**Item 8**

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# Glasgow City Region Cabinet

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## Clyde Metro Case for Investment: Emerging Finding

## Purpose of Report:

To set out the progress to date and emerging findings from the Clyde Metro Case for Investment (CFI).

## Recommendations:

It is recommended that the Cabinet:

- Note the significant progress that has been made in delivering the CFI along with the associated emerging findings from it
- Note the ongoing dialogue between project partners, particularly with Transport Scotland, in relation to the network options and consultation
- Subject to the outcome of these ongoing discussions around the network options and consultation, that any decision(s) arising and required from these matters are delegated to the CEG to expedite matters timeously

# 1 Purpose of the Report

1.1 To set out the progress to date and emerging findings from the Clyde Metro Case for Investment (CFI).

# 2 Background

2.1 Work to deliver the CFI has continued at pace, with strong progress made on key workstreams related to network development, governance, finance, funding and the commercial approach. This work has benefitted from the new governance arrangements established through the GCR Cabinet which have enabled Member Authorities (MAs) to be closely involved throughout the process. This close working relationship has enabled good alignment to be achieved around core aspects of the CFI and kept the strong momentum built up to date.

2.2 The new governance arrangements included identifying a set of decisions required for the successful delivery of the CFI:

- **Network Options & Line 1 / Phase 1:** Extensive analytical work has been undertaken to develop and test a shortlist of network options which has enabled identification of a network option deemed to be the best performing.
- **Governance & Delivery Model:** The core requirements to enable the delivery of Clyde Metro within the context of an integrated public transport network have been identified through close working with GCR MAs.
- **Funding, Finance & Commercial Approach:** An outline approach to funding, finance and commercial delivery has been developed.

2.3 The following section sets out the findings from the work undertaken to date on these topics.

# 3 Emerging Findings & Recommendations

<u>Network Options</u>

3.1 Clyde Metro represents a once-in-a-generation opportunity to support transformational change across the Glasgow City Region. By improving connectivity, it can help drive economic growth, tackle inequalities, support net zero ambitions, unlock development opportunities and enhance the region's international competitiveness.

3.2 Evidence from successful city regions demonstrates that mass transit delivers greatest benefit when integrated with wider public transport, aligned with land-use planning and supported by effective regional governance. These factors enable transport investment to maximise economic, social and regeneration outcomes. In particular, analysis has shown that regions with stronger integrated transport authorities appear better able to align transport investment with land-use and economic development objectives.

3.3 The extensive technical, commercial and governance work undertaken to date assumes that Clyde Metro will form part of an increasingly integrated public transport network. Alongside delivering new routes and services, it would support closer coordination between Metro, rail, Subway and bus services to improve connectivity across the region.

3.4 Realising the full transformational benefits of Clyde Metro will require integration of routes, services, ticketing and fares across the wider public transport network. This would support seamless travel, increase interchange opportunities and create a more attractive public transport system for passengers.

3.5 Clyde Metro network options were developed to reflect these considerations. The emerging network options are the culmination of a transport appraisal process commenced in early 2024 and informed by approximately 2.5 years of extensive analysis and engagement. This included a detailed assessment of transport challenges across the region, leading to the identification of 136 'priority places' where intervention could deliver the greatest benefit.

3.6 These priority places informed the identification of 19 strategic corridors where opportunities exist to better connect underserved communities, key destinations and development locations whilst complementing existing public transport networks. Assessment of the corridors identified 58 potential mode and corridor combinations for further consideration.

3.7 These combinations informed the development of nine conceptual Clyde Metro network options. Initial appraisal then identified four options for more detailed development and assessment. These became the Master Networks, although at this stage they had not yet undergone detailed engineering or technical feasibility assessment.

3.8 To enable detailed assessment of the feasibility and benefits of these Master Networks, 41 Corridor Alignment Options (CAOs) were developed which translated the broad corridors into indicative routes and alignments. The CAOs were suitably developed to enable their appraisal, including from a deliverability perspective, but not to the point of detailed design. This identified 35 CAOs worthy of retention which were then used to develop a longlist of more detailed Clyde Metro network options based upon the Master Networks originally identified. This longlist of network options was specifically designed to ensure that they represented a range of potential network scales, geographies and levels of intervention across the region.

