

## **North East Joint Transport Committee, Tyne and Wear Sub-Committee**

Wednesday 21st November, 2018 at 2.00 pm

Meeting to be held in a Committee Room, Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH

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## **SUPPLEMENTAL AGENDA**

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3. <b>Revision to Metro Fares and Ferry Fares 2019</b>	<b>1 - 16</b>
4. <b>Tyne and Wear Budget Preparation 2019/20 including Tyne Tunnels</b>	<b>17 - 26</b>
5. <b>Nexus Corporate Plan and Budget Preparation 2019/20</b>	<b>27 - 36</b>
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9. <b>Tyne Pedestrian and Cyclist Tunnel Refurbishment - Project Review</b>	<b>47 - 70</b>

Contact Officer: Tel: (0191) 2116146 E-mail: [lynn.camsell@northeast.gov.uk](mailto:lynn.camsell@northeast.gov.uk)

**To All Members**

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## North East Joint Transport Committee, Tyne and Wear Sub-Committee

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**Date:** 21 November 2018

**Subject:** Revision to Metro and Ferry Fares 2019

**Report of:** Managing Director (Transport Operations)

### Executive Summary

This report proposes to freeze the price of single and day fares for both adults and young people (aged 18 and under) when purchased using a Pop smartcard, as part of a package that seeks to minimise the impact of price rises whilst generating additional revenue to offset increases in the operating costs of both Metro and the Shields Ferry.

The proposals contained within this report are designed to maintain the good value Metro and Ferry offer passengers and encourage patronage growth through a recommended package including:

- Freezing the price of single and daily capped fares on both Metro and Ferry for young people aged 18 and under, bought with a Pop blue smartcard;
- Freezing the price of adult single and daily capped fares on both Metro and Ferry for the second consecutive year when bought with a Pop Pay As You Go (PAYG) smartcard;
- Retaining a 60% discount on Metro season tickets for young people aged 18 and under, compared to the equivalent adult Metro season ticket price;
- Retaining a similar 30% discount on Metro student season tickets;
- Retaining the Corporate Metro Season ticket scheme, offering discounts for tickets purchased through an employer and easy monthly payments for customers;
- Reducing the price of Ferry season tickets to encourage take up amongst regular travellers;

- Noting an intention to freeze the price of the Metro Gold Card at £12 per year for Tyne and Wear residents and £24 for non-Tyne and Wear residents;
- Noting an intention to freeze the price of the Nexus child concessionary fares at £0.60 for a single journey and £1.10 for unlimited daily travel on all bus, local rail services, Metro and Ferry.

On Metro, adult single, day and transfare paper tickets would rise by the minimum amount of 10p, as would child single, day and transfare tickets (although the Nexus concessionary fare for Under 16s in possession of a Pop card offers an excellent value for money alternative). Adult customers using Pop PAYG will benefit from a greater discount of 40p on single journeys and 50p per day compared to the equivalent paper single and day ticket prices on both Metro and Ferry.

Metro season tickets and other miscellaneous tickets will increase in line with the Retail Price Index (RPI) or by 10p, whichever is the lowest.

### **Recommendations**

The North East Joint Transport Committee, Tyne and Wear Sub-Committee is recommended to approve the proposed Metro and Ferry fares as set out in the main body of this report to be effective from 2<sup>nd</sup> January 2019.

## 1. Background Information

- 1.1 Both the Tyne and Wear Metro and Shields Ferry operate with a broad range of tickets designed to offer flexibility, choice and value for money to the diverse passenger base carried. The ticket ranges are subject to an annual review to ensure they remain fit for purpose and align with the priorities of local authority partners. The policy objectives underpinning the pricing proposals contained in this report and to be implemented on 2nd January 2019 are:
- Maximise patronage;
  - Maximise revenue;
  - Increase prices in line with the Retail Price Index (or as close as possible to RPI);
  - Encourage the move to smart ticketing, in particular PAYG and Pop blue; and
  - Maintain structured and transparent pricing.
- 1.2 The scope of the fares review for January 2019 covers the commercial ticket ranges of both Metro and Ferry which encompass the following ticket types:
- Adult commercial tickets (Single/Day/Transfare/Metro Season);
  - Pay As You Go;
  - Child (under 16) commercial tickets (Single/Day/Transfare);
  - Discounted tickets for students and young people aged 18 and under;
  - Discounted season tickets allowing cheaper travel for employees of registered companies who purchase season tickets in bulk;
  - Other miscellaneous tickets, for example tickets that add Metro travel to a rail journey or enable the transportation of a whole class of school children.
- 1.3 The proposed Metro fare changes contained in this report are set against a backdrop of a convergence of challenging factors including weak retail sales, decreasing leisure visits, low wage growth and changing travel patterns. Whilst Metro revenue remains in line with the overall base budget set for 2018/19, patronage is in decline due in part to a reduction in sales of third party products i.e. Network One multi-modal tickets and a reduction in the number of journeys being made by Metro season ticket holders. Whilst any increase in fares is undesirable from a passenger's perspective, it should be borne in mind that the Metro's operations are publicly subsidised. Therefore fare revenue needs to grow in order to help offset increases in Metro's cost base. However, Nexus and local authority partners also have an objective to grow patronage on both Metro and the Shields Ferry. As such, the proposals contained in this report are designed to strike a balance between these two often conflicting objectives.
- 1.4 In 2015 the TWSC agreed the first step in the process to a more structured pricing model for Metro, where the ratios between various ticket types are set in relation to one another. This is intended to make the Metro product range more transparent and easier to understand. The fare ratios are set out in appendix A and this

proposal seeks to continue with that objective to the extent possible whilst balancing against the other objectives.

