

Date: 25 May 2018

Subject: Introduction of a zonal fare structure on the Metrolink network

Report of: Andy Burnham, Mayor of Greater Manchester and Jon Lamonte, Chief Executive, TfGM

PURPOSE OF REPORT

This report details a proposal by TfGM to introduce a zonal fare structure on the Metrolink network in early 2019. It sets out the policy drivers and customer benefits of the proposed change, and requests approval of the proposal, subject to a public engagement exercise in late May / early June and a subsequent report to the GMCA in July.

RECOMMENDATIONS:

Members are recommended to:

- (i) approve the proposal to introduce a zonal fare structure on the Metrolink network in early 2019;
- (ii) note the policy drivers and customer benefits of the proposed change;
- (iii) note the financial and demand assessment associated with the proposal and the assumed mitigation of risks;
- (iv) note that the final zonal fare structure will be subject to a public engagement exercise in late May / early June; and
- (v) note that approval of the final zonal fare structure will be subject to a subsequent report to the GMCA in July.

CONTACT OFFICERS:

Steve Warrener 0161 244 1025 Steve.Warrener@tfgm.com

Stephen Rhodes 0161 244 1092 Stephen.Rhodes@tfgm.com

RISK/ FINANCIAL/ LEGAL CONSEQUENCES/DETAILS

Risk Management – 2.11, 4.6, 4.7, 4.8

Legal Considerations – 2.7, 2.8

Financial Consequences – Revenue –section 4

Financial Consequences – Capital - N/A

BACKGROUND PAPERS:

Approval to implement a phased, three year, fare increase, commencing in January 2018, as referred to in paragraph 4.3, was sought and granted by GMCA at the meeting of 29 September 2017. The proposal was covered by item 12: Metrolink Fares.

The minutes of the GMCA meeting of 29 September 2017 note that ‘the fares structure be reviewed across Greater Manchester from a whole system approach’ and that ‘further reports would come to the GMCA as we move towards an integrated ticketing approach.’

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?		No
AGMA Commission	TfGMC	Scrutiny Pool
N/A	N/A	N/A

1. INTRODUCTION

- 1.1 The introduction of a zonal fare structure on the Metrolink network provides an opportunity to simplify the fares and ticketing offer for Metrolink customers in early 2019; to take advantage of the next iterations of smart ticketing; and to enhance the customer offer in line with the 2040 Transport Strategy objectives for fares and ticketing. Zonal fare systems are widely used in the operation of tram and light rail systems around the world.
- 1.2 The current Metrolink fare structure uses point-to-point fares that are calculated based on eighteen underlying fare bands.
- 1.3 The introduction of a zonal fare structure would facilitate greater transparency of fares and allow the removal of historic anomalies in the current fare structure across Greater Manchester. It will provide a simpler and more attractive customer offer, and directly address comments raised by Leaders when approving the January 2018 Metrolink fare changes at the GMCA meeting on 29 September 2017.
- 1.4 The programme to introduce contactless payment on the Metrolink network from later this year assumes a simplification of the Metrolink fare structure in 2019 to improve the customer experience by facilitating more flexible daily fare capping (i.e. extending capping beyond the current simple, network wide fare cap). The introduction of a zonal fare structure will allow differential daily capping to be introduced, based on the number of zones a customer travels in.

2. ZONAL FARE PROPOSAL

- 2.1 The proposal introduces four concentric, ringed, fare zones and is largely designed around the existing underlying fare bands which have been introduced incrementally, and in response to local factors, as the Metrolink network has expanded. Illustrative and geographical maps of the proposed zones are included at Appendix 1.
- 2.2 As the Metrolink network has expanded, a number of factors have been taken into account to ensure that fares across Greater Manchester provide comparable value for money. These factors include both distance and journey time such that fares are based on relative 'journey quality' rather than any one deciding factor. However, as a result of the existing 'point to point' fares, this approach has led to an overly complex fare structure for customers. The proposal does not change the underlying factors which have determined fares to date; however, by introducing concentric, ringed zones and harmonising fares across the region the proposal achieves a significant simplification of the current fare structure, as well as offering other customer benefits including enhanced value for money.