3.9 Assessment of the longlist resulted in a shortlist of six detailed network options which subsequently underwent comprehensive appraisal. This included economic, environmental and land-use assessment, connectivity analysis, transport modelling using the Strathclyde Regional Transport Model (SRTM), engineering feasibility analysis and assessment against the Clyde Metro Transport Planning Objectives. Strategic fit, demand, affordability, deliverability and wider economic and regeneration impacts were also considered. This has enabled a clear understanding of the relative benefits and performance of each option.

3.10 Findings from the work to date indicate that Light Rapid Transit (LRT), such as light rail /tram solutions, is likely to provide the most appropriate technology platform for Clyde Metro. The network options retain flexibility regarding the final choice of mode and have been designed as part of a wider integrated public transport network. Given the scale and extent of the Glasgow City Region, Metro cannot serve all locations directly and therefore strong integration with rail, Subway and bus services will be critical to maximising connectivity and delivering the programme's wider economic, social and environmental benefits.

3.11 The network options provide comprehensive coverage across the region and, when considered alongside the existing rail and Subway network, there would be extensive coverage by ‘fixed link’ public transport. This includes multiple interchange points between modes which provide opportunities for wider orbital connectivity and local links, including the bus network which could be realigned to

support the fixed link network. The network options can therefore be seen to make a significant contribution to the delivery of an integrated public transport network for the region.

3.12 In addition, detailed analysis is required to examine the complementary interventions which would support the delivery of the Clyde Metro as part of a wider integrated network. This includes amendments and optimisations linked to both the bus and rail networks. Close working with rail industry partners has already identified the value of a complementary Rail x Clyde Metro programme to examine opportunities such as infrastructure optimisation and conversion, service optimisation, rolling stock optimisation and coordinated delivery. SPT is continuing to work with rail industry stakeholders to progress the development of the Rail x Clyde Metro programme alongside the CFI. Moving forwards, Transport Scotland will also be invited to participate in the development of this workstream.

3.13 Another key requirement of Clyde Metro is to enhance the public transport connectivity of Glasgow Airport. All network options will deliver new fixed link LRT connections to the Airport which significantly enhance:

- **Local Connectivity:** by opening up links to locations across both the south and north bank of the River Clyde for local residents to take advantage of both the travel and employment opportunities offered at the airport.
- **Regional Connectivity:** via a link between Paisley Gilmour Street and Glasgow Airport which will provide significantly improved opportunities to access the airport via interchange from regional rail services such as those serving Inverclyde and Ayrshire.

3.14 Glasgow Airport is a key international gateway for the Glasgow City Region and improving connectivity to the airport is central to supporting economic growth, attracting investment and strengthening the region's international competitiveness. To compete effectively with other leading city regions, fast, frequent and reliable connections between the Airport, city centre and wider region are essential. Whilst all network options provide a fixed-link connection to Glasgow Airport, enhanced rapid access options between the Airport and city centre are also being assessed and will be consulted upon where they demonstrate additional transformational benefits.

<u>Governance & Delivery</u>

3.15 The CFI has identified that the existing transport governance and delivery mechanisms present challenges to the successful implementation of Clyde Metro. These are twofold in that delivery of Clyde Metro's routes, services and infrastructure will be more difficult under the current governance and delivery mechanisms whilst they also impose limitations on the ability to put Clyde Metro at the heart of an integrated public transport network. These are distinct but interrelated issues.

*Clyde Metro Delivery*

3.16 Existing arrangements have enabled the Clyde Metro programme to progress rapidly and draw upon the strengths of SPT, GCR Member Authorities and partners. As the programme moves towards delivery, emerging analysis indicates that a dedicated delivery authority will ultimately be required to provide the scale of capability, leadership and accountability needed for long-term implementation.

