

**TIF PUMP PRIMING ROUND 1**

**APPLICATION TO DFT**

**BY AGMA / GMPTA/E ON BEHALF OF  
THE GREATER MANCHESTER  
AUTHORITIES**

## Summary

The key objective of Greater Manchester's Integrated Transport Strategy (GMITS) which was submitted to DfT in April 2005 is to underpin the continued economic growth and urban renaissance of the sub-region. The Greater Manchester Authorities are clear that in order for this objective to be delivered we need to see sustained investment in transport capacity improvements alongside an appropriate and progressive approach to demand management.

Our strategy involves developing a multi-faceted approach including the setting of outcome-based targets for individual corridors within the sub-region underpinned by "Metropolitan Area Agreements" alongside the development of demand management approaches to aid their delivery. The precise nature and scale of the measures that we intend to adopt cannot be predicted with certainty at this time and they are likely to vary across the conurbation. However, we are clear that as our economy continues to grow and with it the demand for travel, the role of demand management will become increasingly important if we are to continue to deliver our economic growth objectives.

Transport Innovation Fund (TIF) pump-priming resources are required to provide us with much needed intelligence and development resources to complement local funds and enable us to firm up our demand management strategy. The bid is for 2 inter-related work packages which together will:

- Assist us to establish our innovative, outcome based corridor partnership approach
- Help us to develop a demand management toolkit involving definition of the circumstances in which increasingly harder-edged measures will need to be deployed (such measures will include workplace parking levies, local revenue raising and charging mechanisms, etc)

Greater Manchester has already committed significant resources to taking forward work on this agenda. In particular we have:

- Commissioned a study into the current levels of congestion and its economic impacts; and
- Begun to develop a robust modelling and appraisal framework

This application relates to the additional work required and describes our objectives for each work package and how each fits into the overall context provided by the GMITS and the strategy for its delivery through the main TIF.

## 1. Introduction

- 1.1 Greater Manchester is the largest and best performing of the city regions of the North of England. With a population of just over 3 million, 37% of the region's population, it is the economic centre of the North West, generating GVA of £47bn, approaching half of the North West's total and is the largest contributor to output outside London and the South East. Connectivity is vital to the continued growth of the city region economy and the continued expansion and consolidation of our existing transport systems is vital if we are to strengthen international, inter-regional and intra-regional connectivity. The Greater Manchester Integrated Transport Strategy (GMITS) which was submitted to Government in April, 2005 set out our vision for supporting city region economic competitiveness and growth by enhancing accessibility and connectivity and also supporting Government policies including PSA2 and the Northern Way Growth Strategy. It is clear that even with the innovative strategies set out in the GMITS, economic growth cannot be sustained indefinitely without an increasingly hard-edged approach to demand management. Greater Manchester will rule out no measure provided that the sub-regional economy is supported and that there is available capacity within the public transport system to sustain changes in travel demand.
- 1.2 Consistent with the GMITS, our Provisional LTP2 submission of July this year included expressions of interest for both the main TIF, which it is recognised will be critical to successful delivery of the GMITS, and for Pump Priming TIF funding.
- 1.3 This submission sets out our bid for TIF Pump Priming Round 1 funding which we believe to be necessary to help us meet the development costs of a toolkit of demand management measures which will support our formal LTP2 and main TIF submissions next year and to develop a framework through which we can work together with DfT on the potential role of further measures in the GMITS in the future.
- 1.4 Taking into account the published guidance on TIF Pump Priming funding, this submission focuses on the critical role Pump Priming funding would have in developing and embedding harder edged demand management techniques within local plans.
- 1.5 The proposed work programme has been broken down into two linked packages and we are seeking a 50% contribution from the Pump Priming fund towards the total costs of the whole programme. The first package relates to the costs of developing our outcome based corridor partnership initiative. The Greater Manchester

authorities intend to fund this package. The second package relates to the development of a demand management toolkit which will support our formal LTP2 and main TIF submissions next year and also relates to the estimated costs of developing longer term harder edged initiatives, including a partnership with Norwich Union, which could contribute to the delivery of the GMITS in the future.