- 2.3 The transition from the current fare structure to the proposed zonal fare structure includes a number of 'stages'.
- 2.4 The first 'stage' harmonises pricing differences in the current fare structure which exist as a legacy of previous fare changes, including historic 'fare freezes' on some lines, including, for example the Bury and Altrincham lines, following disruption as a result of track renewal works. Cumulatively, these changes have resulted in a set of disconnected fares meaning that the value proposition for customers varies across the network.
- 2.5 The second 'stage' establishes 'boundary stops' across the network to remove disproportionately high fares for the shortest trips that cross a zonal boundary. The 'boundary stops' are included in two zones and the fare is based on the lower zonal cost relative to the direction of travel.
- 2.6 The third 'stage' replaces the underlying zones in the existing fare structure, as set out in Appendix 2, with four concentric, ringed fare zones, as per Appendix 1. In the proposal, fares are calculated based on the number of zones a trip passes through, with each zone only counted once e.g. a trip from Manchester Airport to Bury would be calculated as a four zone fare, rather than an alternative option that charges for every zonal boundary crossed which would calculate a higher fare for cross-city journeys.
- 2.7 An Equality Impact Assessment (EQIA) has been undertaken to ensure that the proposal does not unlawfully discriminate against any of the protected characteristics. The assessment demonstrates that the proposal has a positive overall impact as a result of simplifying the approach to fares and ticketing and ensuring a more consistent approach to pricing across zones.
- 2.8 The changes to fares referenced in paragraph 3.5 could have a minor adverse impact on those customers who are not eligible for concessionary travel. However, the planned fares for short distance trips do not generally increase by a higher value under this proposal than they would otherwise have done in early 2019; and the proposal delivers a consistent approach to the pricing of short 'single zone' journeys across Greater Manchester.
- 2.9 The proposed zonal fare structure will apply to all existing and future ticketing and payment channels on the Metrolink network, including; contactless payment, paper tickets, 'get me there' mobile app ticketing and ITSO smart card.
- 2.10 A public engagement activity will be undertaken by TfGM in late May / early June to raise awareness of the proposed changes and to inform the final zonal fare structure.
- 2.11 The objectives of the public engagement activity are to highlight the rationale and benefits of the proposed changes; to share the specific geography and zones proposed; and to seek public views on the proposed zonal fare structure which will be incorporated into the final design, as far as is possible, whilst still mitigating the financial and operational risks related to the proposal.

- 2.12 In order to finalise the zonal system, a report will be submitted to the GMCA in July. This will enable feedback from the public engagement activity and further consultation with Leaders to be considered and incorporated into the zonal fare structure, and will also provide time to prepare the new approach ahead of delivery in early 2019.

3. POLICY DRIVERS AND CUSTOMER BENEFITS

- 3.1 This section summarises the main policy drivers and goals behind the proposal to introduce a zonal fare structure, and identifies how the proposal would achieve the desired outcomes. These policy drivers have been derived from the Greater Manchester 2040 Transport Strategy.
- 3.2 The proposal supports our policy goal to **improve social inclusivity** across Greater Manchester by making Metrolink more accessible to residents. Harmonising zonal fares to the lowest current prices and reducing fares for journeys that interchange between lines or traverse the city centre will give greater access to employment, leisure and educational opportunities. This has the potential to drive inward investment into the region by improving the mobility of the workforce and by making Metrolink a more viable option to access employment in a wider range of locations.
- 3.3 The proposal also supports our policy goal to **increase use of public transport and encourage modal shift to more sustainable travel modes** with the associated benefits for congestion and air quality. A zonal fare structure will contribute toward this by making Metrolink tickets more convenient and flexible to use for customers.
- 3.4 **A simpler, easier to understand fare structure** will make Metrolink more accessible for visitors to Greater Manchester and to new local users which in turn will help to grow patronage and revenue from existing latent demand.
- 3.5 The proposal harmonises the lowest fares currently payable on Metrolink, available for 'one stop' journeys and journeys within the 'City Zone', with other short 'single zone' journeys. Whilst this will increase fares for those customers making the shortest of journeys it supports our policy goal to **promote active travel** for short journeys with the associated benefits for health and wellbeing.
- 3.6 In addition to the above policy drivers, the proposal delivers a number of customer benefits, which help to deliver against the Greater Manchester Transport Strategy 2040 objectives for fares and ticketing.
- 3.7 Firstly, the proposal achieves a significant **simplification of the current fare structure** reducing the number of fares available per product from 8,556 (the number of point-to-point combinations) to just ten.
- 3.8 This will make it easier to communicate fares to customers, supporting our objective of **trustworthiness and transparency**, and will also help to achieve the full benefits of contactless ticketing by replacing return tickets with zonal daily capping. The proposed simplification of the fare structure will also