3.17 As the programme moves from planning into delivery, there will be a more pronounced need for a single, empowered delivery authority. Initial analysis

suggests an empowered delivery authority must be capable of managing multi-modal integration, multi-authority governance, complex funding pathways and phased implementation over multiple decades. It will be required to provide unified leadership, clear accountability, enhanced commercial capability, and the technical and organisational capacity required for integrated multi-modal systems.

3.18 The imperative to maintain pace of delivery for Clyde Metro means a transitional approach will be required by continuing progression under existing arrangements whilst work is undertaken to migrate to a more empowered delivery authority. This will allow the programme to mature its requirements, shape the authority's mandate, secure approvals, and develop a clear operating model before transition. This offers immediacy and durability by starting with what is available today and evolving rapidly into the model best suited to delivering a transformational transport system for the region.

3.19 There is consequently a need to consider the transition pathway and timescales for creating an institutional framework that will enable Clyde Metro to effectively and efficiently move from planning to delivery.

*Integrated Public Transport*

3.20 Clyde Metro's role within a wider integrated public transport network also faces governance challenges imposed by existing arrangements. There is currently no overarching coordination of public transport services, due to multiple organisations with overlapping roles and responsibilities. Each mode is planned separately with buses being deregulated and planned by the private sector, rail being planned at a national level whilst Subway and Clyde Metro are planned at a regional level. However, emerging bus reform proposals around franchising could, over time, enable bus services to be planned at a regional scale.

3.21 The current setup makes it difficult to deliver an integrated public transport system akin to the 'continental model' witnessed across mainland Europe and beyond. These regions share a common feature in that they have some form of 'guiding mind' organisation responsible for ensuring that public transport services are planned on a joined-up basis. The 'guiding mind' can take different forms, but the common factor is that it always has responsibility for setting the desired outcomes and ensuring that public transport is coordinated at a network level and not on a mode-by-mode basis.

3.22 This best practice shows that the ability to plan for rail, bus, Subway and Clyde Metro together will be necessary to deliver integrated public transport provision which can unlock the full transformational and placemaking potential of Clyde Metro. Engagement with GCR Member Authority Chief Executives and their senior representatives has established a consensus around the desire for a 'guiding mind' for the region which is empowered to plan and deliver the public transport system at a strategic level. This also identified a range of practical implications requiring further consideration including:

- Impacts on existing organisations at national, regional and local level
- Impacts on geographical boundaries of organisations
- Potential legislative requirements
- Need to ensure governance and accountability structures are fit for purpose
- Need to plan transitional arrangements and timescales
- Impacts on funding and resources

3.23 A high-level assessment has examined potential ways in which a 'guiding mind' could be provided including:

- **Business As Usual**: a continuation of existing arrangements and approach

- **Enhanced Partnership Working**: closer working between the private sector and local, regional and national government
- **Realignment of Responsibilities**: redistribution of some existing responsibilities between organisations

3.24 As no organisation at national, regional or local level has the remit to plan rail, bus, Subway and Clyde Metro together the Business As Usual arrangements are unlikely to be able to deliver a 'guiding mind'. An Enhanced Partnership Working approach could improve integration but would not resolve the fundamental issue that no organisation would possess authority over all four modes of public transport. A Realignment of Responsibilities approach offers the greatest opportunity to enable a 'guiding mind' to be delivered. With relevant responsibilities for Clyde Metro, Subway and, potentially, bus all resting at a regional level the simplest way to deliver this would be to devolve appropriate rail powers to the regional level. In English regions this is already beginning to happen with the UK Government in the process of giving Mayoral Strategic Authorities (combined authorities led by metro mayors) a bigger role in shaping local rail services.

3.25 Follow-up engagement with GCR Member Authorities and other relevant stakeholders has highlighted the importance of ensuring that any emerging proposals are closely aligned with the GCR Regional Empowerment workstream and that there are sufficient opportunities to discuss the merits of all possible approaches and their practical implications before decisions are made.

*Summary*

3.26 Whilst transport governance and delivery mechanisms are an issue not limited in scope to the Clyde Metro, they will have a material impact upon both its delivery and the extent to which it forms part of an integrated public transport system for the region. With extensive work being undertaken around public sector reform and regional devolution at this time it will be crucial to ensure that Clyde Metro's needs are fully considered. Delivery will require transition towards an empowered delivery authority with the capability to implement rolling delivery on a significant scale over a period of decades. Integration also requires an organisation that can function as a 'guiding mind' for public transport by planning for all four modes at a network level.