- 1.6 At £2.5m, the costs of the whole programme are significant and even with a 50% contribution from the fund the programme represents a significant call on local resources. In the absence of a 50% contribution the full package is unlikely to be affordable and we will need to prioritise available resources. We would expect this to mean that we will first need to look for savings in the scale and timing of the demand management work package.
- 1.7 In addition to explaining our proposals and setting them in the context of our developing strategy, this submission sets out:
  - the different elements of the proposed work programme which Pump Priming TIF funding would enable us to carry out;
  - the outputs we would commit to delivering in return for the funding we are seeking; and
  - the expected costs and profile of the programme, which we would propose to split equally with the DfT.
- 1.8 We have also used this submission as an opportunity to outline some of the preliminary results of the Greater Manchester Congestion study which, once complete, would be a key input to the proposed pump priming work programme.
- 1.9 In parallel to this submission the DfT has been provided with separate briefings on the modelling and appraisal framework being developed in Greater Manchester to support the LTP2 strategy and which would also form an important input into the proposed work programme.
- 1.10 Naturally we would be willing to address any follow up questions DfT may have about the proposals set out below.
- 1.11 Finally, we would like to express our thanks to the DfT for the support and guidance we received in refining our proposals and preparing this submission.

## **2. Progress on the GMITS**

- 2.1 By way of context, progress since April 2005 on the major components of the ITS is summarised below:

- Cost efficient Metrolink plans along the three Phase 3 designated corridors are being developed together with detailed work on the renewals and additional capacity package for the existing system:
  - Phase 1 and 2 renewals and capacity upgrade being progressed following the conditional approval received in July and responses to OJEU advertisements placed in August are now awaited
  - The Airport line has been re-worked to deliver improvements in value for money
  - A detailed assessment of the non-TIF and TIF implications for the Phase 3 expansion is reaching a conclusion including agreement with DfT on a new approach to procurement and risk sharing
  
- Further development of the Leigh Guided Busway project is underway together with the development of thinking on new and innovative modes of public transport on other appropriate corridors:
  - Transport and Works Act powers approval received for the Leigh-Salford-Manchester Guided Busway
  - Further work is being undertaken on future innovative transport options for individual corridors which will be taken forward by through the corridor partnerships process.
  
- Initial developmental work has been undertaken on our corridor partnership initiative with key stakeholders including major bus operators with a view to developing integrated corridor plans to meet LTP2 and Bus Strategy objectives and optimise integration between bus, rail and Metrolink
  
- In parallel to the above 3 initiatives we have been developing an outline demand management and local funding strategy to support the delivery (and enhance the outcomes) of Metrolink Phase 3, Leigh Guided Busway and innovative corridor options.
  
- A package of countywide integrating elements is being developed including better ticketing, smarter travel choices, strategic park and ride, interchanges and intelligent transport systems, measures to promote walking and cycling and a package of road safety measures:
  - Based on the major successes delivered through the INTEGRATE project the next stage of INTEGRATE is being developed to be launched as part of the LTP2 process
  - On the back of the LTP1 UTC major scheme upgrade we have developed a Smarter Travel/Intelligent Transport Strategy and we are currently delivering a series of pilot projects

- Smarter Travel initiatives are to be proposed as part of the Corridor Partnerships process
- An Urban Traffic Management and Control major scheme bid has been put forward for 2006/07 to provide the modern communications platform for the more widespread implementation of Intelligent Transport Systems

### **3. Our Bid for TIF Pump Priming**

3.1 As the GMITS, our provisional LTP2 submission and the preliminary results of the Greater Manchester Congestion study (see below) make clear, delivering on a broadly based set of outcomes will mean :

- our strategy will need to be based on both investment and demand management;
- the approach to demand management will need to embrace a toolkit of both softer and harder-edged measures capable of addressing the different economic needs and circumstances of different parts of the city region;
- sustaining local growth and ensuring that the growth delivered is not achieved at unacceptable wider costs involves an increasing role for demand management over time; and
- as our economy grows and as the role of demand management increases over time it is likely that we will be increasingly reliant on harder edged (ie user charge based) measures to deliver. It will always be important to ensure that in pursuing these measures there is residual capacity within the public transport system.

3.2 The key issue for Greater Manchester Authorities is to manage the demand for car travel, and consequent congestion, whilst facilitating economic growth. We have managed successfully to do this so far: since 1997, we have achieved a shift from car to public transport of around 6% despite a growth in jobs of around 45,600 in a similar period. For the purposes of this application and next year's formal LTP2 and full TIF bids we are intending to adopt an incremental approach to developing and implementing a full demand management strategy based on a 'toolkit' of measures to respond to different conditions within the sub-region. The toolkit will need to consist of hard as well as softer edged demand management which reflects:

- the incremental contribution these elements make towards improving the outcomes that can be delivered and thus the degree of stretch in the outcome targets;

- the importance of preparing the ground for further combined investment and demand management packages in the future; and
- the impact this approach is expected to have on our case for main TIF funding and thus the overall benefits deliverable under the overall approach.

