



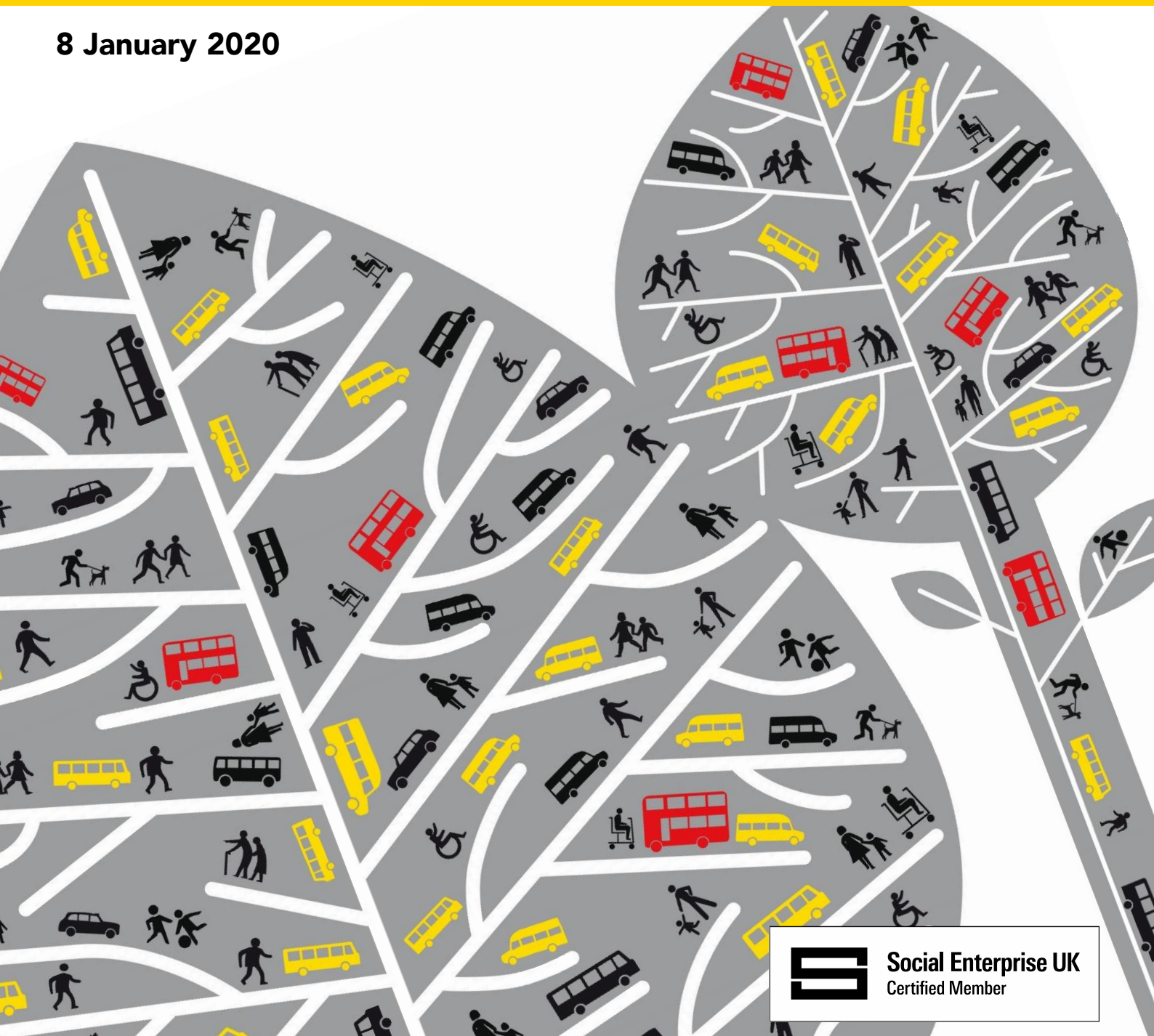
hct group

consultation response

doing buses differently

the proposed franchising scheme for
Greater Manchester

8 January 2020



Social Enterprise UK
Certified Member



Introduction

HCT Group supports bus franchising. We believe it will be of huge benefit to our communities – particularly the most vulnerable in our communities.