1.5 In addition, since launching PAYG in 2015 Nexus has sought to make this product attractive for those customers currently purchasing single and day tickets, in line with the strategy of moving customers away from paper tickets to smart and making it easier for passengers to access the best value ticket for them. To achieve this, a differential between the price of PAYG and the equivalent paper product was established when PAYG was first introduced. This proposal also continues with that objective.

## **2. Proposals (Metro)**

2.1 The January 2019 fares review seeks to retain a number of positive features identified in previous reviews of Metro and Ferry fares:

- Increased PAYG discounts for adults versus the equivalent paper ticket price;
- Simple and affordable single and capped daily fares for young people aged 18 and under accessed through the Pop blue smartcard;
- 60% discount on season tickets for young people aged 18 and under versus the equivalent adult fare;
- 30% discount for students versus the equivalent adult fare;
- Discounted annual tickets when purchased through an employer;
- A carnet of ten Ferry Single tickets for the price of eight.

2.2 A number of further enhancements are proposed for 2019 with the common aim of increasing customer satisfaction with the ticket purchase experience. This includes expanding the available ticket ranges at some of Nexus' existing retail channels, launching a new retail website and simplifying and speeding up the smartcard application process.

2.3 The specific enhancements proposed are:

- 4 Week multi-modal (Network One) tickets available for purchase at Metro ticket machines (TVMs);
- New and improved web retail site supporting smartcard applications as well as an expanded ticket range available for sale; and
- Removal of photographs on all commercial, student and 18 and under smartcards to simplify and accelerate the card application process.

2.4 This proposal recommends an increase of Metro fares from 2<sup>nd</sup> January 2019 by a weighted average of 3.2% which is exactly in line with the Retail Price Index (RPI) as at July 2018 (the figure against which fare changes in the UK rail industry are benchmarked). The increase to fares is necessary to help contribute to the financial targets required by the Nexus Medium Term Financial Strategy whilst balancing the associated impact on patronage.

- 2.5 The 2018/19 base budget for the aggregate Metro farebox i.e. including Nexus' own product range, the Gold card concessionary ticket sales and third party tickets, predominantly Network One is £46.099m. Despite an expected shortfall in the income received from third party products, a small surplus in the sales of Nexus' own products has ensured we remain in line with the overall base budget for 2018/19.
- 2.6 The constraint of only increasing fares in multiples of ten pence is applicable to all tickets sold at Metro TVMs and on the Ferry. This ensures sufficient levels of change are available across the network and that prices are easier to communicate and understand. It should be noted that increasing fares in multiples of ten pence could result in percentage increases above the level of inflation for individual ticket types considered in isolation. Despite this, overall proposals across products and incorporating anticipated changes in customer behaviour, remain on average in line with the level of inflation (RPI July 2018).

*Adult Single and Day fares*

- 2.7 As part of the overall proposal to increase Metro fares by a weighted average of 3.2%, the price of adult single and daily-capped fares will be frozen for passengers travelling with a smartcard (Pay As You Go) for the second consecutive year. Single and day fares purchased without a smartcard will be subject to a £0.10 increase as will transfare and add-zone ticket prices as outlined in appendix B. With no charge for a PAYG card, switching from single and day tickets to PAYG is a simple and quick process. PAYG cards are available online, in TravelShops and at selected Payzone outlets.
- 2.8 Since launching PAYG in 2015, Nexus has sought to make this product attractive for those customers currently purchasing single and day tickets, in line with the strategy of moving customers away from paper tickets to smart and making it easier for passengers to access the best value ticket for them. The proposals contained in this report continue with this objective by increasing the discount of PAYG versus the equivalent single or day ticket price. Passengers switching to PAYG can take advantage of its immediate and significant savings with each journey proposed to offer a saving of £0.40 versus the equivalent single ticket price and a saving of £0.50 versus the equivalent day ticket price.
- 2.9 To date in 2018/19, 9% of adult short-term passengers have opted to use PAYG over single and day tickets, an increase of over 3% since the same time last year. The fares proposition for January 2019 assumes this take up will grow by up to a further 3.5%.

*Season products – One week, four week and annual*

- 2.10 The price of One Week, Four Week, Annual and Corporate Metro Season tickets will all increase in line with the level of inflation (RPI 3.2% July 2018) as shown in appendix C.

