Greater Manchester's Future Transport

Why the Transport Innovation Fund?

An analysis of the rationale behind the Greater Manchester TIF package

July 2008

Information Pack Document no. 1

Greater Manchester Future Transport

Greater Manchester Passenger Transport Authority

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Contents

Glossary

AGMA	Association of Greater Manchester Authorities
CEBR	Centre for Economics and Business Research
CIL	Communities Infrastructure Levy
CRDP	City Region Development Programme
DfT	Department for Transport
EQIA	Equalities Impact Assessment
GMBOA	Greater Manchester Bus Operators Association
GMPTA	Greater Manchester Passenger Transport Authority
GMPTE	Greater Manchester Passenger Transport Executive
GVA	Gross Value Added
LABGI	Local Authority Business Growth Incentive
MAG	Manchester Airport Group
RFA	Regional Funding Allocation
SEA	Strategic Environmental Assessment
TIF	Transport Innovation Fund

Your views are important

We are particularly interested to hear the views of local residents and businesses – that's why a Consultation Brochure has been sent to all homes and businesses in Greater Manchester.

Within the brochure is a response form which can be used to record your views and which should be returned to GM Future Transport Consultation in the freepost envelope enclosed in the brochure **by 10 October 2008**.

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You can also send your responses in a number of different ways, as follows:

- **Online** at www.gmfuturetransport.com
- **Via email** to gmfuturetransport@Ipsos-Mori.com
- **In writing** to the GM Future Transport Consultation freepost address
- **By texting** us free @ 60013. Simply text TIF plus your message.

If you represent an organisation or group you are encouraged to send us an email or a letter – the views of such groups may be made public.

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Introduction

On 9 June 2008 the Secretary of State for Transport announced that Greater Manchester's bid for an investment of up to £3 billion to boost the City Region's public transport system had been approved for Programme Entry by the Department for Transport. This document is one of three which, taken together, explain the rationale and detail of the proposals as part of the comprehensive public consultation which is now taking place.

This document (Document 1) explains the impact of rising congestion on the Greater Manchester economy as well as its environmental and social impact. It then describes how this can be tackled with a strategy of significant investment to transform Greater Manchester's public transport system alongside effective action to tackle congestion and to incentivise a switch from car travel to public transport. This document explains the impact of the package on the future economic and social health of Greater Manchester and what alternatives have been considered. It also explains why the "up front" overall package of investment, and reforms to enable more influence over buses and rail services, coupled with a weekday, peak-time only congestion charge - to be introduced only after at least 80% of the public transport improvements have been delivered - is considered to be in the long-term interests of the area.

Document 2 explains the details of the public transport investment proposals, including plans to transform the local bus network, investment in the Metrolink extensions and trams, improvements to rail and bus stations and interchanges, and provision for longer trains. Details are also provided of how facilities will be improved for cyclists and pedestrians, how changes in travel behaviour will be encouraged, and how the environment will be made safer for people to use public transport at all times of the day.

Document 2 also details the complementary proposals for a weekday peak period only congestion charge which is due to be implemented in the summer of 2013, when at least 80% of the public transport improvements have been delivered. This shows the options considered and how the proposals target only those journeys which contribute the most to congestion. Drivers will be charged if they cross either or both the M60 ring and/or the Inner Ring inbound in the morning peak or outbound in the evening peak. No charge will be payable outside these times, at weekends, or on Bank Holidays. There will be no charge if the journey concerned does not cross over one of the charging rings.

There are no other congestion charging proposals being considered for Greater Manchester.

Document 3 explains how all the transport improvements will be delivered, including an outline of how transport will fit in the new governance arrangements for Greater Manchester, and how Greater Manchester Passenger Transport Executive (GMPTE) is changing its skills base and organisational arrangements to deliver the scale of investment which is associated with the overall package, and how a more intensive approach to funding and managing financial risk will characterise the delivery process.

The Greater Manchester City Region

Greater Manchester City Region

Greater Manchester lies at the heart of England's North and it is the biggest City Region outside London. It has a unique and potentially world-beating combination of assets that have positioned it as one of the most important drivers of economic growth within the Northern regions, as well as being the most significant driver of economic growth in the North West of England.

These assets include

a critical mass of highly skilled and specialist workers;

- the proximity, concentration and quality of higher education institutions;
- availability of high quality business accommodation;
- a high degree of national and international connectivity with Manchester Airport at its heart;
- a growing reputation for entrepreneurialism;
- world class sporting and cultural facilities;
- a growing creative industries sector which will be further strengthened by the BBC relocation to Salford Quays and the creation of mediacity:uk;
- the highest performing research and teaching institutions outside the 'Golden Triangle' of Oxford, Cambridge and London, with a student population of over 100,000;the North's greatest concentrations of high value activity in key sectors;
- the largest and fastest growing centre for financial, professional and legal services outside of London;
- strong civic leadership;
- an integrated approach to transport and waste disposal across the authorities through Greater Manchester Passenger Transport Authority and Greater Manchester Waste Disposal Authority;
- increasing numbers of business and tourist visitors coming to Manchester; and
- Manchester's achievements as a leading Digital City with the UK's largest digital inclusion initiative and the primary international Internet Exchange outside of London.

Economic Profile

Key economic assets include the Regional Centre, Manchester Airport and the Higher Education institutions. They have all played a fundamental role in the economic success of the City Region and particularly in the creation of 45,000 new jobs over the last five years. The Regional Centre, at the heart of the City Region's economy, is the primary economic driver as the focus for commercial, retail, leisure, cultural and tourism activity.

The economic geography of the Manchester City Region reflects economic activity, housing markets and travel to work patterns not only across the Greater Manchester conurbation, but also including parts of the High Peak, Lancashire, Cheshire and Warrington. This wider Travel To Work Area is home to over 3 million people. In 2005, Greater Manchester generated £42.1 billion of Gross Valued Added (GVA), a measure of economic output, nearly 40% of the regional total and 5% of the English total[1]. The recent State of the Cities[2] report showed that, although the UK's "core cities" have a considerable way to go before any of them will be able to act as a second growth pole to that provided by London and the South East, Manchester, of all the core cities, was the city with the most potential in terms of establishing itself as a major economic centre complementing the South East.

Despite strong economic performance, there remain large areas of Greater Manchester with significant problems of worklessness and marked economic disparities. Economic output per person remains below the national average and the area has significant skills issues to tackle. Over 240,000 people are on out-of-work benefits, making it second only to London in terms of the scale of need, and Incapacity Benefit is, by some margin, the most significant issue together with poor literacy and numeracy. This is why the Association of Greater Manchester Authorities (AGMA) believes that the Greater Manchester economy needs to continue to grow to enable sufficient jobs to be created to provide employment for those currently workless.