In 2019, Greater Manchester became the first city-region to consult on a proposed bus franchising scheme. The consultation was about how the Greater Manchester Combined Authority believed buses should be run in the future and whether the proposed franchising scheme should be introduced.

HCT Group looked carefully at the proposals put forward by Greater Manchester, evaluating the proposals from three complementary perspectives:

- through our direct experience as an operator in Manchester (as Manchester Community Transport)
- through our direct experience in other franchised bus markets – in particular Jersey in the Channel Islands, but also in London and in Guernsey
- as a social enterprise – we believe that a bus service is more than taking people from A to B. It a direct opportunity to create significant economic, social and environmental benefits for our communities.

This paper sets out in full HCT Group's formal response to 'Doing Buses Differently - proposed franchising scheme for Greater Manchester', submitted to the Authority in January 2020.

The consultation document itself can be found at

https://issuu.com/greatermcr/docs/greater_manchester_bus_franchising_consultation_doc.

Q1: Do you have any comments on the corrections and changes made to the Proposed Franchising Scheme?

No, the changes make sense and do not lessen the impact.

Q2: Do you have any comments on the proposal that the Proposed Franchising Scheme should apply to the entirety of GM?

There is no benefit in half measures and a franchising scheme that does not cover the entire region would be counter-productive. By its very nature, a franchise MUST cover the entire area – otherwise the creation of a comprehensive and integrated network is impossible.

In addition, not covering the entire area would create a two-tier bus market, with the advantages of simpler ticketing and fares, and more frequent services, limited to a specific corridors and those who use them. Residents who lived outside these corridors or areas would be relegated to whatever was left.

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

The proposals include those services that will provide a robust network for GM residents; however, GMCA should have been more ambitious, and considered if and how Community Transport could be involved in the solution. CT operators provide vital

socially necessary routes, which are not met by the current network, and might be able to support the franchise network in some way.

Q4: Do you have any comments on the proposal that the Proposed Franchising Scheme would be split in to the 3-sub areas and on the arrangements proposed for the purposes of transition?

Dividing the authority into 3 sub-regions will make it more manageable for all stakeholders, including TfGM, operators and most importantly, passengers. The phased approach will give everyone time to learn the new system, including routes, fares and ticketing.

Franchising the entire market at once would simply be too much. It would risk plunging GM into chaos similar to that of summer 2018 when rail operators simultaneously changed their entire timetable, and rendered services inoperable, and passengers confused.

The arrangements for transition need further detail. This period is going to be confusing and must be well managed and well communicated. Residents, whether they are current bus users or not, will need frequent updates, and in the weeks leading up to the franchise date, TfGM should ensure customer services staff are visible and available at key stops, interchanges and even on routes, to advise passengers of the changes.

The biggest cause for confusion will be for those residents travelling between two sub-areas, where one has been franchised (or is transitioning) and the other has not. Passengers are likely to need help understanding what ticket / fare / route they need, and drivers will need additional training to help answer these questions.

Q5: Do you have any comments on the services which have been exempted from the regulation?

No.

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

GMCA is the first authority to propose franchising and the consultation will garner many responses. GMCA must determine a timeframe that balances the time needed to properly listen to stakeholders with ensuring that the process is not delayed whilst testing every permutation, or obstructed by opposition. A recent DfT S19/22 consultation was delayed due to a high number of (disagreeing) inputs.

Given this delicate challenge, a decision within 3 months of the consultation deadline closing, may be considered ambitious.

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

12 months between decision and award gives ample time for existing and new operators to develop tenders and redesign their business model. Our only caveat is that if the decision date of March 2020 is delayed, contract award dates will need to be revisited.

Q8: Do you have any comments on the nine month period it is proposed between entering into a franchising contact and the start of such a service?

Nine months is a sensible extension of the legally required limit. It will give operators not only the time to order new vehicles, but also recruit.

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

Yes, ensure the documentation is simple, and accessible. The total number of pages associated with this consultation exceeds that of War & Peace. This does not make submission easy and acts as a barrier to many. Any future consultation must be briefer.