3.27 Forthcoming work therefore needs to explore in more detail the establishment of an empowered delivery authority which would also have the capability to act as a 'guiding mind' for public transport integration. As an initial step, it is proposed that these issues are considered within the GCR Regional Empowerment workstream.

<u>Funding & Finance</u>

3.28 The CFI is a programme-level business case, and it is therefore necessary to confirm that viable finance and funding solutions are available which would enable Clyde Metro to be delivered. At this stage, work is not at the point of developing a funding and finance package for delivery of an individual line or phase. This work will form part of the Phase 1 OBC development which will follow the CFI. The current focus is therefore upon demonstrating that Clyde Metro is fiscally achievable at a strategic level.

3.29 Funding and financing perform different but interdependent roles:

- **Funding:** long-term revenue streams available to pay for the programme over its lifetime (e.g., farebox revenue, commercial income, etc).
- **Financing:** upfront capital, either public or private, required to design and construct the infrastructure.

3.30 A dedicated funding and financing workstream has been undertaken examining delivery and operation of Clyde Metro. This work has considered the scale of investment likely to be required, the wider public finance environment and the range of mechanisms available to help support delivery.

3.31 The assessment considered a broad range of potential funding sources including farebox revenue, commercial income associated with metro infrastructure and assets, developer contributions, levies and charges, taxation mechanisms and direct public sector funding. In parallel, a range of financing approaches were examined including both public and private sector financing models.

3.32 These funding and financing mechanisms were assessed against a common framework which considered factors such as affordability, deliverability, revenue certainty, dependence on government support, existing legislative powers and overall implementation risk. The work also considered wider market conditions, recognising that Clyde Metro will be competing for investment alongside a significant number of major infrastructure projects across the UK and internationally.

3.33 The assessment identified strengths and limitations associated with each funding and financing mechanism. While farebox and commercial revenues are expected to make an important contribution towards the programme, these alone are unlikely to meet the full costs. Similarly, public sector funding remains critical but is likely to face competing demands and fiscal constraints. The work therefore concluded that a blended approach, drawing upon multiple funding and financing sources, will be required.

3.34 This reflects the scale of the funding requirements of the Clyde Metro programme, and the impact of related factors including:

- Programme-generated revenue (e.g. fares, commercial income, etc.) will be limited in the near term until initial phases are delivered and operational
- Further discussion will be required with both Scottish and UK Government's to gain stronger indications of possible Government support
- Private finance is viable but dependent on a credible phased delivery and revenue strategy

3.35 The adoption of a blended funding and financing approach will require continued engagement with both public and private sector partners as the programme develops. This is particularly important given ongoing constraints on public sector finances and the scale of investment required.

3.36 Work to date has been informed by engagement with the National Wealth Fund through the GCR's Strategic Partnership. As the programme progresses, continuing proactive coordination with UK Government, public agencies like the National Wealth Fund, and the Scottish Government via the Clyde Metro Programme Liaison Group as well as early engagement with the market will be necessary to explore the range of funding and financing opportunities available.

3.37 Furthermore, funding and financing of transport generally, and Clyde Metro specifically, features in the GCR Regional Empowerment workstream. Comparisons with other mass transit schemes have illustrated the challenges of taking an isolated approach to delivering transport investment, but also the opportunities of integrating planning, transport and development, with integrated schemes being more successful in securing investment and delivering up to three times the economic value.

3.38 This reinforces the importance of understanding the additional catalytic development potential of Clyde Metro being explored via the Places x Clyde Metro programme, as well as considering the potential for land/property value uplift

capture. It also underlines the importance of considering integrated governance and delivery model options that align with investment and operational requirements.

3.39 Currently, there is no committed funding or finance for Clyde Metro beyond the completion of the CFI. The future delivery of Clyde Metro is consequently dependent upon creation of a robust programme-level business case which can attract future financial support and draw together investment packages on a phase-by-phase basis.