The Regional Economic Strategy identifies the wider Manchester City Region as having the potential to make the most significant contribution to the future economic growth of the North of England. The current reference estimate for the increase in GVA in Greater Manchester between 2007 and 2022 is 2.8% per annum, with a potential for this to be up to 3.2% per annum if Greater Manchester realises the unique opportunities and assets afforded to it. Although recent slower than anticipated national growth rates mean that maintaining recent trends over the short term is likely to be ambitious, it is a shared objective of AGMA, along with its partners in Greater Manchester, in the North West and in Government, to seize the opportunity which the City Region presents by raising GVA in accordance with the current reference estimate. Only in this way can the output gap between the North of England and the rest of England be reduced and can the City Region make a significant contribution to meeting the Regional Economic Performance Public Service Agreement target.

1 National Statistics, May 2008
2 State of the Cities, ODPM, 2006

The Greater Manchester City Region Vision

Greater Manchester is a City Region with a clear vision for the future. By 2025, AGMA wants Greater Manchester to be one of Europe's premier City Regions at the heart of a thriving North West and at the forefront of the knowledge economy with outstanding commercial, cultural and creative activities. Greater Manchester will compete internationally for investment, jobs and visitors and aims to be an area where everyone has the opportunity to participate in, and benefit from, the prosperity of the City Region. The City Region's economic competitiveness will increasingly be related to growth in the following five sectors, identified as priority growth accelerators for the City Region:

- Manchester Airport;
- financial and professional services;
- life science industries;
- creative/digital/new media; and
- manufacturing and ICT digital communications.

Economic analysis has demonstrated that by focussing on these sectors and by continuing to tailor the City Region's product offer to the changed demands of the marketplace, increased levels of economic competitiveness, reduced local levels of worklessness and enhanced quality of life for all can be delivered.

AGMA has already achieved much by working together:

Greater Manchester has seen the creation of 45,000 additional jobs over the last five years;

- the City Region economy has been transformed into one of the fastest growing outside London;
- the Regional Centre is the pre-eminent business and retail location in the North of England;
- Manchester Airport is now the third largest airport in the country as well as the busiest and most successful outside London and the South East; and the City Region has been host to a highly successful Commonwealth Games and countless other world-class sporting and cultural events. It is renowned internationally as a centre of sporting and cultural excellence.Continuing to work together will enable AGMA and its partners to meet other critical challenges. Tackling concentrations of deprivation, worklessness, poor health, low educational attainment and addressing skills are fundamental to ensuring that all residents can benefit from the economic opportunities which are being generated by an increasingly knowledge-based economy.

The City Region Development Plan

The City Region Development Programme (CRDP) set out the actions required from local and national partners to build on this success and so enable the City Region to rise to the challenge laid down by the Northern Way strategy[3]. The Manchester Independent Economic Review[4], launched at the beginning of June 2008, will build on the strategy set out in the CRDP by refining and developing a range of strategies to deliver the growth targets over the next 10 to 20 years. The aim is both to promote growth and to ensure that the City Region's growth is shared as widely as possible within the City Region and beyond, thereby helping to address areas of stubborn economic and social deprivation. The review is due to be completed by the end of this year and will identify the steps which the public and private sectors working together will need to take to ensure the City Region reaches its full potential. The review will be wide-ranging and lead to a shared view about the growth plan for the City Region's economy over the next 10 to 20 years, including the longer-term drivers of change and necessary strategies for growth which will enable future change in the national economic environment to be effectively managed and delivered.

3 http://www.thenorthernway.co.uk/
4 http://www.manchester-review.org.uk/

Economic Growth and Transport

Current Position

In order to achieve this continuing growth and job creation, it is essential that transport networks become more efficient and effective than they are at present. Greater Manchester has extensive public transport, road and motorway networks. In 2006, there were over 9,000 kilometres of road, and annual traffic on the motorways and A and B roads amounted to 13.1 million vehicle kilometres. The rail and Metrolink systems are of significant importance for commuter journeys with the rail network carrying 22 million rail passengers and Metrolink 20 million passengers in 2006/07. However, the major public transport mode continues to be bus, carrying 224 million journeys in 2006/07. However, the scale of movement in the system is such that large parts of the networks are now at, or over, capacity in peak periods. The following characteristics define Greater Manchester's transport system:

- there are institutional constraints to achieving a total transport system which is integrated and which maximizes City Region productivity. This requires more effective governance to achieve greater coordination of transport with economic development and planning activities, as well as a greater role for accountable bodies in facilitating a network which meets community needs;
- the bus system is inefficient and fails to meet the needs of many communities in its design and operation. The rail system is operated on the basis of centrally determined and not locally defined targets; there is overcrowding on both rail and tram networks, as well as on many bus routes in the peak periods resulting in little spare capacity at busy times to accommodate more passengers;
- an obvious undersupply of parking spaces at rail and tram stations to facilitate park and ride;
- parts of Greater Manchester are not served by public transport links into key centres that offer suitably competitive quality and journey times;
- there are barriers to using public transport for people who are unfamiliar with it, including access to reliable and accurate "real time" information and uncertainties surrounding buying the most appropriate ticket; and the quality of public transport services varies and does not offer the consistent standard of service users rightly demand.

The scale of new employment projected for Greater Manchester will significantly increase the demand for an effective transport system, not only serving the Regional Centre but the whole of Greater Manchester and the wider City Region. Connectivity to a large, high quality labour market is an increasingly important business location factor, particularly within the priority economic sectors for the City Region. Good access to and from areas containing concentrations of deprivation will also be fundamental to Greater Manchester meeting its social inclusion and regeneration objectives.

Over the last two decades Greater Manchester has promoted schemes which have increased the capacity and reach of the City Region's public transport networks, alongside a limited programme of new road construction linked to a range of measures designed to manage traffic demand more effectively. These improvements have delivered real benefits and bought some time, but they are not capable of delivering lasting solutions to meet the challenge of sustaining growth in the longer term.

Link between economic growth and transport

A long term solution requires a strategy capable of breaking the link between growth and the increases in congestion and public transport overcrowding this growth brings. This cycle is explained in Figure 1 below.

Figure 1 below shows how growth combines with increases in car ownership and incomes to put ever greater pressure on transport networks with each new job created adding more to congestion delays and overcrowding than the last, making new jobs increasingly difficult to generate. The analysis shows that each new job created in 2016 will generate 60% more weekday morning peak period delays to other road users than each job created in 2006. The analysis also shows how, if left unchecked, this cycle worsens over time, with each new job created in the mid 2020s delaying other road users by over twice as much as each job created in 2006.