Content wise, the criteria which GMCA propose to consult upon seem entirely sensible save one key area – social impact. Throughout this consultation, social impact has been too narrowly defined, covering only economic and environmental. There is no proposal to examine how well the PFS is working on improving people’s lives through increased access to essential services or improved physical mobility or wellbeing.

A broader definition of social value / social impact – including and expanding upon the WEIs, should be embedded in any consultation on how the Proposed Franchising Scheme is working.

Q10: Do you have any comments on the GMCA’s plans for allowing SMEs the opportunity to be involved in the Proposed Franchising Scheme?

GMCA appears to have thought deeply about how SMEs can be part of transport solution, and the recognition that a simpler single-stage ITN might be more appropriate shows that GMCA truly want to build a diverse market. This is absolutely the right approach as only when you introduce and facilitate competition, will passengers finally get the high-quality service they deserve.

Sadly the GMCA have imposed two limitations on SMEs which risk undermining the above: duration and number of franchises held.

Currently, the contract duration proposed for smaller franchises is 3-5 years. It must be extended to a minimum of five years, as per the larger franchises. This provides stability for the operator to recruit and procure a depot, and this in turn ensures stability of service for passengers.

The second limitation - which restricts the number of franchises a smaller operator can hold - is discriminatory and paternalistic. There is no such restriction on the larger operators, so why the assumption that SMEs can’t manage their business themselves? It is also unnecessary as SMEs will be limited by the size of their O Licence. This already acts as an effective restraint on operators taking on too much without GMCA seeking to introduce an additional arbitrary limit.

If GMCA want to ensure that a single operator cannot put the entire network at risk, then volume limitations should apply to all franchises, regardless of size. Perhaps a market share restriction e.g. no operator should have more than 25% of the large or small franchise markets.

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

The provision of depots is essential if GMCA want to foster competition. Without it, franchise contracts will be restricted to incumbents who already have depot space. Whilst it might be true that new entrants could buy or lease land and build a depot, this is high-risk and likely to be a deterrent.

HCT Group has experience of operating in two franchising markets: London and Jersey.

In London, depot space is not provided and this can be a barrier. Land is expensive and difficult to find, and new entrants can be priced out or prevented from even getting a foot in the door.

Conversely, in Jersey, a depot *was* provided - owned by the commissioner and leased back to the operator. Without this, very few operators would have been able to bid as alternative depot space would have been difficult to source. As it was, the Jersey contract was highly competitive with over 30 international operators submitting stage one bids.

GMCA, if they want to avoid simply replacing private monopolies with publically commissioned ones, must create a level playing field. Only then will the market be competitive and only then will residents get a service

that meets their needs, not those of private shareholders.

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

The UK bus market *overall* is not performing well. Ridership is declining in most major metropolitan areas – not just GM. In addition, fares are increasing and thousands of routes are being cut, with deprivation and social isolation as collateral.

Incumbent private operators have sliced the city into regional monopolies, over-bussing on commercial routes, and neglecting passengers on socially necessary ones. The GM market fails its residents by putting the needs of private shareholders first. And that same market is now also failing operators. First Group's exit shows that the current model is no longer sustainable.

The few operators who remain opposed to franchising will reluctantly concede that the GM bus market is not performing well but they will then lay blame at feet of their new god, Congestion. Additional traffic on the road is undoubtedly a genuine challenge to operators, but the premise that franchising will exacerbate this is misdirection. Franchising will create a better, more reliable, affordable network. As this

happens, ridership will increase and this modal shift will reduce congestion.

HCT Group has seen this in Jersey. Ridership has increased by 38% and alongside, a decrease in cars during the morning commute. Based on this we would encourage GMCA to be more ambitious than the data in figure 4.61 suggests. A well-managed franchise is a positive intervention and can create a positive spiral of demand - increasing commercial performance, increasing supply, and increasing demand.

Q13a) The strategic case says that reforming the bus market is the right thing to do to address the challenges facing the local bus market. To what extent do you agree with this?

COMPLETELY AGREE

Q13b) Why do you say this?