*Fares for students and young people aged 18 and under*

- 2.11 The price of the Child Commercial Single, Child Day and Child Transfare tickets (for children aged under 16 who do not have an 'Under 16 Pop Card') will all

increase by the minimum £0.10. The proposed prices are shown in appendix B. An alternative for under 16s in possession of an Under-16 Pop card is the Nexus child concessionary fare; at £0.60 for a single journey and £1.10 for a Child All-day Ticket (CAT) which can be used on all bus and local rail services, the Shields Ferry and Metro, this represents excellent value for money (these fares are not considered within this report).

2.12 Following a successful launch in January 2018, the price of single and daily capped fares for young people accessed through the use of the Pop blue smartcard are proposed to be frozen. The card is available to anyone aged 18 and under irrespective of whether they're in full time education or not. To date over 5,600 Pop blue cards have entered circulation which represents a Pop blue card in the hands of 15% of the eligible Tyne and Wear population. The Pop blue cards have been used to make over 190,000 journeys on Metro, Shields Ferry, local rail services and bus since their launch in January.

2.13 The price of season tickets offered to both young people aged 18 and under and students will all increase in line with inflation (RPI 3.2% July 2018) and will retain the minimum of a 60% and a 30% discount respectively versus the equivalent adult fare as shown in appendix C.

#### *Gold Card*

2.14 Although the pricing of Gold Card and other concessionary products continues to be managed as part of the budget process, Nexus intends to maintain the price of the annual Gold Card at £12 for Tyne and Wear residents and £24 for non-Tyne and Wear residents.

#### *Concessionary child fares*

2.15 The pricing of concessionary child fares, namely the concessionary child single ticket and the Nexus Child All Day ticket (CAT) are also managed separately as part of the budget process. However Nexus also intends to freeze the price of these tickets at £0.60 and £1.10 respectively. The CAT ticket is available to Tyne and Wear residents in possession of an under 16 Pop card and allows unlimited travel on bus, local rail services, Metro and Ferry throughout the whole of Tyne and Wear for just £1.10 per day.

#### *Miscellaneous tickets*

2.16 The following miscellaneous ticket types will increase in price in line with inflation as outlined in appendix D:

- Business Pass
- Conference Pass
- Class Pass
- Metro Rail Add on fares (six ticket types).

#### **Pricing Proposals (Ferry)**

2.17 In line with the proposals identified for Metro, the price of the Ferry Single and Day tickets are proposed to be frozen for passengers who purchase them using a



smartcard. The same tickets purchased without using a smartcard will be subject to the minimum £0.10 increase. Passengers can opt to switch to using a PAYG smartcard and benefit from a £0.40 discount on every journey and a £0.50 discount across the day.

- 2.18 The Adult Transfare, Child Single and Child Transfare tickets will all increase by the minimum of £0.10, again in line with the Metro proposals. The constraint of only increasing fares in multiples of ten pence does result in percentage increases above the level of inflation and in the case of Ferry with the majority of its tickets having this constraint, an overall weighted fares basket above the level of inflation at 4.1% versus RPI of 3.2%.
- 2.19 The Ferry carnet product will increase in line with the single ticket price to maintain its structure of a book of ten single tickets for the price of eight. The price of 1 Week and 4 Week season tickets will be reduced by £0.20 and £0.80 respectively to encourage take up amongst regular travellers and support the objective of structured and transparent pricing ratios.
- 2.20 The price of Ferry tickets for young people aged 18 and under and in possession of a Pop blue smartcard will be frozen at £1.00 for a single journey and £2.00 for unlimited travel across the day.
- 2.21 With a weighted average basket of 4.1% across the Ferry ticket range, this proposal can be expected to generate additional revenue of £0.007m in 2019/20. Prices of Ferry tickets are shown in appendix E.

### **Pricing Proposals (Car Parks)**

- 2.22 In addition to the price of Metro and Ferry tickets, consideration has also been given to the fees charged at Nexus' six pay and display car parks on the Metro network (Bank Foot, Callerton Parkway, Four Lane Ends, Northumberland Park, Regent Centre, and Stadium of Light). The current fee has been £1 a day per car since 2012, a real terms price reduction when factoring inflation. While the ability to increase the pay and display price and be more flexible with pricing would be desirable in order to remain on a par with the operational costs, an associated reduction in car park occupancy could be expected.
- 2.23 The current pay and display ticket machine are also life-expired and don't allow change to be offered or non-coin payments to be made – moving prices away from a round figure without supporting additional payment methods is likely to decrease customer satisfaction. The requirement for new car park payment infrastructure has been identified as part of a wider review into improving our park and ride offering together with our local authority partners and set in the context of contributing to local air quality improvements and reducing road congestion. It is therefore recommended to maintain the current car parking prices until the wider review and associated Nexus Park and Ride strategy has been completed.

## **3. Reasons for the Proposals**

- 3.1 The proposals contained in this report are intended to ensure a balanced approach to the policy objectives outlined in section 1 of this report.