Figure 1: The Growth/Congestion Cycle
Source: GMPTE

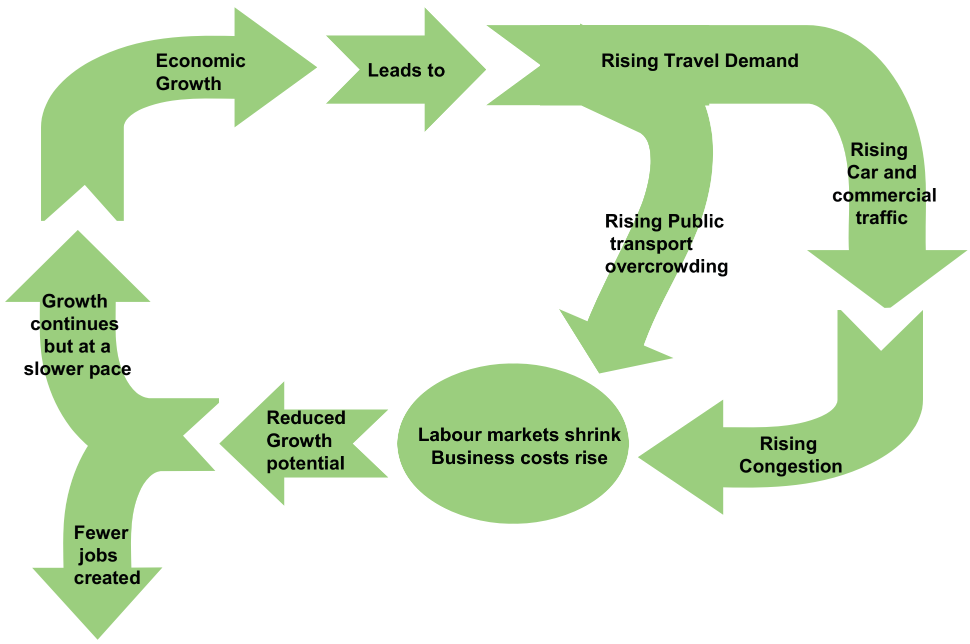
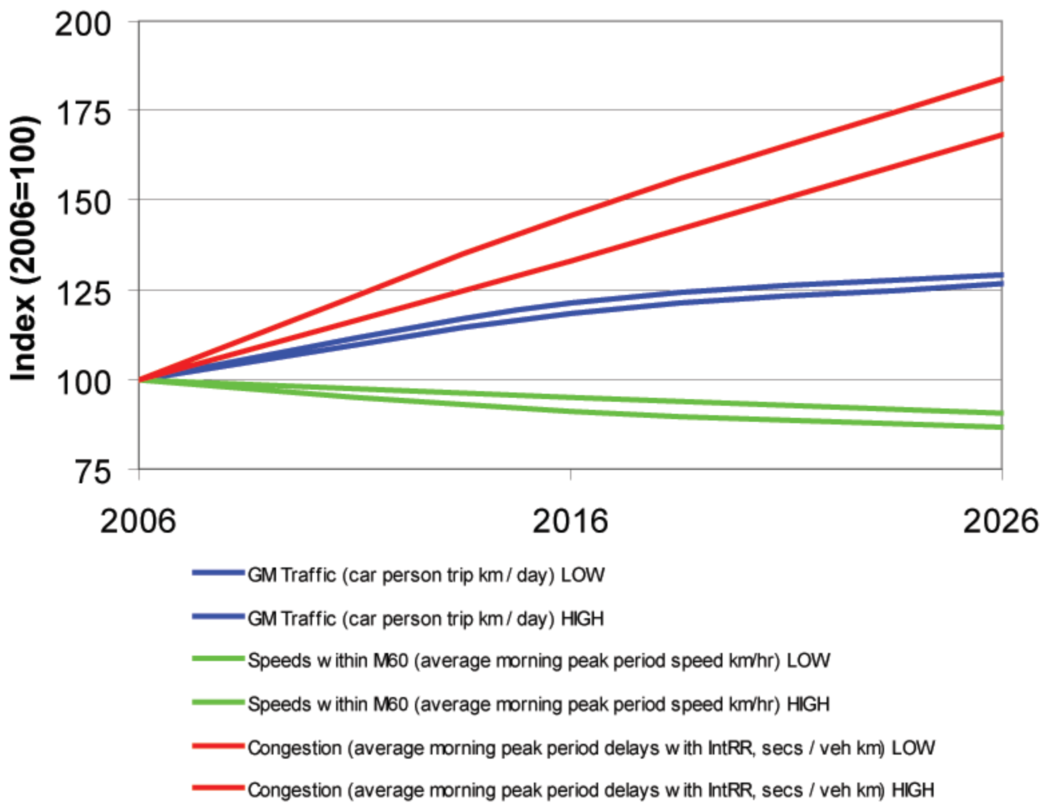


Figure 2 below shows the impact of these trends on traffic speeds and congestion for two economic growth projections, labelled HIGH and LOW. HIGH relates to the Greater Manchester City Region's aspirational Accelerated Growth Scenario, while LOW refers to DfT's own economic growth (TEMPRO) projection.

The analysis also shows that these trends do not solely result in a lower quality of life for Greater Manchester communities and avoidable damage to the environment. They also have a significant and rising impact on the City Region's ability to deliver jobs and economic growth.

Delivering the City Region's growth potential means successfully competing nationally and internationally for jobs. This means attracting new businesses and enabling existing businesses to grow. The work shows that 1 in 5 of the jobs in the Greater Manchester economy are mobile – in other words, some 350,000 of the current jobs and 390,000 of the jobs that potentially could be provided by the early 2020s could locate elsewhere, depending on how attractive a location Greater Manchester is to businesses when compared to other locations.

Figure 2: Trends in Key Transport Indicators
Source: GMPTE Transport Modelling



Impact of congestion upon economic growth

Whilst there are many things that determine the attractiveness of a location to businesses, there are two critical areas where transport can make the difference:

- the size and depth of the labour markets a location can offer; and
- the costs and reliability of business transport in terms of moving goods, delivering services and employee travel during business hours.