3.3 In the context of an acceptable major projects funding strategy, the working assumption is that our approach will comprise:

- The establishment and roll out of the Corridor Partnerships across Greater Manchester;
- Outcome targets that reflect the benefits of the planned demand management package, the investment and the improvement in focus and delivery we expect to achieve through the Corridor Partnership programme;
- Defining the demand management toolkit to support the above; and
- Investigating the potential and basis of a local revenue raising package.

What is proposed amounts to a virtual reorganisation of the way in which transport planning and resources are allocated with outcomes-base targets being set for individual corridors within Greater Manchester underpinned by LAA-style “Metropolitan Area Agreements” thus strengthening accountability between Greater Manchester Authorities and Government.

3.4 We believe that an essential part of delivering an approach involving an increasing reliance on price based demand management will be to tackle the perceived trade-offs between transport (and in particular congestion) and development outcomes head-on.

This highlights:

- the importance of the Corridor Partnership model which brings together internally consistent development and congestion targets in the same place in a delivery focused structure with real accountability for results and significant business involvement; and
- the value of a incremental approach, under which successive packages are brought forward which combine investment, increasingly intensive demand management initiatives and ever more stretching integrated transport and economic growth outcome targets.

#### **4. Corridor Partnerships and Our Outcomes Based Approach**

- 4.1 As outlined in the GMITS, Greater Manchester faces a range of significant transport challenges. In addition to the need to promote growth: there are capacity problems on the rail network, we face increasing levels of car use (manifested in, for example, over a third of all home to school travel being by car), low levels of public satisfaction with bus services in some areas, high accident levels, localised congestion hot spots, some areas with poor levels of accessibility by non-car households and some areas with air quality problems.
- 4.2 In common with other city regions we also face the challenge of co-ordinating transport planning and in directing scarce financial and human resources to best effect. Although demand management, whether soft or hard edged, can contribute to solutions in some of these areas it offers a far from comprehensive solution.
- 4.3 We must also recognise the perceived tension between demand management, with its implications for increased total transport costs to and from the locations targeted, and location specific development objectives which would tend to point to different needs.
- 4.4 It is not possible to pursue packages with significant demand management elements unless they also include substantial and high profile investment in public transport to cater for the displaced demand.
- 4.5 Against this background investment not only brings its own benefits, it can also act as a necessary catalyst for reform, generating both stakeholder buy-in and commitment but also with the right kind of approach to funding and risk allocation as a means of sustaining and reinforcing that commitment over time.
- 4.6 Core to our approach here will be the Corridor Partnerships (CPs), which will be charged with delivering an agreed integrated plan for each corridor with the delivery of agreed outcomes under LAA-style "Metropolitan Area Agreements" as a central component.
- 4.7 The major projects proposed as part of LTP 2 will be the catalyst that will enable these partnerships to be established, but their role is to improve upon the outcomes that could be achieved through that investment alone. They will achieve this through a combination of:
  - (a) better targeted local spend (eg through a lead role in allocating the local transport block);
  - (b) improved co-ordination across modes (eg through bus and light rail joint ventures);

- (c) integration of soft and hard edged demand management tools;
  - (d) an integrated approach to planning decisions (including parking provision) along the corridor;
  - (e) an integrated approach to road space allocation; and
  - (e) by boosting the funding available for expenditure along the corridor through land value uplift capture and supplementary business rates.
- 4.8 This will mean targets that stretch beyond what could be achieved through the initial investment alone.
- 4.9 The CPs' remit thus extends well beyond the investment that brings them into being both in terms of:
- transport mode (where they will face targets for road congestion as well as public transport); and
  - outcomes, where they will have outcome targets focused on:
    - economic growth, without which it will be difficult to demonstrate that we can genuinely align demand management and development objectives; and
    - safety and environmental outcomes (eg reflected in targets which involve reduce the overall proportion of trips by car).
- 4.10 Although the CPs are a virtual rather than actual reorganisation of responsibilities at the local level, they are a means of providing real accountability for public transport and linked planning decisions. They will not be able to hide behind narrow objectives which focus simply on a one-dimensional set of targets.
- 4.11 To be effective the CPs will need to be able to engage with all key parties (including LAs, bus, train and tram operators, and businesses) to assist in the success of CPs and create greater co-ordination (in effect creating a combined virtual highways authority, public transport coordinator and development sponsor).
- 4.12 Aligning incentives will be key to delivering this effective engagement, and the aim is to support the CPs with a financial framework which financially ties both private and public players to the delivery of CP outcome targets. This is discussed further below in the section outlining the proposed demand management components of our strategy.
- 4.13 The CP concept therefore brings with it significant challenges for both local public sector institutions that will be required to operate in a different way and be held accountable for delivery of stretched