#### **4. Alternative Options Available**

- 4.1 A number of alternative fares proposals were considered as part of the review. This included a fares freeze to generate additional demand as well as a proposal with a weighted fares basket above the level of inflation to prioritise revenue above the other policy objectives.
- 4.2 A fares freeze was considered but discounted due to the fact that although it protects the patronage loss that is likely to be experienced by implementing the recommended proposal, it comes at the full expense of all of the additional revenue that would be generated and as such a fares freeze scenario is deemed to be unaffordable.
- 4.3 A scenario to prioritise revenue by proposing a weighted fares basket above the level of inflation was also discounted as a result of its impact on patronage. Whilst a 4.5% weighted basket scenario could be expected to generate an additional £0.100m above the recommendation contained in this report, this would come at the expense of 0.150m fewer journeys. The proposals contained in this report are therefore designed to adopt the most balanced approach to incorporating all of the policy objectives.
- 4.4 Option 1 – The North East Joint Transport (Tyne and Wear) Sub-Committee may accept the recommendations set out in section 2 of this report.
- 4.5 Option 2 – The North East Joint Transport (Tyne and Wear) Sub-Committee may not accept the recommendations as set out in section 2 and instead accept one of the alternative options highlighted in section 4 of this report.
- 4.6 Option 3 - The North East Joint Transport (Tyne and Wear) Sub-Committee may not accept the recommendations as set out in section 2 of this report and as such opt not to implement any increase to Metro and Ferry fares from 2<sup>nd</sup> January 2019.

#### **5. Next Steps and Timetable for Implementation**

- 5.1 Should the Sub-Committee approve the proposed fare changes set out in this report, the new fare levels will come into force on 2nd January 2019.
- 5.2 A further report will be submitted in January 2019 in which the Joint Transport Committee will consider the 2019/20 budget. The budget proposal will, subject to approval, take account of the Metro and Ferry fare changes contained in this report.

#### **6. Potential Impact on Objectives**

- 6.1 The proposals in this report are intended to ensure the continued operation of the Metro within the subsidy levels available, whilst also being mindful of achieving the policy objectives outlined in section 1 of this report.

## **7. Financial and Other Resources Implications**

7.1 The fare revenue forecast for 2018/19 is expected to be in line with the budget of £46.099m.

7.2 The budget proposal being developed for 2019/20 assumes an increase in fare revenue of £0.743m against the 2018/19 budget, increasing the 2019/20 budget to £46.842m. Of the £0.743m increase, £0.439m is expected to be generated by the fares proposal detailed in the report.

The 2019/20 budget also includes underlying growth along with the planned customer improvements and target marketing outlined in the report. This is shown in the table below:

	£m
2018/19 Forecast	46.099
Fare proposal impact	0.439
Underlying growth	0.304
2019/20 Budget	46.842

## **8. Legal Implications**

8.1 There are no direct legal considerations arising from this report.

## **9. Key Risks**

9.1 There are no specific risk management considerations arising from this report.

## **10. Equality and Diversity**

10.1 There are no specific equality and diversity considerations arising from this report.

## **11. Crime and Disorder**

11.1 There are no specific crime and disorder considerations arising from this report.

## **12. Consultation/Engagement**

12.1 There are no specific consultation / community engagement considerations arising from this report.

## **13. Other Impact of the Proposals**

13.1 There are no other direct environmental or economic considerations arising from this report.

## **14. Appendices**

- 14.1 Appendix A – Structured pricing targets.
- 14.2 Appendix B – Proposed single and day ticket prices.
- 14.3 Appendix C – Proposed season ticket prices.
- 14.4 Appendix D – Proposed miscellaneous Metro ticket prices.
- 14.5 Appendix E – Proposed Ferry prices.

## **15. Background Papers**

- 15.1 There are no specific background documents for consideration linked to this report.

## **16. Contact Officers**

- 16.1 Huw Lewis, Customer Services Director, Nexus  
Email: [Huw.Lewis@nexus.org.uk](mailto:Huw.Lewis@nexus.org.uk)  
Tel: 0191 203 3112.

## **17. Sign off**

- 17.1
  - Head of Paid Service:
  - Monitoring Officer:
  - Chief Finance Officer:

## **18. Glossary**

- 18.1 **Network Ticketing Ltd (NTL)** – Provider of multi-modal transport tickets.
- 18.2 **Pay As You Go (PAYG)** – a smart card that allows passengers to top up in advance and pay for journeys as they are made.
- 18.3 **Retail Price Index (RPI)** – a measure of inflation published monthly by the Office for National Statistics.