facilitate better integration of Metrolink fares and ticketing with other modes both within the region and with other areas across the North.

- 3.9 Secondly, the proposal makes using Metrolink **more flexible and convenient** for customers, by converting the current fares, which only allow travel between two points on the network, into zonal fares which allow travel anywhere on the network within the selected combination of zones. This additional flexibility is being offered without the introduction of a price premium such that zonal Metrolink fares will provide **better value for money** than those in the current fare structure.
- 3.10 The proposal will, at least in part, address the results of the 2017 Transport Focus Tram Passenger Survey which shows that customer satisfaction with the value for money of Metrolink fares is 59% compared to the UK all network measure of 68% for the same period.

4. FINANCIAL AND DEMAND IMPACT

- 4.1 The financial and demand impacts of the proposal have been modelled using the same approach used to assess the impact of the fare changes implemented in January 2018. This approach uses a suite of models, which have been updated to incorporate Metrolink 2017 demand data.
- 4.2 The implementation of the proposed zonal fare structure removes structural pricing differences across the network by harmonising different fares within the new zones to a common level. A number of harmonisation approaches were tested during development of the proposal.
- 4.3 The preferred option proposed here harmonises fares to the lowest current price point. This gives the highest customer benefit and mitigates some of the financial impact on customers after the application of a January 2019 fare increase of RPI+1%+1.33% as approved by GMCA at the GMCA meeting on 29 September 2017.
- 4.4 This option has been selected in preference to two modelled alternatives, both of which improve the affordability of the proposal but offer less customer benefit. These options were to harmonise all fares to the highest current prices; and an intermediate approach with prices harmonised at 10% or 20 pence above the lowest price (capped at the highest value for each ticket type).
- 4.5 In 2019, demand is predicted to increase by 1.2% and revenue is predicted to increase by 1.5% (c. £1 million) as a result of the introduction of the proposed zonal fare structure and the associated fare changes. Compared to revenue modelling using the current fare structure the proposal (before any assumptions about additional generated trips and associated revenues) puts c.3% (c. £2 million) of forecast revenue at risk in 2019.
- 4.6 However, the models used do not include any assumption of trip generation resulting from the increased convenience and flexibility of zonal tickets. It is

forecast that patronage growth from latent demand and a targeted reduction in the level of fare evasion will mitigate the financial risks inherent in the proposals.