targets. They are not expected to be deliverable in the absence of the prioritised LTP2 investment package.

- 4.14 As the work programme at section 6 below demonstrates, the CPs will also involve a significant amount of resource expenditure to establish.
- 4.15 The partnerships need to focus on outcomes. The ambition therefore is to move to an outcomes-based approach that embraces sub-regional transport and economic growth outcomes, sets targets for each (ie congestion and job growth targets), and ensures that:
- the targets are properly integrated. This will mean ensuring the targets are internally consistent and soundly based (which will mean they need to be based on integrated rather than separate analysis and that we will need to ensure transparency about policy and spend inputs). We believe that this is critical not just to ultimate delivery, but will also play a key role in beginning to help address the perceived trade-off between tackling congestion and promoting sub-regional growth (see text box below);
  - the targets are brought together in the same place so that local decision making is made with a view to impacts across all the targets;
  - they are backed by fit for purpose delivery mechanisms. As the provisional LTP2 submission makes clear we believe this will involve what amounts to a virtual reorganisation of the way in which transport and planning resources are allocated and policies delivered within Greater Manchester through the Corridor Partnership approach; and
  - the targets are supported by a financial framework that aligns the incentives of both the public and private sector players whose actions are critical to success.

### ***Modelling and Appraisal Framework***

*A modelling and appraisal framework has been developed to provide the evidence base to support the development and delivery of the Greater Manchester Integrated Transport Strategy (GM ITS). The framework has been designed to ensure that the analysis outputs, from the various work areas under the GM ITS banner, are delivered based on consistent assumptions and best available information.*

*A flexible framework has been created so that consistent outputs can be delivered, at the required level of detail and precision, to support work areas such as:*

- *LTP2 strategy and target setting*
- *Development of Major Scheme Business Cases*
- *Corridor Partnership development and target setting*
- *Assessment of TIF proposals*

*The key elements of the framework are:*

- *A central pool of data, supported by a rolling programme of surveys*
- *A high level transport and land use policy model, which is linked to local economic and demographic forecasting tools*
- *A series of lower level models for more detailed analysis of specific areas (e.g. Corridor Plans), proposals (e.g. Metrolink extensions, SEMMMS road schemes) or policies (e.g. park and ride).*

*While significant modelling work has been undertaken to date, further work is required in a number areas to ensure that the evidence base is in place to support Greater Manchester TIF proposals. Further work, for which TIF Pump Priming support is vital, is the development of consistent targets for transport and economic development outcomes via integrating local transport, land use, demographic and economic forecasting work. This work will provide core analysis tools for:*

- *establishing CPs and designing the Corridor Plans and setting targets*
- *the appraisal of demand management options*

*The framework has been developed to be at the leading edge of current modelling practice and also to allow it to develop in response to new requirements, such as the assessment of wider economic benefits induced by transport investment. We are particularly keen to work closely with DfT on developing the framework and disseminating the lessons learnt beyond Greater Manchester.*

## **5. Demand Management Toolkit**

5.1 As noted above the working assumption is that the demand management strategy includes both harder and softer edged initiatives under corridor specific plans.

5.2 The main demand elements of the initial package would include:

- (i) a continuing programme of demand management through road space reallocation
- (ii) further development of intelligent transport systems and smarter choices

- (iii) developing the congestion study to the next stage
- (iv) a combined workplace parking and business rate levy package;
- (v) potential additional measures targeting central area parking costs;
- (vi) financial risk cascade through the Corridor Partnerships aligning business incentives with modal shift; and
- (vii) contingent TIF funding to reinforce incentives on both public and private players to deliver demand management outcomes

5.3 In keeping with the Pump-Priming TIF guidance and in the context of an affordable overall programme the Greater Manchester authorities are proposing that we should fund the work associated with establishing the CPs, with TIF Pump-Priming resources only being used to focus on developing the demand management element of corridor plans and the specific costs relating to the harder edged elements of the above list (ie (iii) to (vii)).