## Appendix A

Price Matrix Structural Targets				
Product	2018 Ratio	Proposed 2019 Ratio	Target ratio	Relates to
PAYG Daily Cap 1 Zone	1.7	1.7	1.8	PAYG Single 1 Zone
PAYG Daily Cap 2 Zones	1.5	1.5	1.8	PAYG Single 2 Zones
PAYG Daily Cap All Zones	1.5	1.5	1.8	PAYG Single All Zones
Day 1 Zone	1.7	1.6	1.8	Single 1 Zone
Day 2 Zones	1.5	1.5	1.8	Single 2 Zones
Day All Zones	1.5	1.5	1.8	Single All Zones
Metro Season 1 Week 1 Zone	3.6	4.3	3.5	PAYG Daily Cap 1 Zone
Metro Season 1 Week 2 Zones	3.9	4.5	3.5	PAYG Daily Cap 2 Zones
Metro Season 1 Week All Zones	4.3	4.8	3.5	PAYG Daily Cap All Zones
Metro Season 4 Week 1 Zone	3.5	3.5	3.5	Metro Season 1 Week 1 Zone
Metro Season 4 Week 2 Zones	3.5	3.5	3.5	Metro Season 1 Week 2 Zones
Metro Season 4 Week All Zones	3.4	3.4	3.5	Metro Season 1 Week All Zones
Metro Season Annual 1 Zone	11.1	11.1	11	Metro Season 4 Week 1 Zone
Metro Season Annual 2 Zones	10.5	10.5	11	Metro Season 4 Week 2 Zones
Metro Season Annual All Zones	8.8	8.8	11	Metro Season 4 Week All Zones
18 and under Season 1 Week All Zones	0.4	0.4	0.4	Metro Season 1 Week All Zones
18 and under Season 4 Week All Zones	0.4	0.4	0.4	Metro Season 4 Week All Zones
Student 4 Week Inner Zone	0.7	0.7	0.7	Metro Season 4 Week 1 Zone
Student 4 Week All Zones	0.7	0.7	0.7	Metro Season 4 Week All Zones
Student Annual Inner Zone	0.7	0.7	0.7	MetroSaver Annual 1 Zone
Student Annual All Zones	0.6	0.6	0.7	MetroSaver Annual All Zones

## Appendix B

Single / Day Tickets - Price changes effective 2 January 2019						
Product	2018 Price	2019 Price	Change £	Change %	Sales (000s)	Journeys (000s)
Single 1 Zone (A, B, C)	£1.80	£1.90	£0.10	5.6%	1,298	3,609
Single 2 Zone (A+B, B+C)	£2.70	£2.80	£0.10	3.7%	1,107	
Single All Zones (A+B+C)	£3.40	£3.50	£0.10	2.9%	912	
Single 1 Zone PAYG	£1.50	£1.50	£0.00	0.0%	N/A	831
Single 2 Zone PAYG	£2.40	£2.40	£0.00	0.0%	N/A	
Single All Zones PAYG	£3.10	£3.10	£0.00	0.0%	N/A	
Daily Cap 1 Zone PAYG	£2.60	£2.60	£0.00	0.0%	N/A	
Daily Cap 2 Zone PAYG	£3.70	£3.70	£0.00	0.0%	N/A	
Daily Cap All Zones PAYG	£4.70	£4.70	£0.00	0.0%	N/A	
Day 1 Zone (A, B, C)	£3.00	£3.10	£0.10	3.3%	1,114	9,007
Day 2 Zone (A+B, B+C)	£4.10	£4.20	£0.10	2.4%	1,468	
Day All Zones (A+B+C)	£5.10	£5.20	£0.10	2.0%	1,121	
Transfare 1 Zone (T1)	£2.80	£2.90	£0.10	3.6%	8	98
Transfare 2 Zone (T2)	£3.70	£3.80	£0.10	2.7%	15	
Transfare 3 Zone (T3)	£4.40	£4.50	£0.10	2.3%	25	
Child Commercial Single (A+B+C)	£0.80	£0.90	£0.10	12.5%	349	279
Child Day (A+B+C)	£1.30	£1.40	£0.10	7.7%	634	1,316
Child Transfare (T3)	£1.00	£1.10	£0.10	10.0%	21	23
Add Zone 1 Day 1 Zone (Season add on)	£3.00	£3.10	£0.10	3.3%	1	~
Add Zone 1 Day 2 Zone (Season add on)	£4.10	£4.20	£0.10	2.4%	2	~

## Appendix C

<b>Metro Season / Corporate Metro Season Tickets - Price changes effective 2 January 2019</b>						
<b>Product</b>	<b>2018 Price</b>	<b>2019 Price</b>	<b>Change £</b>	<b>Change %</b>	<b>Sales (000s)</b>	<b>Journeys (000s)</b>
Metro Season 1 Week 1 Zone (A, B, C)	£10.80	£11.10	£0.30	2.8%	94	3,467
Metro Season 1 Week 2 Zone (A+B, B+C)	£16.00	£16.50	£0.50	3.1%	137	
Metro Season 1 Week All Zones (A+B+C)	£21.70	£22.40	£0.70	3.2%	60	
Metro Season 4 Week 1 Zone (A, B, C)	£37.90	£39.10	£1.20	3.2%	8	1,981
Metro Season 4 Week 2 Zone (A+B, B+C)	£55.70	£57.50	£1.80	3.2%	14	
Metro Season 4 Week All Zones (A+B+C)	£73.70	£76.00	£2.30	3.1%	7	
Metro Season Annual 1 Zone (A,B,C)	£419.00	£432.50	£13.50	3.2%	~	2,688
Metro Season Annual 2 Zone (A+B, B+C)	£585.00	£604.00	£19.00	3.2%	0.2	
Metro Season Annual All Zones (A+B+C)	£647.00	£668.00	£21.00	3.2%	1	
Corporate Metro Season (1-19 tickets)	£554.00	£571.00	£17.00	3.1%	6	
Corporate Metro Season (20-39 tickets)	£549.00	£566.00	£17.00	3.1%		
Corporate Metro Season (40+ tickets)	£544.00	£561.00	£17.00	3.1%		