The current market fails everyone. Partnership approaches, particularly those proposed by the operators, merely tinker at the peripheries, and this will not deliver the shift required to meet the 2040 vision or objectives. Whole system reform – through franchising - is the only approach which will deliver a high- quality, comprehensive network for GM.

In addition, franchising should be considered as part of a wider range of interventions such as bus priority measures or parking restrictions, and brought forward. Reforms will be most successful if they tackle the challenges from both sides – improving the service, and making the alternatives less attractive.

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

The list of objectives is bold, forward thinking and places bus front and centre of the future of GM transport. There is however a key objective missing – social impact. It is important that any future provision does more than improve the reach of the network and reduce emissions. It must make a positive impact on resident's lives by increasing their access to opportunities and facilities and where relevant, improving physical and mental health and wellbeing. Half a million older people go at least five or six days a week without seeing or speaking to anyone at all (Age UK 2016, No-one should have no one). Bus travel can mitigate this, reducing social isolation and loneliness.

Q15: Do you have any comments on how the Proposed Franchising Scheme might contribute to GMCA's objectives?

Franchising is the only option that will not only deliver GMCA's objectives, but also provide the foundation for any phase 2 interventions.

Franchising covers the entire network and only this will provide wholesale change, delivering value for money, clearer and simpler fares and ticketing and services that are integrated.

Q16: Do you have any comments on how a partnership option might contribute to GMCA's objectives?

The incumbent operators have agreed little, and committed to even less. They are Mafia dons defending their turf, and their Voluntary Partnership option amounts to little more than they would do in the course of their normal business. It does not introduce any measures that improve the network, simplify fares and ticketing or facilitate integration with other services. In fact, the proposal actually perpetuates the current failings, condemning residents to anti-competitive regional monopolies that do not serve the passenger. It does not contribute to the GMCA's objectives.

The Ambitious Partnership goes further, but without operator buy-in – which it does not have - it is unachievable.

Q18: The Economic case concludes that the Proposed Franchising Scheme provides the best value for money?

The Economic case is clear – you get the quality of service that you pay for. GM residents deserve a bus service that meets their needs. It does cost more, but the benefits accrued and the NPV show that franchising warrants the investment.

By contrast, the Operator Proposed Partnership offers significantly less, and as no firm commitments have been made, cannot be considered value for money.

It is important however that the value for money assessment be expanded to fully account for broader social value (e.g. health & wellbeing), not just NPV.

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

Dividing the network by into small and large franchises should facilitate competition by encouraging new entrants. It also allows smaller operators to bid.

The restriction on the number of franchises won however either needs to be extended to both small and large franchises, or removed from just curtailing the ambitions for SMEs.

See also the answer to Q10.

Q19: Do you have any comments about the length of franchise contracts under the Proposed Franchising Scheme?

The contract duration for all franchises, regardless of size, must be a minimum of five years.

See also the answer to Q10.

Q20: Do you have any comments on the proposed allocation of risk between GMCA and bus operators?

For the first franchise, the proposed risk allocation makes sense. In subsequent tranches, GMCA should consider reallocating the revenue risk to operators. This increases the incentive of providers to deliver and invest.

In Jersey, HCT Group retains the farebox but also give a profit share back to the commissioner. We are incentivized to increase ridership by improving the network and the commissioner is incentivized to support that through improved bus measures.

Q21: Do you have any comments on the potential impact of the Proposed Franchising Scheme on the employees?

The Bus Services Act makes good provision for the protection of employees. Our only additional comment is that GMCA must ensure adequate time for the TUPE negotiations and information sharing. Too often this is rushed, and employees are penalized.

Q22: Do you have any comments on the approach to depots?

See answer to Q11.

Q23: Do you have any comments on the approach to fleet?

Introducing Residual Value is essential. It will protect operators from high losses if they exit the market, and ensures a fair price for those entering it.

There is, however, concern that CAZ investment costs have not be included in any of the reform options. GMCA need to provide clarity on who would bear these, if the business case were to be approved.

Q24: Do you have any comments on the approach to ITS?