5.4 The role of each of these elements is discussed below:

- **Congestion Study**

5.5 The preliminary results of the Congestion Study undertaken by independent consultants on behalf of the Greater Manchester authorities, are set out below:

- The conurbation as a whole currently experiences average levels of congestion which are similar to the DfT benchmark for metropolitan areas.
- Significant congestion delays are being experienced in the regional centre and on key radial routes during the peak.
- The study highlights that the total delays on the motorway network are significant and that there are sections of the M60 and M61 which suffer congestion on a regular basis. A further issue for the motorway network is that incidents can have a disproportionate effect and it is this journey time reliability which is of particular concern to industry.
- The LTP2 integrated minor works programme, completion of quality bus corridors and completion of Metrolink can significantly lower the rate at which key congestion indicators rise over the medium term. Under trend growth assumptions they will be insufficient over the longer term or under the City Region Development Programme to sustain growth aspirations indefinitely.

- 5.6 The consultants have highlighted the difficulty in assessing the potential impacts of congestion on the sub-regional economy as businesses can be inelastic in response to small changes in congestion, yet they will react and make decisions accordingly in response to anticipated larger changes which will limit the amount of congestion and development which actually occurs.
- 5.7 It is clear that even with the added benefits of the CP approach, the outcomes deliverable with anticipated levels of investment and current approaches to demand management will not allow economic growth to be sustained indefinitely. Therefore, we believe that preparatory work should begin now on an approach under which further investment is complemented by an increasingly hard-edged approach to demand management including if necessary a move over time to some form of charging mechanism.
- 5.8 The timing of the implementation of such measures will depend upon accurately predicting the point at which these strategies will become necessary to sustain economic growth (“the tipping point”). The assumption underpinning all of this and future work is that the economy of the sub-region is supported and that there is the available capacity within the public transport system to sustain significant changes in travel demand. Thus the timing of any charging based approach will be a function of:
- a) the rate at which growth is delivered and the opportunities for further growth;
  - b) evidence on the impact of congestion on our ability to continue to grow;
  - c) the scale, nature and benefits of (and funding arrangements for) further investment;
  - d) developments in terms of the practicability and cost and local applicability of distance based and other charging mechanisms;
  - e) the evidence on the impact of those approaches to the pace at which development would continue; and
  - f) the success of the approach to reconciling transport and development outcomes.
- 5.9 Resolving these issues will, therefore, require a major research programme bringing together existing planning and modelling tools, the work already in hand and further research and modelling, for example into congestion and demand management impacts on local economic growth and the deliverability and practicability of charging technologies.

5.10 Part of the technical element of this work will involve working with the Norwich Union to expand their current system of in-car data recorders within Greater Manchester. In particular, 2 research work-streams are proposed:

- Technical – to assess how the data produced from the system can be utilised to improve the management of the road network better eg by linking with UTC, help improve our understanding of how this technology could be used to implement distance based charging in Greater Manchester, improved targeting of road safety initiatives, and improved monitoring (eg of congestion).
- Usage – to assess how a broader based set of financial incentives (eg cost savings on insurance) can influence car use, and assist in travel planning through the ability to target messages at individuals eg through targeted information on the potential cost savings if public transport was used for commuting rather than the car.

Further details of the Greater Manchester/Norwich Union Pathfinder are set out in the Annex.

5.11 An element of our work to develop a demand management toolkit therefore relates to the costs of a programme targeting the full range of development issues outlined above, with the objective of identifying the conditions that would need to apply for these packages, together with the identification of the specific type(s) of interventions to be adopted to form the basis for future iterations of the Greater Manchester LTP. We would propose that this work should be jointly overseen by AGMA/GMPTA (on behalf of the Greater Manchester authorities) and the DfT, ideally drawing on (and sharing with) linked work being undertaken elsewhere.

▪ **Workplace parking and business rate levy package**

5.12 A new approach to funding based on business value capture plays a key part in our LTP2 funding and demand management strategy.

5.13 Although the details are dependent on anticipated announcements as part of the Local Government Finance Review, our working assumption is that part of the funding necessary to deliver the LTP2 programme will be raised from local businesses through a combination of a supplementary business rate and/or workplace parking levy.