**Appendix C (cont.)**

<b>18 and under/ Student Metro Season Tickets - Price changes effective 2 January 2019</b>						
<b>Product</b>	<b>2018 Price</b>	<b>2019 Price</b>	<b>Change £</b>	<b>Change %</b>	<b>Sales (000s)</b>	<b>Journeys (000s)</b>
Pop blue (18 and under) Single (A+B+C)	£1.00	£1.00	£0.00	0.0%	N/A	106
Pop blue (18 and under) Daily cap (A+B+C)	£2.00	£2.00	£0.00	0.0%	N/A	
16 - 18 Metro Season 1 Week All Zones	£7.70	£7.90	£0.20	2.6%	17	114
16 - 18 Metro Season 4 Week All Zones	£29.00	£29.90	£0.90	3.1%	12	
Student Metro Season 4 Week Inner Newcastle	£26.10	£26.90	£0.80	3.1%	19	1,396
Student Metro Season 4 Week Inner Sunderland	£26.10	£26.90	£0.80	3.1%		
Student Metro Season 4 Week All Zones	£50.70	£52.30	£1.60	3.2%	7	
Student Metro Season Annual Inner Newcastle	£290.00	£299.00	£9.00	3.1%	0.2	
Student Metro Season Annual Inner Sunderland	£290.00	£299.00	£9.00	3.1%		
Student Metro Season Annual All Zones	£373.00	£385.00	£12.00	3.2%		



## Appendix D

<b>Miscellaneous Metro Tickets - Price changes effective 2 January 2019</b>						
<b>Product</b>	<b>2018 Price</b>	<b>2019 Price</b>	<b>Change £</b>	<b>Change %</b>	<b>Sales (000s)</b>	<b>Journeys (000s)</b>
Business Pass	£174.00	£179.50	£5.50	3.2%	~	~
Conference Pass	£2.70	£2.80	£0.10	3.7%	~	~
Class Pass - 1 Pass 1 Day	£32.10	£33.10	£1.00	3.1%	~	~
Class Pass - 2 Passes 1 Day	£50.70	£52.30	£1.60	3.2%	~	~
Class Pass - 1 Pass 1 Term	£97.40	£100.50	£3.10	3.2%	~	~
Class Pass - 2 Passes 1 Term	£160.60	£165.70	£5.10	3.2%	~	~
Class Pass - 1 Pass Annual	£250.60	£258.50	£7.90	3.2%	~	~
Class Pass - 2 Passes Annual	£444.50	£458.60	£14.10	3.2%	~	~
Single Inner Zone Rail Add On	£1.60	£1.70	£0.10	6.2%	~	~
Return Inner Zone Rail Add On	£2.30	£2.40	£0.10	4.3%	~	~
7 Day Inner Zone Rail Add On	£9.10	£9.40	£0.30	3.3%	~	~
Single Outer Zone Rail Add On	£2.60	£2.70	£0.10	3.8%	~	~
Return Outer Zone Rail Add On	£4.10	£4.20	£0.10	2.4%	~	~
7 Day Outer Zone Rail Add On	£16.70	£17.20	£0.50	3.0%	~	~

## Appendix E

Ferry Tickets - Price changes effective 2 January 2019						
Product	2018 Price	2019 Price	Change £	Change %	Sales (000s)	Journeys (000s)
Pop blue (18 and under) Ferry Single	£1.00	£1.00	£0.00	0.0%	N/A	424
Pop blue (18 and under) Ferry Day	£2.00	£2.00	£0.00	0.0%	N/A	
Ferry Single	£1.60	£1.70	£0.10	6.2%	34	
Ferry Single - PAYG	£1.30	£1.30	£0.00	0.0%	N/A	
Ferry Day	£2.80	£2.90	£0.10	3.6%	58	
Ferry Day - PAYG	£2.40	£2.40	£0.00	0.0%	N/A	
Ferry Season 1 Week	£10.60	£10.40	-£0.20	-1.9%	1	
Ferry Season 4 Week	£37.30	£36.50	-£0.80	-2.1%	~	
Ferry Carnet (10 single trips)	£12.80	£13.60	£0.80	6.2%	0.3	
1 Zone Transfare	£2.80	£2.90	£0.10	3.6%	1	
2 Zone Transfare	£3.70	£3.80	£0.10	2.7%	0.2	
3 Zone Transfare	£4.40	£4.50	£0.10	2.3%	~	
Child Commercial Single	£0.60	£0.70	£0.10	16.7%	1	
Child Transfare	£1.00	£1.10	£0.10	10.0%	0.2	



## North East Joint Transport Committee, Tyne and Wear Sub-Committee

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**Date:** 21 November 2018

**Subject:** Tyne and Wear Budget Preparation 2019/20 including Tyne Tunnels

**Report of:** Chief Finance Officer

### Executive Summary

The purpose of this report is to set out a summary of the proposed draft Tyne and Wear Transport revenue budget and levy proposals for 2019/20, which will be subject to a consultation period of 2 months before decisions are made in January 2019.