Having a common ITS is essential to an integrated smooth-running network. GMCA's approach to undertake the procurement is the only way to ensure this, however they must include operators (and of all sizes) in the decision making process, as they are the ones who will use it.

Otherwise there is a risk that the system may miss vital functionalities or not be fit for purpose.

Q25: Do you have any comments on GMCA's approach to procuring franchising contracts?

Creating 3 sub-regions makes franchising practical and manageable. That the contracts will also initially be negotiated is important as it acknowledges the need for both bidder and commissioner to be flexible as both sides endeavor to build a new world.

Q26: Do you have any comments on the impact of the options on the achievements of neighbouring transport authorities?

The proposals state that two statutory tests will need to be passed for a service permit to operate in a franchised area. The first is that the services would benefit those making local journeys. The second that there would be no adverse effect on franchised services. The Commercial Case frames 'adverse effect' as how

the service would impact routes, fares and stopping points. This is unhelpfully narrow. Any assessment should not be limited simply to the financial impacts, but should also include a broad definition of the social value of a service (i.e. more than just economic and environmental) and how this might support the franchise network and passengers.

Q27: Do you have any comments that GMCA would be able to secure the option of services under franchise contracts?

We agree with the conclusion and it is supported by our own experience of operating in franchise markets.

Q28: Do you have comments on the assessment of the partnership options?

Whilst a VPA might be quick to implement, the proposals are so 'light' on committed actions, that it can't really be considered a viable solution to achieving the 2040 strategy objectives.

Q29: Do you have comments on the potential impact of the partnership options on employees?

No.

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

GMCA intend to fund franchising from several sources. This ensures the security of the market and avoids over-reliance on a single source e.g. central government. They have also identified mitigation responses if a funding source dissipates. Sadly this mitigation relies on fare increases or network reductions. More preferable would be identifying ways in which to lock-in long term funding, or additional revenue streams.

Q31: Do you have any comments on the affordability of partnership options?

No

Q32: Do you have any comments on the approach to managing franchised operations?

No, the proposals seem logical and sensible.

Q33: Comments on transition and conclusion

The transition proposals should minimize the disruption for all e.g. involving operators in the mobilization

plans, and establishing back-up plans for operator exits and service cessations. In addition, further interventions should be considered around passenger communication, particularly on ticketing and fares in the transition period as even the idea of low-cost add on tickets could be confusing, especially alongside new tickets and existing SystemOne tickets.

Q34: Comments on approach to implementation and management of partnerships?

No

Q35: Comments on impacts of Proposed Franchising Scheme on passengers

Franchising will give passengers an extended network and service improvements. Impact will be positive, even for the few who will experience a fare increase.

HCT Group's experience in Jersey also shows that passengers will experience positive social impact through increased access to essential services, and improved health and wellbeing such as improved confidence and decreased loneliness. These outcomes should be included in the GMCA assessment.

<http://hctgroup.org/uploaded/libertyb-us-impact-report-2019.pdf>

Q36: Comments on impacts of partnership on passengers

The key impact on passengers is that there will be no additional cost. This cannot be discounted, however it can also not be guaranteed as nothing has been confirmed. The partnership option is voluntary and may not remain long term.

Q37: Impact of Proposed Franchising Scheme on operators

The key impact of these proposals is that it opens up the GM market to new operators. Existing operators will be able to bid, but so will others. This does mean that incumbent operators may lose business but if this happens as a result of increased competition bringing fairer fares and better services, this can only be seen as a positive. In addition GMCA have sought to mitigate any stranded assets, reducing any negative impact of exiting operators.

Q38: Impact of partnership on operators

The operator partnership proposal requires little of operators and as a result the impacts - beyond what they would be expected to action in the normal course of their businesses - are likely to be minimal. They will retain all profits and will invest only what they want.

39a: Do you anticipate any positive or negative impacts on your business?

POSITIVE

39b: Why?

We believe the impact of franchising will be positive. We are confident of winning more work as the network is redesigned to serve passengers.

We have a proven history of operating within a franchise market, and crucially, setting up a new franchise in Jersey. This has given rare experience of the challenges and how to address them.