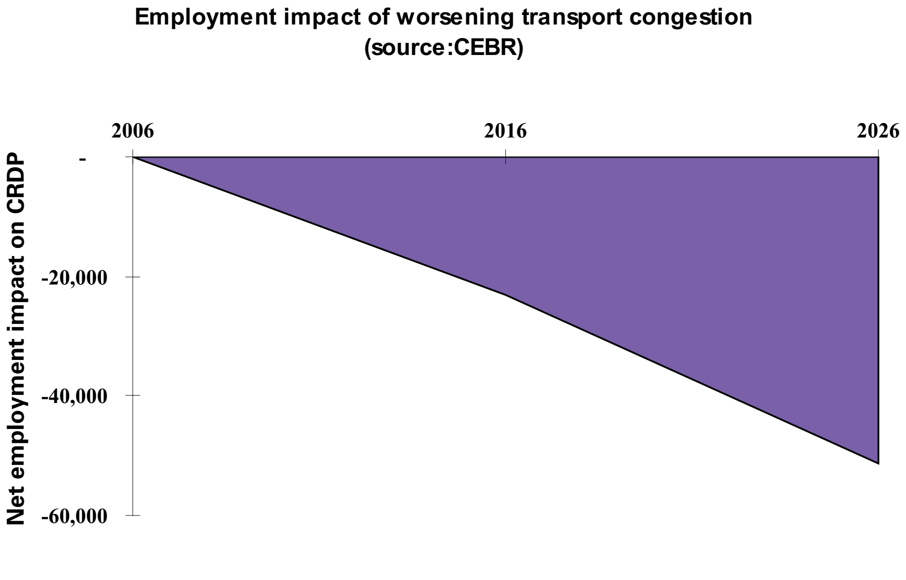
Rising congestion impacts negatively on both of these key indicators. First, it reduces the number of employees a business can attract, as a result of the effect increasing journey times and reduced reliability will have on the number of people across the labour market willing to undertake increasingly lengthy and stressful commutes to Greater Manchester businesses. Secondly, by adding to businesses' costs of operating in, and accessing, markets.17.

Figure 3:Impact of Congestion on Economic Growth

Current levels of spending on transport, together with no action to break the growth/congestion cycle, means that the City Region's ability to sustain future growth is undermined.

Clearly, the impact of these negative trends on the level of growth the City Region is capable of delivering will, in part, depend on what happens in competing locations including: the position they start from in terms of congestion and public transport overcrowding; how much investment they secure; and how well those more successful locations address the challenge of sustaining growth.

The analysis presented in Figure 3 below reflects modelling of the impact of transport costs in particular via their impact on labour markets and on business location decisions. It takes as its starting point a view that Greater Manchester will avoid losing out to its competitors if a decline in the car-based labour markets that can be offered to employers can be mitigated whilst growing those based on public transport in line with the boost these markets would receive as a result of the development of the Metrolink network.



The analysis takes into account forecast changes in population and the spatial pattern of development targeted under the City Region Development Programme. It also takes into account the positive labour market impacts anticipated as a result of the transport funding Greater Manchester has either already secured, for example for the Phase 3a Metrolink extensions, or is anticipated to receive under existing funding streams such as the Regional Funding Allocations, which Government has announced out to 2018/19.

This analysis shows that with the current levels of transport funding Greater Manchester can expect to secure and, in the absence of effective action to address the growth/congestion cycle, the City Region risks crowding out one in seven of its potential growth in jobs. This could translate into a loss of £800 million per annum[5] to the Greater Manchester economy by the middle of the next decade and £2.2 billion per annum by the middle of the following decade.

Consideration has been given to how the current economic climate could affect this analysis. Although a slowdown in the economy may affect Greater Manchester's growth path in the short term, it will have little or no impact on the potential of the City Region's economy in the medium or longer term; nor does it mean that the competition Greater Manchester faces from other locations for mobile businesses will be any less fierce now than in the future. This means that in practice any slowdown in the economy merely means that the above constraints and job impacts may bite slightly later than would otherwise be the case. The long term costs to the Greater Manchester economy of failing to act to remove transport constraints on growth remain the same.

5 cebr - Calculated based on an average GVA per worker, inflated to account for assumed productivity increases over time

Funding and Congestion Charging

Investment in transport

The above analysis shows the importance of delivering substantial improvements to the Greater Manchester transport system if the City Region's economy is to continue to grow in accordance with CRDP target growth. This requires two things.

First, it requires significant improvements in both the capacity and quality of the public transport network, including significantly improved accessibility with a view to incentivising wide-scale changes in travel behaviour and in particular achieving modal switch from car to public transport. This radical change will require significant investment, substantially more than is currently available to Greater Manchester for transport from any other funding source (see later paragraphs 63 to 74). It is for this reason that AGMA has identified the Transport Innovation Fund as the only funding source presently available which could potentially bring the required level of investment to the transport system within Greater Manchester.

Secondly, it requires decisive action to break the link between growth and rising congestion which will otherwise constrain Greater Manchester's ability to continue to grow to its full potential. The work carried out demonstrates that public transport improvements, even if they could be funded, cannot deliver this on their own. The road space they free up as a result of people switching from their cars is rapidly filled and the growth/congestion/lower growth cycle (as per Figure 1) quickly returns to where it was. What is required therefore, in addition to significant up-front investment, is a way of ensuring that road users take proper account of the costs they impose on others and thus the Greater Manchester economy when they travel at congested times. The only practical and efficient way of doing this on the scale necessary to break the growth/congestion/lower growth cycle is through a targeted and sophisticated approach to congestion pricing that means that road users realise and accept the costs they impose on the local economy if they choose to drive at congested times and not take advantage of the transformed public transport on offer.

Congestion charging and transport investment

According to the guidance issued by the DfT, bids were sought which support "the costs of smarter, innovative local transport packages that combine demand management measures, such as road pricing, with measures to encourage modal shift, and better bus services". AGMA agreed that what should be developed was a package approach which would comprise three interdependent elements: a major transport investment programme and a conceptual charging scheme, which together would be designed to remove transport as a constraint on the delivery of growth, alongside a wide-ranging package of governance reforms, which would ensure that the transport investment and charging package could be delivered on time to meet needs and budget. These are summarised below and described in detail in Documents 2 and 3. It is important at this point to explain why, based on the work which has been undertaken and underpins the bid, it is considered that only by linking charging to the major transport investment now being proposed will transport be removed as a constraint on the City Region's future economic growth.

The reasons for this package approach are as follows:

- Incentivising changes in travel behaviour

The proposed package of transport investment and charging will result in an anticipated additional 136,000 daily public transport trips by 2016 over the "do minimum" position. Only by delivering the increase in public transport quality and capacity and providing the necessary incentives for behavioural change set out in these documents can Greater Manchester ensure that there is an effective and attractive public transport alternative for those living and working in the area. This is the key to ensuring in turn that Greater Manchester's growth path can be secured.

- Securing more efficient use of the total transport system

The congestion charging proposal in the package has been designed so that the prices that would be paid by a peak time car commuter better reflect the wider costs that their journey imposes on other road users in terms of travel delay. In this way, the package provides a transparent system that encourages all commuters to consider their travel options in the light of the significantly enhanced public transport alternatives, so as to ensure that the most efficient use is made of limited peak time road space.

- Investing net revenues in local transport for 30 years

  The final key factor relates to the approach that the AGMA TIF package takes to the up-front significant investment of future congestion charging revenues in public transport.

This will ensure that a transformational change in the quality and capacity of Greater Manchester's public transport is delivered in advance of charging being introduced, thus providing a real and practical alternative to the car. In announcing Greater Manchester's TIF Programme Entry status, the Government has agreed that Greater Manchester should retain the revenues from charging for 30 years.