5.14 The objective here is fourfold:

- to ensure an equitable apportionment of the funding burden for the major projects element of the prioritised LTP2 programme;
- to align incentives in terms of the delivery of outcomes (see sections below on risk cascade and contingent TIF funding);

- to promote modal shift by providing incentives to businesses to economise on workplace parking provision and reinforce their incentives to implement effective employee travel plans; and
- to begin an informed debate with the Greater Manchester business community on the principle of demand management (including charging mechanisms) and in particular the fact that the costs they impose on the community (including the rest of the business community) are in part a function of the way in which they operate. The signal sent by a funding package based on a combined business rate and work place parking levy is thus not only that businesses should expect to surrender some of the value they obtain from investment towards the funding costs of that investment, but also that the scale of that contribution will also be a function of the costs they themselves are imposing. In short the more sustainable a business' model (and thus the less it restricts the rate at which the local economy can continue to grow) the less businesses will be expected to pay.

5.15 In part this approach reflects discussions with the Manchester business community which have revealed a much less negative response to measures such as supplementary business rates (particularly if hypothecated towards the costs of high profile investment) than those which are principally associated with changes in behaviour (workplace parking levies and congestion charging). By starting with a package which combines a workplace parking levy and a supplementary business rate with the total revenue take being linked back to a targeted contribution towards total investment costs, we aim to begin to tackle this problem. (In essence the workplace parking charge becomes more like a business rate levy that can be avoided through a change in behaviour rather than a pure demand management measure.)

5.16 The aim therefore is to structure the business funding contribution in a way that both targets beneficiaries through a zone based approach to business rate levy, charging more where business benefits are greatest, and to charge businesses which have workplace parking spaces more than those that do not.

5.17 A significant amount of work remains to be done to translate this strategy into a detailed proposition around which a consultation with the business community could be structured. The key issues include:

- the scale of the total funding burden on businesses, which is inseparable from the wider funding question both in relation to regional budgets and our anticipated main TIF bid;
- the allocation of this burden across businesses within Greater Manchester;

- the balance between a business rates and workplace parking charges
- 5.18 As outlined in the work programme in section 6 we anticipate addressing the above over the next 6 to 9 months as part of our preparation for Greater Manchester's formal LTP submission and the associated TIF bid. Part of our bid for pump-priming TIF funding relates to the costs of delivering this work.
- **Wider review of parking pricing and availability**
- 5.19 In addition to refining the combined workplace parking business rate concept, we would use pump priming TIF funding to fund a more general review of the wider parking measures, including targeting on-street capacity and privately provided spaces.

- **Risk cascade and the new procurement approach**

- 5.20 Prudential borrowing forms a key element of the revised procurement approach for Metrolink and the other elements of the LTP2 programme. While we believe this represents significantly better value than more conventional private finance routes (roundly doubling the investment secured for each £1 of downstream revenue) it clearly involves risks being retained (and therefore managed) by the public sector in Greater Manchester.
- 5.21 We believe this risk retention when combined with the CP concept represents an opportunity rather than simply a risk to be managed. The demand management strategy therefore proposes to make positive use of this retained risk to further align public and private incentives around the achievement of modal shift and sustainable growth.
- 5.22 One of the key revenue streams underpinning the planned prudential borrowing programme is that earned by Metrolink itself, and although the level of assumed revenues will be based on a deliberately cautious approach to forecasting passenger volumes and yield, this will not eliminate the risk inherent in borrowing against future revenues.
- 5.23 Given the important role businesses will have in delivering modal shift through the CPs and in terms of their own approach to business travel planning, one of the options being considered in structuring the combined business rate and workplace parking levy package is making the eventual scale of these levies partially contingent on the financial performance of Metrolink and the other revenue earning elements of the LTP2 programme. In principle this could involve both upside and downside impacts, with the scale of the levy being reduced if the system outperformed the forecasts against which we were borrowing.
- 5.24 To be effective, this approach would have to be formulaic and transparent and supported by regular reporting, and there will be limits on the capacity of businesses to accommodate downside risks. Part of the work programme we are seeking pump-priming funding towards would be directed at developing this element of the funding package.

- **Contingent DfT Funding**

- 5.25 Prudential borrowing offers a further means of aligning public and private incentives and of maintaining pressure locally for continuous improvement. As noted elsewhere, fully funding the LTP2 programme will require a significant contribution from the main TIF fund. The strategy assumes that at least part of this funding is made available over time in the form of annual revenue grants against

which Greater Manchester would borrow to finance the initial investment. This spreading not only boosts the buying power of the TIF it also provides an opportunity to build in longer lasting incentives to align local (public and private) and national objectives.