As a social enterprise, we invest all our profits in improving the services to increase social impact. This vision is aligned with GMCA's own, and in winning more work, we will be able to deliver increased social value.

The impact of a partnership is more muted. The voluntary partnership does not currently include us and delivers minimal social impact.

The impact of an Ambitious Partnership is less clear due to our size and the exact nature of the standards. We do not anticipate longer terms commitments being a problem. Our Jersey contract is currently 10+3.

Q40: Impacts on GMCA

For franchising, GMCA have identified that the key impact lies with the revenue risk. This overlooks several important considerations. In successfully introducing franchising GMCA will become the first combined authority to put the needs of their residents ahead of the private shareholder. The positive impact this will have on congestion, the economy, and wellbeing should not be underestimated.

Conversely, if the GMCA choose to take the easy route and succumb to operator pressure, the impact will be 'limited' to failing an electorate, condemning them to a broken transport model.

Q41: Comments on impacts on wider society

The impacts on the wider society have been identified as economic (labour supply, agglomeration etc.) and environmental (sustainable models, emissions etc). These are key but does omit other important facets of impact, such as the effect of transport on physical and mental health and other outcomes such as how a well-designed and affordable network can improve passenger independence and confidence.

HCT Group has assessed the social impact of our bus franchise on Jersey. The detailed results can be found here <http://hctgroup.org/uploaded/libertybus-impact-report-2019.pdf>, but examples include:

- 72% of users said the service saved them money
- 25% of concession pass holders felt healthier
- 40% of disabled people said their independence increased
- 33% of young people said their confidence increased.

Q42: Do you agree that the Proposed Franchising Scheme is the best way to achieve the GMCA's objectives?

The PFS is not the *best* way to achieve the objectives. It is the **ONLY** way to achieve them. The operator proposed partnership is a temporary salve to a dying network.

Q43: Any other comments about the assessment of the PFS?

No.

Q44: Equality Assessment: any comments on potential impact on protected characteristics?

The impact assessment explores the impact on people with protected characteristics, but does so a little narrowly. It misses, for example, the fact that women use buses more than men, and so will be disproportionately

affected by the changes to the bus market.

Similarly, GMCA does not appear to consider the impact on essential life skills that bus reform could have e.g. increased independence, confidence, particularly on younger and older people and those with a disability. Compared to the depth of the rest of the assessment, the Equality Impact assessment is lacking.

Q45a: To what extent do you support or oppose Proposed Franchising Scheme?

VERY SUPPORTIVE

Q45b: Why

Franchising is the only way to ensure a comprehensive, affordable and integrated network which serves local residents.

Q46a: Any changes to the Proposed Franchising Scheme?

Yes.

Q46b: What changes to the Proposed Franchising Scheme?

There are a few changes we would recommend:

- a) Embed social value throughout, from the design and implementation, through to commissioning, bid evaluation and quality measurement.

- b) Consider the role of Community Transport can have either as part of PFS, or in supporting it

Q47. If you oppose, would the above changes help?

NA

Q48: Any other comments

We have a few additional comments about fares.

Firstly, GMCA have said they would simplify fares and that period products would be valid throughout the scheme – excluding discount products. Does this mean they would only be valid on a single operator, or face some other limitation? We would oppose this as it discriminates, typically against younger or older people, or those with a disability. These groups already face barriers to travel, without having the benefits offered by a franchise withheld.

Secondly, GMCA has assumed in the Operator proposed partnership that the costs of fare freezes will be absorbed by the operators and not passed on to passengers through other fare increases or service reductions. Private operators are accountable to shareholders, and are rarely permitted to be so magnanimous.

About HCT Group

HCT Group is a social enterprise in the transport industry, safely providing over 36 million passenger trips on our buses every year. We deliver a range of transport services – from London red buses to social services transport, from school transport to whole bus networks, from community transport to education and training.

We reinvest the profits from our commercial work into high social impact transport services or projects in the communities we serve, and into providing training opportunities for people who are long-term unemployed – making a real difference to people's lives.

For more information, please see [**www.hctgroup.org**](http://www.hctgroup.org)

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