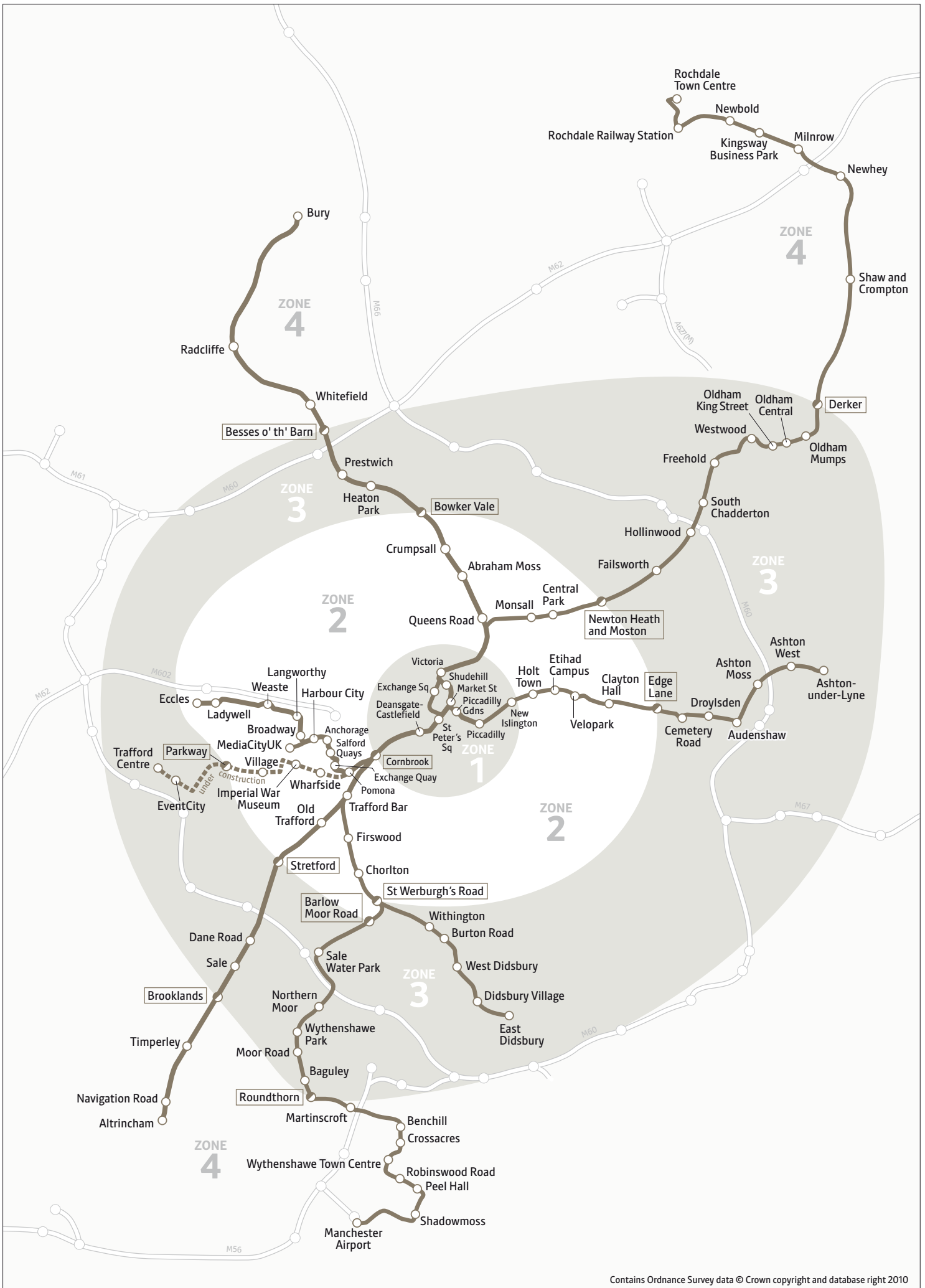
- 4.7 Whilst it is anticipated that trip generation will take place mainly in off peak periods, lowering cross-city and inter-line fares may place additional stress on network capacity in the peak. In the medium term these effects will, at least in part, be mitigated following the introduction of the additional trams that were approved at the CA meeting in March 2018; and by the introduction of off-peak pricing that is being considered further as part of the measures set out in the Congestion Deal that was also approved at the March CA meeting. However, network capacity remains a risk in the short term. TfGM will work with the Metrolink operator to put in place a contingency plan should demand increase above the expected level.
- 4.8 If any changes are required to the proposal as a result of the public engagement exercise or further consultation with Leaders, the demand and financial modelling will be re-run using the final design to ascertain any change to the level of revenue at risk or forecast demand impacts, and the results will be included in the final report to the CA in July.