Securing the Vision: Developing the Package Approach

The approach taken to the development of the TIF package has been driven by 3 requirements, in addition to the fundamental requirement to develop a combined package of public transport investment and a charging scheme which will remove transport as a constraint on the delivery of CRDP growth. These are:

- compliance with Department for Transport Guidance;
- compliance with the AGMA tests; and
- accountable and efficient governance arrangements.

Compliance with DfT Guidance

First is the requirement to develop a bid which is compliant with the clear guidance from the DfT for those bidding for investment from the Transport Innovation Fund. A key objective has been the development of a package which is both affordable and which represents value for money. To examine value for money, DfT appraisal guidance has been rigidly applied to enable a comparison of benefit to cost for each and every component of the package.

Compliance with the AGMA Tests

Second is the requirement to ensure that, at a local level, the package fulfils the 4 tests set by AGMA, which any strategy needs to satisfy in order to be sure that it meets Greater Manchester's wider aims and objectives. To test how far the proposed package and its individual components would go in meeting the high-level criteria of the four tests, a full assessment of their likely impacts on congestion and the economy of the region has been undertaken. This involved working with industry experts to develop a range of models to give a realistic estimate of these impacts. In addition, AGMA appointed an independent review panel, the AGMA Test Review Group, to consider any proposed package and advise on whether, in its objective view, the package fulfilled the 4 tests. It determined that the package performs well against tests 1, 2 and 4.

AGMA Test 1: There must be significant investment in public transport improvements including Metrolink. Crucially, enhanced capacity must be in place prior to the introduction of any traffic restraint measures.

The investment package which has now been agreed with DfT totals up to £3 billion (including £1.3 billion from the TIF capital grant, £0.2 billion of resource grant from DfT, £0.1 billion of local third party (e.g. developer) and other local contributions, and £1.15 billion of borrowing undertaken by GMPTA,) excluding additional rail investment to which DfT are publicly committed (via the High Level Output Statement programme) and the expected additional investment by bus operators over and above the public sector investment.

The following key design principles were used to develop the investment package:

- providing supporting public transport capacity (linked to park and ride facilities) to ensure that employers, particularly in charged locations, can be sure of benefiting from larger and more efficient labour markets as a result of the overall package;
- providing sufficient quality improvements (journey times, frequency, reliability, vehicle quality and more through and orbital services) to improve the attractiveness of the public transport offering;
- investing in pedestrian and cycling
- facilities to provide sustainable alternatives for short trips;
- delivering traffic management measures to improve the efficiency and effectiveness of the highway network;
- adopting a corridor based planning approach to integrate land use and transport planning and to integrate Greater Manchester's transport investment programmes;
- supporting behavioural change by assisting the development of workplace travel plans with major employers, as well as small and medium sized businesses; and
- focusing on the needs of the

potentially vulnerable groups affected by the charge to develop strategies for transport investment and fiscal support that ensure their inclusion in activities is enhanced in future. In summary, the investment package, which is described in detail in Document 2, consists of:

- a transformed bus network, comprising better frequencies, improved service reliability and journey times, new Rapid Bus services and new approaches to school services;
- more carriages on trains, and improved rail stations;
- more parking at rail and Metrolink stations;
- more trams and improved stations on the existing Metrolink lines;
- Metrolink lines extended to other areas of Greater Manchester;
- simple, easy to use ticketing;
- a safer environment for people to use public transport;
- new "real time" information provision at key commuter points on the network; and
- completion of a network of high quality interchanges.

The TIF investment package will provide a major improvement to the scale and quality of public transport available in Greater Manchester, with at least 80% of the investment programme being in place before the introduction of charging which is planned for 2013. In conjunction with the proposed charging scheme, the public transport package will deliver a range of benefits both in terms of enhanced public transport capacity, quality and connectivity and in terms of improved road journey times and reliability. These outcomes are set out in the Transport Benefits paragraphs below.

AGMA Test 2: Measures must complement the competitiveness and inclusion priorities of the City Region, and not undermine the competitiveness of the Regional Centre or the town centres in the area.

The package is designed to ensure that Greater Manchester businesses both within and outside the M60 capture significant gains from the day that charging is introduced in terms of:

- net increases in their effective labour markets of all skills groups and incomes, which means an increase in the number of potential employees willing to commute to their place of work; and
- net business transport benefits, with the financial gains to businesses in terms of reduced employee time spent travelling, lower haulage costs and improved reliability, which more than outweigh the limited additional cost of a peak time only congestion charge.

The package therefore improves both of the two key short-term transport drivers of competitiveness across the whole of the City Region, including those areas affected by the charging elements of the package. Together these benefits are forecast to all but eliminate the transport constraints on growth over the next decade putting back more than 20,000 of the job growth shortfall identified at Figure 3 by 2016, with improved impacts on job creation thereafter.

These positive impacts and in particular the net improvements in labour connectivity across all income groups and locations means that the package also improves the employment prospects of all our communities, with the public transport elements of the package also providing a more accessible system for those more vulnerable groups. Moreover, the package will secure these economic and social benefits whilst also contributing the environmental benefits of reduced air pollution and lower carbon emissions. These outcomes are described in full in the Economic Benefits, Social Inclusion Benefits and Environmental Benefits paragraphs below.

AGMA Test 3: Measures must be acceptable to both the public and business community.

In summer 2007, an initial opinion polling exercise was undertaken, which established majority support amongst residents and businesses for the submission of this package into the TIF process.

The current consultation programme, which will run from 7 July to 10 October 2008 and of which this document forms a part, has been designed in line with Government guidance to gather a depth and breadth of information on the views of the public and businesses. This information will be considered by AGMA in reaching a conclusion on the final AGMA test of acceptability later this year. The principle of a referendum at the end of the formal public consultation process is also currently being considered by AGMA and an announcement is expected at the end of July.

AGMA Test 4: Measures must be relevant to where congestion exists or where it may emerge in the future, notwithstanding the advent of public transport improvements.

The proposed congestion charging scheme is described in detail in Document 2. To provide clear criteria for the assessment of a range of congestion charging scheme options, seven principles were developed, requiring that:

the charging scheme must send the right price signals, when compared to the overall costs of road use to the community;

- the charging scheme must deal with as much of the congestion problem as possible, without compromising its efficiency;
- the charging technology must be cost-effective;
- the charging scheme must be easy to use;
- the charging scheme must benefit the environment;
- the charging scheme must promote social inclusion; and
- the charging scheme must promote Greater Manchester's economic competitiveness from the outset.

The rigorous process of reviewing a range of charging technologies and scenarios against the seven charging principles has been undertaken and this is explained in Document 2. This process has demonstrated that the charging mechanism proposed in this package is the best possible solution to addressing congestion at the times and locations where it presents the greatest threat to future economic growth.