- 5.26 The key to this is the need for a formal agreement governing the amount of annual revenue grant that will be made available to underpin the local borrowing. In addition to specifying the quantum and timing of the grant to be made available, this agreement could also stipulate conditions – eg in terms of minimum achievement against the outcome targets to be cascaded to the CPs – which would have to be satisfied for the full annual payment to be forthcoming.
- 5.27 We believe that in the context of a well founded set of outcome targets cascaded to the CPs (ie the right kind of stretch beyond the outcomes that can be achieved through investment alone) this approach has real potential to promote significant and lasting change at the local level. This would be particularly true if the contingent element of the funding was reflected in transparent local agreements which identified where the replacement funding would be found – eg the split between LAs and businesses.
- 5.28 Furthermore, as with the proposed cascade of volume risks to businesses, the effectiveness of this approach could be enhanced by making the contingent funding variable in both directions, with provision for additional payments for out-performance of the outcome targets (up to some capped amount) as well as reductions for underperformance. Again making the incentive structure work would require local transparency on the use to which any bonus payments would be put, which could in principle include lowering the supplementary business rate levy along an out performing corridor.
- 5.29 As with the other elements of the demand management package we would propose to use part of any pump priming TIF award to develop this element of the overall package to the point that it could be included in the wider consultation planned with businesses. This part of the package in particular highlights the importance of underpinning the demand management strategy with a soundly based set of outcome forecasts.

## The Proposed Work Programme

### Overview

- 6.1 The work programme to deliver our proposed demand management strategy can be divided into 2 linked elements details of which are set out below. We believe that the proposed work programme provides a comprehensive response on behalf of Greater Manchester to the TIF Pump Priming guidance and we regard it as an integrated package of proposals which should be seen as a whole. We are seeking a 50% contribution from TIF Pump Priming resources towards the total costs of the whole programme. In the absence of a 50% contribution the full package is unlikely to be affordable and we will need to prioritise available resources. This is likely to mean that we will first need to look for savings in the scale and timing of the demand management work package.

### Package A

This package would deliver the work necessary to establish the CPs, develop their initial corridor plans and set their initial targets. We expect there to be a total of some 8 partnerships in total within Greater Manchester with responsibility for delivering up to a total of 15 corridor plans. As explained above, we see the CP concept as essential to delivering the proposed approach to demand management. We, therefore, believe this work to be a legitimate and cost effective use of Pump Priming funding. In recognition of the constraints on total available funding and uncertainties at the pace over which the Partnerships will be rolled out across Greater Manchester we have limited our bid to the costs associated with establishing the first 4 and the necessary support framework. In the context of an affordable overall programme, Greater Manchester will fund the full cost of this work package.

### Package B

This programme of work would deliver the harder edged demand management elements of the package. Here our bid reflects the full estimated costs of the work necessary over the next 12 months to support our anticipated main 2006/7TIF bid; and the work programme necessary to address the analytical and technical issues associated with the timing and conditions to apply to a move to even harder edged strategies. We are seeking a contribution towards the cost of this work package.

- 6.2 Each of these elements of the work programme is set out below, together with the estimated total costs and the expected timing.

## The Proposed Work Programmes, Outputs and Commitments

6.3 The following table and attached timeline outline our TIF Pump-Priming bid. Figures shown in red italics denote Greater Manchester funded activities, figures in black denote DfT funded activities.