A report on the Transport Budget for the whole of the Joint Transport Committee area including Durham and Northumberland was considered by the new Joint Transport Committee on 20<sup>th</sup> November. The Sub-Committee will be given a verbal update on the outcome of that meeting.

Decisions about the Transport Budget and Levies and the proposed Tyne Tunnel Toll levels for 2019/20 will be formally taken in January. This report should be read alongside the Nexus Corporate Plan and 2019/20 Budget Report elsewhere on this agenda. View of the newly constituted Tyne and Wear Sub-Committee will be taken into account in the development of the final proposals, which are to be reported in January for decision.

### Recommendations

The Joint Transport Committee is recommended to receive this report for information and comment.

## 1. Background Information

- 1.1 This report sets out a summary of the proposed draft Tyne and Wear Transport revenue budget and levies for 2019/20, and an update about the revenue position in the current year.
- 1.2 The Transport budget for 2018/19 was agreed by the NECA Leadership Board on 16 January 2018, when a Tyne and Wear Transport levy of £61.8m was set.
- 1.3 New Governance arrangements have just come into force and this changes the budget setting process. The Transport Budget and Levies will now be considered and set by the new Joint Transport Committee, which is due to meet on 22<sup>nd</sup> January. The two Combined Authorities will then meet to formally issue the Levies that have been agreed by the Joint Transport Committee. NECA is continuing to act as the Accountable body for Transport implementing the decisions of the new Joint Transport Committee.
- 1.4 The Budget and Levy proposals for 2019/20 have been developed through discussion and briefing of senior officers from all five Tyne and Wear councils and through informal briefings of the previous members of the Tyne and Wear Sub Committee (TWSC).

## 2. Proposals

### 2.1 Transport Revenue Budgets 2018/19 Forecast and 2019/20 Proposals

- 2.1.1 As the Transport levies and revenue grants are normally fixed for the year there is no change in Levies payable and minimal change in the overall Tyne and Wear NECA revenue budget itself. The significant change is a £3.333m reduction in the grant payable to Nexus later in the year, with £3.333m being paid instead to a Metro Fleet Replacement Reserve as a second-year contribution towards the match funding contribution that is required by the Department for Transport.

*Table 1: 2018/19 Transport Levies and Grants*

	<b>2018/19 Original Budget</b>	<b>2018/19 Forecast</b>	<b>Spend to date Oct 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Transport Levies	(61,800)	(61,800)	( )
Retained Transport Levy Budget	2,110	2,108	879
Grant to Nexus	59,700	56,367	29,850
Contribution to Metro Fleet Replacement Reserve		3,333	0

2.1.2 The overall total proposed net revenue budget and levy for Tyne and Wear Transport in 2019/20 is £61.1m. This represents a net cash reduction of £0.7m (%) on the 2018/19 budget and levy.

## 2.2 Tyne and Wear Levy

2.2.1 The distribution of the levy within Tyne and Wear is based on population, in accordance with the Transport Levying Bodies Regulations. The amounts levied on each individual authority will reflect the midyear population estimate for 2017 as well as the reduction in the overall total. The proposed levy for 2019/20 for each of the Tyne and Wear councils is shown below:

2.2.2 *Table 2: Distribution of Proposed Tyne and Wear Transport Levy*

	<b>2018/19 Levy</b>	<b>Proposed 2019/20 Levy</b>	<b>Proposed Reduction</b>
	£000	£000	£000
Gateshead	11,037	10,949	(88)
Newcastle	16,232	16,003	(229)
North Tyneside	11,131	11,061	(70)
South Tyneside	8,181	8,090	(91)
Sunderland	15,219	14,997	(222)
<b>Total</b>	<b>61,800</b>	<b>61,100</b>	<b>(700)</b>

The proposed levy is based on discussions with councils and represents a reduction of £0.700m compared with 2018/19. It takes into account the fact that savings are being delivered in the Nexus budget in the current year and the pressures on councils' budgets. A levy reduction of this scale for 2019/20 was envisaged previously in 2017 and can be achieved without service reductions being needed in the next two years, though use of efficiency savings and Nexus reserves.

### 2.2.3 Tyne and Wear Levy Budget – Nexus

The proposed reduction in the Tyne and Wear transport levy of £0.7m in 2019/20 will mean that the grant made available to Nexus in 2019/20 from the Joint Transport Committee will reduce by £0.7m. Notwithstanding this, because of Nexus' improved financial position in 2018/19, it will be able to maintain frontline services during 2019/20. As in previous years, it will be necessary to plan on the basis that Nexus will need to utilise reserves in order to prepare a balanced budget. In so doing, and without any improvement in its funding from April 2021, Nexus will need to work through the Sub-Committee (and the Joint Transport Committee) in regards possible service reductions during 2020/21 and future years.