Accountable and efficient governance arrangements

The third requirement in developing the TIF package is the need to review existing governance and organisational arrangements, with a view to ensuring their effectiveness to procure and deliver a major programme of transport investment, deliver a transformational change in the capacity and quality of the bus network, and in general to best facilitate the achievement of AGMA's strategic objectives. Radical change in these arrangements is regarded as essential to ensure that the necessary linkages are made between the outcomes flowing from the investment package and AGMA's wider economic development, social inclusion and environmental objectives. The Local Transport Bill, when enacted, will be the key facilitator for many of these changes.

City Region Governance

At the City Region level, AGMA has been considering these issues as part of a wider review of City Region governance, and in response to these challenges has already agreed to make key changes to its current governance structure including:

- reforming the current AGMA Executive into a City Region Executive Board with a robust strategy framework and with a sharper focus and remit;
- establishment of a strategic
- Transport Commission which reports to the Executive Board;
- refocusing GMPTE to become a strengthened delivery agency;
- development of corridor partnerships comprising representatives of transport, regeneration and local business communities to oversee and guide the delivery of the strategy at local level; and
- strengthened scrutiny and accountability arrangements.

These arrangements are explained fully in Document 3 and will be refined over the coming months in the light of the enactment of the Local Transport Bill, which is now before Parliament.

Greater Manchester Passenger Transport Executive

The successful delivery of the TIF package approach also depends critically on Greater Manchester's ability to effectively influence and co-ordinate the bus, rail and Highways Agency networks to ensure that the decisions affecting these are complementary to the overall approach.

In addition to these wider governance reforms, work is well advanced on a package of bus governance reforms. It is vital that there is a step change in the quality and capacity of bus service provision, together with a new integrated approach to fares and ticketing, and supporting financial arrangements to ensure that this step change is delivered equitably, efficiently and cost effectively. These are explained in Document 2. In summary, a Bus Partnership Prospectus has been agreed by GMPTA/E and the Greater Manchester Bus Operators Association (GMBOA) which:

- explicitly recognises a new leading role for GMPTE in facilitating the development of an integrated network and the need for a new performance-driven framework;

- incorporates a commitment to ensuring that any competition enhances the overall service to passengers, avoids undermining public sector investment, and minimises over-capacity and inefficient congestion;
- incorporates a commitment to simplified fares and ticketing arrangements including a smartcard which can be used for travel on all modes, new tickets that make journeys involving changes easier and cheaper and a fare change process which will govern future fare increases; and
- includes financial arrangements that enable the delivery of the improved network of services, providing fair returns to operators whilst ensuring that the costs to the public sector are kept to a minimum.

On the local rail network, AGMA and GMPTA/E will take a greater role in the specification and funding of local rail services so as to ensure that rail services are specified and planned in conjunction with local bus and highway measures. In addition, AGMA and GMPTA/E will exercise a similar role in influencing key decisions on the Highways Agency's network to ensure that the totality of the local network is considered and operates in an integrated way.

All of these requirements necessitate further enhancement of the skills base and organisational capacity of the Greater Manchester Passenger Transport Executive, proposals for which are described in Document 3.

What the TIF Package will deliver

The primary objective of the TIF package is to secure a transport system that can support the full economic growth potential of Greater Manchester. In addition, AGMA and GMPTA are committed to securing the best possible environmental and social inclusion outcomes from the package. Throughout its development, the package has been the subject of rigorous economic, environmental and social analysis, utilising bespoke computer modelling techniques and best international practice, to ensure that these objectives can be achieved. The following paragraphs summarise the findings of this work.

Transport Benefits of the TIF Package

Long-term economic growth across Greater Manchester is dependent on a strategy that can avoid transport becoming a constraint on the economy due to the increased costs of congestion. This means providing adequate network capacity. In order to assess the scale of transport network benefits delivered by the package, three transport strategy scenarios have been analysed:

- the current situation;
- a 'do minimum' scenario, within which there is no transport investment in Greater Manchester over and above what is already funded, such as the Metrolink Phase 3a network expansion, which will deliver new lines to Droylsden and Chorlton-cum-Hardy, and convert the existing Oldham/Rochdale rail line to Metrolink operation; and
- a 'TIF' strategy which incorporates the full TIF package.

- This work has found that the TIF package would:
- secure reduced traffic levels on main roads inside the M60 in comparison to a future scenario without the TIF package (the 'do minimum' scenario);
- enable speedier and easier journeys across all modes of transport compared to doing nothing;
- provide for increased Metrolink patronage from a current level of 20 million to 70 million passengers per annum when the full network expansion (including Metrolink Phase 3a and TIF) is completed;
- deliver rail capacity to cater for over 7,000 additional peak-time passengers compared to current capacity levels;
- provide a much larger Greater Manchester bus network, through the provision of additional services, compared to a future scenario without the TIF package; and
- result in less than 20% of car trips to, from and within Greater Manchester being affected by a congestion charge under the proposed charging scheme.

Economic and Business Benefits of the TIF Package

Analysis of the relationship between transport investment and economic growth, as set out earlier in this document, concluded that Greater Manchester's economic future requires a transport strategy that can deliver three key benefits for the economy and businesses operating within it.

First, independent analysis has found that providing enhanced access to labour has been regarded as the primary economic priority. Therefore, the strategy has been assessed for its ability to provide existing and new businesses with a labour market that broadens and deepens over time and to keep pace with Greater Manchester's growth potential.

In addition, analysis has demonstrated the importance of ensuring that businesses experience a reduction in the overall business transport costs that they face in terms of journey reliability, delays to deliveries and total operational fuel costs. Finally, it has also been shown that Greater Manchester requires a transport system that can contribute to an enhanced business environment, adding to the attractiveness of the City Region as a business location. In particular, this means tackling the growth/congestion cycle described in Figure 1.

The analysis set out at the front of this document concluded that AGMA and GMPTA can only deliver the twin economic success criteria of improved labour connectivity and lower costs of growth with a package that includes a significant public transport investment programme followed by the introduction of an appropriately designed and cost-effective congestion charging regime, and supported by a process of institutional reform, as set out in the TIF package.

The TIF package has been fully assessed against the three key economic criteria and the analysis concluded that:

- the improved future road journey times and enhanced public transport network that will be delivered by the TIF package will secure an increase in the effective labour market across Greater Manchester in 2016. In addition to this City Region-wide improvement, the work has also confirmed that improved access to labour markets will apply for all parts of Greater Manchester affected by the proposed peak time only charge;

- the improved future road journey times and network reliability that will be delivered by the TIF package are forecast to be worth in excess of £20 million per year by 2016, resulting in net reductions (i.e. after taking the congestion charge payments into account) in the annual average transport costs of businesses in Greater Manchester; and

- the improved future road network performance delivered by the TIF package will transform the relationship between growth and transport costs, resulting in an improved environment for both current and future businesses to operate in. In practice, this will mean that the impact on the road network of new jobs, in terms of additional traffic delays, will be reduced to levels not seen since the 1990s, thereby providing additional capacity for growth.