Commercial Approach

3.40 The commercial approach for Clyde Metro needs to take account of its wider position within the public transport network, current circumstances and forthcoming interventions. In particular, the demand for and commercial viability of Clyde Metro will be influenced by the market effects of other modes and policy-based interventions such as:

- **Free concessionary travel on buses**: makes buses more attractive and other modes less attractive for those eligible
- **£2 flat bus fare**: makes buses more attractive for those not eligible for concessionary travel and other modes less attractive
- **Removal of ScotRail peak fares**: makes trains more attractive and other modes less attractive during morning and evening peak times

3.41 The outline commercial approach seeks to maximise overall demand for public transport in line with the desire to deliver an integrated public transport system. It is consequently focused on how public transport services across Clyde Metro, bus, Subway and, in future, rail, could operate as a more integrated system from a passenger and revenue perspective. This goes beyond consideration of fares alone and examines issues such as ticketing, fare structures, revenue generation, revenue protection, affordability and subsidy requirements. The intention is to reduce barriers to public transport use, encourage greater patronage and enable seamless multi-modal travel whilst supporting the long-term commercial and financial sustainability of the wider public transport network.

3.42 The work has identified the importance of establishing a common commercial framework across modes over time, regardless of the specific network option ultimately taken forward. This includes creating simpler and more integrated ticketing arrangements, greater consistency in fare structures, common technology and back-office systems where appropriate, and a coordinated approach to revenue management and commercial performance.

3.43 In developing the commercial approach, consideration has also been given to the need to balance affordability for passengers with longer-term financial sustainability and the level of public subsidy required to support services. The approach also seeks to maximise opportunities for non-farebox revenue generation whilst supporting wider public transport integration. The proposed approach is based around the following principles:

*Commercial viability, revenue generation and subsidy requirements*

- establishing a balance between affordability for passengers and for the public sector considering the trade-off between lower fares and a potential requirement for greater public subsidy
- maximising non-farebox revenue to support more affordable fares without significantly increasing subsidy requirements
- cross-subsidisation of services within and between modes to enable more services to be delivered, although this would likely require consideration of pooled revenue

*Fare setting, capping and structures*

- fare rationalisation to reduce discrepancies between modes, create a 'level playing field' and to ensure fares more closely reflect operating costs
- integrated fare capping across all participating modes
- a zonal fare structure building on the existing ZoneCard[1] approach

*Multi-modal integrated ticketing*

- one ticket or payment which supports seamless interchange across participating modes
- common ticketing infrastructure, systems and back-office architecture across modes, drawing upon national systems and structures wherever possible

*Revenue protection*

- standardised approach to revenue protection across modes where possible
- developing a revenue protection strategy balancing cost of frontline staff against lost revenue

3.44 Close partnership working and consideration of the governance issues identified previously will be key to delivering this multi-modal commercial approach.

## 4 Conclusions & Next Steps

4.1 The CFI is the essential first step towards the future delivery and operation of the Clyde Metro and significant progress has been made in delivering key workstreams. The development of a robust business case at a network level will lay the foundations for subsequent delivery over future years and it is therefore essential this is done in as robust a manner as possible.

4.2 Following two meetings of the Programme Steering Group (PSG) in October, project partners continue to discuss the network options and the scope and timing of the public consultation, which is the next critical stage in the CFI process. The project team is expediting work to fully understand, define and address points raised by Transport Scotland through its assurance role, and to identify any actions required to resolve these. To enable swift resolution as required, it is proposed that Cabinet delegate associated decision-making in that regard to the CEG, who next meet in December.

## 5 Recommendations

5.1 It is recommended that the Cabinet:

- Note the significant progress that has been made in delivering the CFI along with the associated emerging findings from it
- Note the ongoing dialogue between project partners, particularly with Transport Scotland, in relation to the network options and consultation
- Subject to the outcome of these ongoing discussions around the network options and consultation, that any decision(s) arising and required from these matters are delegated to the CEG to expedite matters timeously.

[1] ZoneCard is a multi-modal ticket operated and administered by SPT on behalf of operators