manchester. Locations of Travelshops can be found at [tfgm.com/public-transport/travelshops](http://tfgm.com/public-transport/travelshops) and in Appendix 2 of this document.

If you need to respond in a different way, or require the consultation materials in a different format, please contact [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) or call **0161 244 1100** to discuss your requirements.

Support for non-English speakers is also available on **0161 244 1100**.

Consultation runs from Wednesday 2 December 2020 to Friday 29 January 2021.

જો તમારે અલગ રીતે જવાબ આપવાની જરૂર હોય, અથવા પરામર્શ સામગ્રીને અલગ ફોર્મેટમાં જરૂરી હોય, તો કૃપા કરીને તમારી જરૂરિયાતો ની ચર્ચા કરવા માટે [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) અથવા 0161 244 1100 પર કોલ કરો. બિન-અંગ્રેજી બોલનારાઓ માટે પણ 0161 244 1100 પર સપોર્ટ ઉપલબ્ધ છે.

إذا كنت بحاجة إلى الرد بطريقة مختلفة، أو طلب مواد التشاور في شكل مختلف، يُرجى الاتصال بـ [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) والاتصال على الرقم 0161 244 1100 لمناقشة الاحتياجات الخاصة بك. يتوفر أيضًا الدعم للأشخاص غير الناطقين باللغة الإنجليزية على الرقم 0161 244 1100.

আপনি যদি অন্যভাবে উত্তর দিতে চান অথবা যদি কনসালটেশন এর কাগজপত্র অন্য ফরম্যাটে প্রয়োজন হয়, দয়া করে যোগাযোগ করুন [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) এই ঠিকানায় অথবা আপনার প্রয়োজনীয়তা আলোচনা করার জন্য টেলিফোন করুন 0161 244 1100 এই নম্বরে। যারা ইংরেজী বলেন না তাদের জন্যও সাহায্য পাওয়া যাবে 0161 244 1100 এই নম্বরে।

Jeśli pragniesz udzielić odpowiedzi w inny sposób lub jeśli wymagasz informacji w innym formacie to proszę o skierowanie swoich wymagań do omówienia pod adres email [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) lub pod numer 0161 244 1100. Tak samo dostępne jest wsparcie dla osób nie mówiących w języku angielskim pod numerem 0161 244 1100.

اس مشاورت کا جواب اگر آپ مختلف طریقے سے دینا چاہتے ہیں یا مشاورت کی یہ دستاویز مختلف صورتوں میں چاہتے ہیں تو براہ مہربانی [info@gmbusconsultation.com](mailto:info@gmbusconsultation.com) یا 0161 244 1100 پر رابطہ کر کے اپنی ضرورت سے آگاہ کیجئے۔ جن افراد کو انگریزی بولنے میں مدد درکار ہے وہ 0161 244 1100 پر فون کیجئے۔