- Figures 4 and 5 explain the analysis further. Figure 4 shows the net impact of the package on the effective labour markets that Greater Manchester can offer employers across the City Region. This assessment shows a positive impact for all parts of the City Region both within and outside the M60, and in terms of the number of employees willing to commute to businesses both overall and from outside the M60. This means that the package results in a net increase in the number of prospective employees willing to travel from outside the M60 to businesses within the charging rings.

Figure 4: Labour Market Impacts: % change in effective labour markets as a result of the TIF package compared to the "do minimum" scenario
Source: GMPTE Effective Labour Market Modelling

% increase in the number of workers willing to commute	2016	
	From all origins	From outside the M60
To a business located…	•	•
In Greater Manchester	7%	5%
Inside the inner charging ring	7%	7%
Between charging rings	8%	3%
In Greater Manchester but outside the M60	6%	4%

Figure 5 shows the impact of the package on the growth/congestion cycle. Here the impacts are expressed as an index, showing the impact of the package on the amount of additional congestion generated by each new job created in the economy. This shows how under the do-minimum scenario these costs of growth increase dramatically compared to today, more than doubling by 2026, but are substantially reduced under the TIF package. By 2016, the TIF package reduces the congestion costs of growth by 60% compared to the do-minimum scenario, taking the additional delays (and thus costs to the economy) per job created to well below the levels experienced in 2006. This means that the impact of growth on congestion and therefore the City Region's ability to grow to its full potential is restored to levels not experienced since the 1990s.

Figure 5: Impact of the package on the growth/congestion cycle – the impact of employment growth on congestion
Source: GMPTE Transport Modelling

Additional delay to other road users per additional job created - index 2006 delays per job = 100	2006	2016	2026
Base	100	•	•
Do Minimum	•	161	212
With TIF package	•	64	109

Environmental Benefits of the TIF Package

The TIF package recognises that in order to be truly sustainable, economic growth must be delivered alongside improved environmental outcomes such as better local air-quality and a lower transport carbon footprint. Over recent decades, increases in economic growth in the UK have been associated with consequent growth in the level of pollution and carbon emissions from transport. In developing the package, AGMA and GMPTA have sought to break this negative environmental relationship.

Therefore, as recommended by a European Directive, independent experts were commissioned to produce a Strategic Environmental Assessment (SEA) of the TIF package. In carrying out the SEA, particular focus has been placed on how the TIF package impacts upon:

- local levels of air pollutants from road traffic, which have serious implications for health, and aggravate pulmonary and respiratory diseases, especially in asthmatics and young children. Tackling this issue is a key priority at national and local levels; and
- greenhouse gas emissions (mainly carbon dioxide, CO_2). These are increasingly having a serious environmental impact at local and global levels.

In summary, the SEA concluded that the implementation of the TIF Package will result in some significant benefits, including;

- a reduction of up to 10% in the amount of nitrogen oxides (NO_X) and particulate matter (PM_{10}) in areas within Greater Manchester where air quality is currently at its worst as compared to the "do minimum" scenario;
- a 6% reduction of carbon dioxide (CO_2) emissions, one of the principal climate change gases, across Greater Manchester as compared to the "do minimum" scenario;and
- a reduction in the number of anticipated avoidable deaths each year due to improved air quality, additional exercise from the increase in walking and cycling, and reduced risk of road traffic accidents.
- The overall conclusion is that by implementing the TIF package in full, the link between economic activity and increases in transport-related emissions can be broken. In doing so, the health of people in Greater Manchester will improve, the environment will be cleaner and the transport system will be playing an active part in tackling climate change.

Social Inclusion Benefits of the TIF Package

Greater Manchester is a diverse, modern City Region with a thriving economy. However, with more than a fifth of population living in the top 10% most deprived areas in England and 18% of the working age population claiming some form of income support or benefit, the area still has challenges. The CRDP has set out a comprehensive strategy to reduce worklessness in areas of high deprivation and improve accessibility for those at risk from social exclusion. Good access to and from areas containing concentrations of deprivation is fundamental to Greater Manchester meeting its social inclusion and regeneration objectives.

The TIF package has been developed to secure improved accessibility for all communities across Greater Manchester. Analysis of the package shows that public transport accessibility will be enhanced from all key neighbourhoods under the package approach. This includes improved public transport connections to employment centres and locations of other key services from all geographical clusters of neighbourhoods in Greater Manchester shown by the Index of Multiple Deprivation 2007 to be in the top 10% most deprived in England.

In addition, an initial Equality Impact Assessment (EQIA) of the TIF package has been undertaken to gauge its impact on the more vulnerable groups in society. In summary, the EQIA has found that the TIF package will secure

- temporary and/or permanent direct increases in employment and training arising from construction activities and the operation of transport services;
- increased social inclusion and accessibility to key destinations and facilities through the creation of new journey patterns, and provision of better transport links with the wider transport network, thus improving mobility;
- specific regeneration benefits for deprived/low-income neighbourhoods through new public transport links and associated increases in accessibility;
- improved mobility options for those without a car as a result of the enhanced public transport network;
- improved reliability and travel times for bus services, and improved traffic conditions for those cycling and walking;
- improvements in vehicle quality and physical access at stations, which will particularly benefit disabled or older people with mobility issues and those travelling with young children and pushchairs; and
- increased public transport safety and security measures, providing reasurance for vulnerable groups in society.

Alternative Funding Sources

Summary of alternative funding sources

This final section summarises the alternative funding sources, which are potentially available to Greater Manchester for future transport investment, all of which have been given serious consideration. Unfortunately none of the available options would fund the scale of investment required to deliver the step change needed in Greater Manchester's public transport system to tackle congestion and deliver the City Region's full economic growth potential.

The direct value of the TIF package overall is up to £3 billion (£1.3 billion from TIF, £0.2 billion of resource grant from DfT, £0.1 billion of local third party (e.g. developer) and other local contributions, and £1.15 billion of borrowing undertaken by GMPTA) excluding rail and bus investment which DfT and Greater Manchester bus operators respectively will fund. The following options have been considered.