Activity and Description	Estimated Total Cost (£k)	Expected Timing		
		05/06	06/07	07/08
<b><u>Package A</u></b>				
<b>Outcome Based Corridor Partnerships</b>				
Multi-modal forecasting and cascading targets to support the development of CPs and the development of the Demand Management toolkit (transport, environment, safety, economic and land use planning)	<i>350</i>	<i>100</i>	<i>250</i>	<i>0</i>
Establish and staff the CPs and the Support Unit within GMPTE	<i>400</i>	<i>200</i>	<i>200</i>	<i>0</i>
<b><u>Package B</u></b>				
<b>Demand Management Toolkit and Local Revenue Raising</b>				
Congestion Study Stage 2 – identification of demand management “tipping points” in relation to economic growth, business impact and environmental sustainability	<i>50</i>	<i>50</i>	<i>0</i>	<i>0</i>
Development of 2006/7 Demand Management and local revenue raising package to support LTP2 and 2006/7 main TIF bid, including	350	50	250	50
Development of Workplace Parking Package; and	200	120	80	0
Development of Supplementary Business Rate Package	200	120	80	0
Technology Pathfinder exercise based on Norwich Union approach, including targeting potential for monitoring as well as DM applications	<i>300</i>	<i>30</i>	<i>210</i>	<i>60</i>
	200	20	140	40
Develop 2 <sup>nd</sup> Demand Management toolkit, refine options and identify preferred option	300	0	150	150
Local stakeholder and business consultations on results of the tipping point exercise and on the 1 <sup>st</sup> and 2 <sup>nd</sup> demand management packages	<i>150</i>	<i>50</i>	<i>50</i>	<i>50</i>
<b>DfT Contribution</b>	<b>1250</b>	<b>310</b>	<b>700</b>	<b>240</b>
<b><i>GM Contribution</i></b>	<b><i>1250</i></b>	<b><i>430</i></b>	<b><i>710</i></b>	<b><i>110</i></b>
<b>Total</b>	<b>2500</b>	<b>740</b>	<b>1410</b>	<b>350</b>

**Note: Norwich Union Technology Pathfinder – in addition Norwich Union will be contributing towards costs of equipment procurement over and above the figures shown in the table**

- 6.4 The main deliverables from work package A would be:
- (a) 4 corridor partnerships ready to deliver agreed outcomes in the course of 2006/7 should our main TIF bid secure the necessary funding for the prioritised LTP2 programme;
  - (b) cascaded stretch outcome targets for these corridors targeting both transport (eg congestion) and development objectives to underpin the Greater Manchester main TIF bid and provide the foundation on which that bid's demand management commitments would be based;
  - (c) detailed corridor delivery plans.
- 6.5 The Pump Priming funding for package B would enable us to commit to 3 sets of outputs. The first of these would deliver a "tipping point" framework which would allow us to engage with DfT and local stakeholders on the interaction of demand management, economic growth and investment.
- The second set of outputs would relate to the demand management package to support next years LTP2 submissions and main TIF bid, this would be informed by the early outputs of the tipping point work, but also include:
- (a) a detailed assessment and design of demand management and local revenue raising package including work place parking levies to support our anticipated 2006/7 main TIF bid;
  - (b) subject to progress with the main TIF bid, a consultation on that package consistent with the timetable for main TIF bids – the working assumption here is a consultation in June next year; and
  - (c) a main TIF bid which reflected a fully worked up and deliverable demand management and local revenue raising package.
- 6.6 The third set of outputs would look beyond the 2006/7 package towards toolkits including further hard edged demand management. When combined with the tipping point exercise this should enable a strategy to be agreed with the DfT on the nature, timing and conditions (eg relating to the pace of local growth) that would need to apply for Greater Manchester to move on to more intensive demand management and investment packages. The expectation would be that this strategy would inform a further main TIF bid in the course of 2007/8. Interim outputs would include a local consultation on the emerging options in early 2007/8.

#### **Total Costs and the Pump Priming Bid**

- 6.7 This is a substantial programme of work and even with the 50% contribution we are seeking, delivering it will represent a significant call on local resources.
- 6.8 We believe this bid represents significant value against the criteria published for Pump Priming funding both in terms of what the programme will be able us to deliver in the near term, looking to next year's LTP2

and main TIF submissions, and beyond towards future strategies based on demand management packages.

- 6.9 However, we also recognise that ours is not the only bid the Department will be receiving and the funding allocated to the Pump Priming initiative is inevitably limited. If competing demands for funds mean that the full amount we are seeking cannot be made available, then we are willing to discuss alternative approaches. However, such discussions would need to reflect the pressures on local funding, and a lower allocation than we are seeking would inevitably mean we would need to address local and nearer term priorities first. Inevitably this would mean we would first need to look for savings in the scale and timing of the demand management work package.
- 6.10 Finally, although we have gone into some depth in developing this work programme the estimates of likely costs are inevitably preliminary and subject to further investigation. This is particularly true of elements to develop charging mechanisms such as the estimated costs of the technology pilot where discussions are at an early stage. In the light of this the aggregate bid should be seen as a cap, and should savings in the total programme be forthcoming we would expect to share them pro-rata with the DfT.