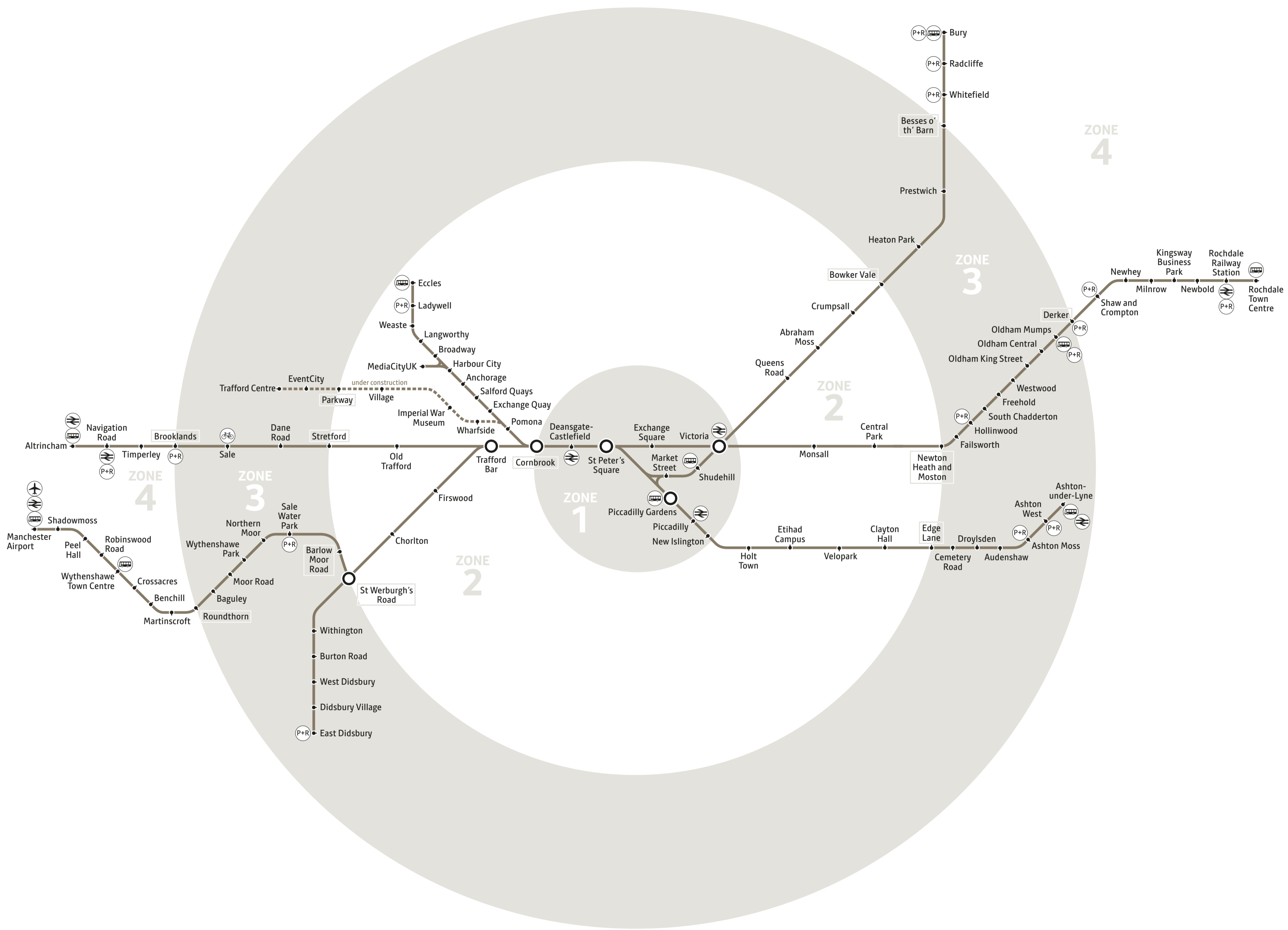
5. RECOMMENDATIONS

- 5.1 Recommendations are set out at the front of this report.

Dr Jon Lamonte

Chief Executive, TfGM





Appendix 2

Figure 1