Traditional Government Transport Funding

An obvious alternative source of funding would be the traditional sources of Government funding for transport schemes, such as the Regional Funding Allocation (RFA) for transport. However, Greater Manchester has already secured £250 million from the RFA for Metrolink Phase 3a. As a result, funding for schemes in the North West is fully allocated until 2018. The RFA itself is worth only around £120 million per year. If Greater Manchester was able to secure 50% of the RFA money in every year going forward, this would still fall well short of the quantity of investment required. From 2018, it would take fifty years to fund the same level of investment in public transport infrastructure as would be delivered by the TIF programme. There are no plans emerging at a national level for a significant additional public funding programme for transport in areas like Greater Manchester.

GMPTA Levy and Council Tax

GMPTA is funded primarily through a levy which is paid by the 10 district councils of Greater Manchester and which in turn is funded through the Council Tax. We have examined the implications for Council Tax of attempting to deliver the public transport elements of the proposed package through the levy alone – i.e. in the absence of the proposed peak time only congestion charging scheme. This would mean borrowing for the required investment and paying it back through annual increases in the Levy and thus Council Tax.

The increases would need to begin immediately – i.e. before the investment was delivered - and would rise over time. Compared to the TIF package, the amount that would need to be borrowed would increase, because we would be delivering the investment without the benefit of the TIF grant, and the annual revenues available to service and repay this debt would be substantially reduced in the absence of the charging scheme itself, and because we would lose the beneficial impact of the proposed charging scheme on public transport revenues. We estimate that the annual shortfall to be made up through the levy and thus Council Tax would reach £165 million per annum by 2013/14, rising to £240 million per annum by 2020/21. These shortfalls are equivalent to 16% of the total anticipated 2008/9 Council Tax receipts across the whole of Greater Manchester by 2013/14, rising to 23% by 2020/21.

The average Band D Council Tax bill across Greater Manchester in 2008/09 is £1,349. Closing the above funding gaps through Council Tax would thus mean increases on today's Band D average, across the whole of Greater Manchester, of more than £200 by 2013/14 and more than £300 by 2020/21. The increases would need to stay in place until 2041 when all the debt raised to finance the investment is repaid (which is currently assumed to be 2041).

The potential for the current system of local government finance to be radically reformed, and thus for it to provide the opportunity for funding of an investment package worth up to £3billion has been considered. However, although an independent review body was appointed by the Government and has reported its conclusions in the last 12 months, no reform has been put forward for consideration at the present time, and the review body proposed no fundamental change in current arrangements. There is, therefore, no alternative but to discount as a viable source of funding an increase in the GMPTA levy on the basis that the level of increase in the Council Tax bill required across Greater Manchester would be unacceptable.

Business Rates

Some local authorities, including AGMA, which have promoted radical reform of local authority finance, have argued for a re-localisation of Business Rates. This was not seen as a sustainable option by the Government's local government finance review body and is unlikely to be considered further for some years. The Government has instead proposed to give local authorities new powers to levy a Supplementary Business Rate which could be used to provide funding for improvements to the public transport system in their areas. To fund the total investment required for transport would add significantly to the tax burden of business with an additional 10% increase being required in total business rates from 2014 to 2042 across the whole of Greater Manchester. This would also mean the same supplement being paid by all businesses regardless of how directly they benefit from the transport investment package. In any event, recent statements by Ministers have indicated that they will propose a cap on the level of Supplementary Business Rate raised by local authorities, and allow only businesses with a rateable value over £50,000 to be charged and that an overall limit of 4% will apply. Together these statements suggest that even if it was seen to be acceptable to impose the same supplement across all of Greater Manchester's businesses, the amount raised would fall well short of that required to deliver the proposed investment package.

The Local Authority Business Growth Incentive (LABGI) scheme, which was introduced in April 2005 allows some local authorities to spend a proportion of increases in business rate revenues on their own priorities. During the first year of the scheme, in England, 278 local authorities received LABGI grants worth a total of £127 million. The scheme has been simplified and, while revenues have increased from this base level, a further review of LABGI is underway to better refine the mechanism to ensure a consistency of receipts. Not all Greater Manchester authorities receive receipts from LABGI but it remains the case that the scale of resource available through this option would not remotely equate to the scale of funding that is required to deliver the transport improvements.

Community Infrastructure Levy

The Government's Planning Bill proposes a new power for local authorities to raise funds for infrastructure development through a new Community Infrastructure Levy (CIL). Its purpose will be to help ensure that the wider community costs of individual planning applications are borne by the applicant. Further details of these proposals are awaited from the Government and the Bill has yet to be enacted. It is, therefore, far from clear how these proposals will impact on future calls for funding public transport provision in particular. The strong likelihood is that, to the extent that contributions can be sustained without compromising development viability in places like Greater Manchester, these contributions are more likely than not to be modest, certainly in comparison with the significant costs associated with high quality transport provision. Therefore, whilst all the Greater Manchester authorities will want to explore the potential of CIL, as Government policy is firmed up on this matter, it is clear that CIL will not provide an alternative source of funding at the scale which is required to deliver the necessary public transport improvements.

A further suggestion, which has been put forward by another party, is that the Greater Manchester authorities should sell their ownership of the Manchester Airports Group (MAG). Given the importance of the Airport and its critical future contribution to the growth strategy discussed earlier in this document, it is the case that future decisions about the Airport should be made solely on the basis of the Airport's contribution to the City Region and not on the disposal simply to secure other investment needs. Manchester Airport also makes a significant return for local authority stakeholders, which supports economic and social programmes in their individual areas.

Conclusion

Therefore, AGMA has concluded that the Transport Innovation Fund currently provides the only viable access to the scale of resources required to transform the public transport system in Greater Manchester. Moreover, as the analysis earlier in this document makes clear, the full objectives sought by the TIF strategy could not be delivered without the combined investment and charging approach. None of these investment-only alternatives would address the price signals faced by road users travelling on congested roads. This means that even if they offered a practicable means of providing the required investment, none of them would have a significant or lasting impact on the growth/congestion cycle. In addition to being impracticable none of these alternatives offer a way of ensuring that transport does not become a barrier on the City Region's future growth potential.

The TIF package which has been agreed in principle with the Government presents the most comprehensive package of local transport measures delivered outside London. As such, it will secure improved connectivity and road network performance in Greater Manchester, and tangible economic, social and environmental benefits for Greater Manchester. In doing so, the package can provide a local transport system that will meet the needs of the City Region's growth priorities. In addition, this document has shown that the TIF process presents the only available source of funding for Greater Manchester sufficient to deliver the proposed level of investment, and the only way to ensure that the City Region can deliver AGMA's sustainable growth objectives.

There are two further accompanying documents, to further support the TIF consultation process. One provides detail on both the transport investment programme and proposed charging scheme that comprise the TIF package (Document 2). The other document sets out the comprehensive organisational and governance arrangements which are being introduced to ensure that effective and efficient processes are in place for the procurement and delivery of what will undoubtedly be the most far-reaching and transformational urban transport investment and change programme ever embarked upon in the UK outside of London (Document 3).