## 2.3 Tyne and Wear Levy Transport Budget (non-Nexus)

2.3.1 This budget primarily relates to activity inherited from the former Tyne and Wear ITA along with central transport activity. The vast majority of the budget relates to financing charges on historic debt. Additionally, there is budget provision to meet the costs of support services and governance, external audit fees and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the pension deficit.

2.3.2 At this point there is still uncertainty about some of the Transport arrangements for 2019/20. No saving in the £2.1m Tyne and Wear (non-Nexus) Transport budget has been identified, as the majority of the costs relate to capital financing and are largely fixed. Any saving is likely to be marginal and will not be known until the position and costs of a new Transport Officer post and the support needed for the new Joint Transport Committee and the Tyne and Wear Sub Committee is known. At figures shown below are a continuation of the budget

*Table 3: Tyne and Wear Transport Budget (non-Nexus)*

	<b>2018/19 Original Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Support Services/Staffing	220	220	220
Administration and Governance	42	40	40
Financing Charges	1,798	1,795	1,785
Contingency / Transport Joint Committee / Sub Committee costs	50	52	55
<b>Total Expenditure</b>	<b>2,110</b>	<b>2,110</b>	<b>2,100</b>
<b>Contribution from Levies</b>	<b>(2,110)</b>	<b>(2,110)</b>	<b>(2,110)</b>

## 2.4 Tyne Tunnels

2.4.1 The Tyne Tunnels are accounted for as a ring-fenced account within the NECA budget, meaning that all costs relating to the tunnels are wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding. Tyne Tunnels have a revenue reserve which is there to fund capital costs in relation to the Tunnels and to finance the debt incurred on the construction of the Tunnels.

2.4.2 *Table 4: Tyne Tunnels Budget 2018/19 and 2019/20*

	<b>2018/19 Original Budget</b>	<b>2018/19 Forecast</b>	<b>2019/20 Proposed Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tolls Income	(25,970)	(26,730)	(28,090)
Contract payments to TT2	19,480	20,298	21,197
Employees	33	-	-
Pensions	54	50	52
Support Services	80	95	95
Supplies & Services	45	45	45
Financing Charges	6,579	6,594	6,966
Interest/Other Income	(50)	(50)	(50)
Repayment from TWITA for temporary use of reserves	(240)	(240)	(240)
<b>(Surplus)/Deficit on Tyne Tunnels revenue account met from reserves</b>	<b>11</b>	<b>62</b>	<b>(25)</b>

2.4.3 The forecast outturn position for 2018/19 is for a small deficit of £62k, which will be met from Tyne Tunnels reserves. The forecast for tolls income is slightly higher than the original budget, taking into effect the increase in the toll on HGV Class 3 vehicles, which came into effect in March 2018. This is offset by an increase in the contract payments to TT2 whose “shadow toll” payment is due to increase by 10p in line with RPI inflation to £1.90 per vehicle from 1 January 2019. Traffic levels continue to be lower than previously experienced, which has been the case since commencement of the Silverlink works in August 2016.

2.4.4 The original budget for 2018/19 included provision for employee costs relating to the contract monitoring officer role. During 2018/19 this post has been vacant, with support provided instead by officers from Newcastle City Council and the support services forecast has been updated accordingly. It is assumed that this arrangement will continue into 2019/20.

2.4.5 The 2019/20 budget figures shown in Table 8 above assumes an increase in tolls for both Class 2 and Class 3 vehicles in line with inflation as measured by the Retail Price index. It is proposed that the toll for Class 2 Vehicles (cars and light goods vehicles) be increased by 10p from £1.70 to £1.80 and that the toll for Class 3 vehicles (Heavy Goods Vehicles) be increased by 20p from £3.40 to £3.60 in spring 2019. This is being discussed in greater detail with the Tyne and Wear Sub Committee.

- 2.4.6 The increase in toll income in 2019/20 as a result of the increase in tolls is estimated to be £1.56m. Without an increase in tolls the Tyne Tunnels account would operate at a deficit of £1.54m, next year which would be unsustainable over the life of the concession.
- 2.4.7 In terms of the formal process for the increase in Tolls, a decision to increase tolls will be taken by the Tyne and Wear Sub Committee in January. NECA as the Host Combined Authority for Transport will implement the proposed increase. This will involve advertising the proposed increase in at least one local newspaper and notifying the Department of Transport. Once notified, the Department has 21 days to determine whether to make the order and, if so, the order will be made 28 days before it comes into effect. A decision on the specific date for implementation will be taken in conjunction with TT2 Ltd, taking into account operational considerations.
- 2.4.8 While the traffic through the Tunnels is likely to increase next year, once the Silverlink junction road work have been completed, there will also be some impact from the planned road works at Testos roundabout. While any increase in traffic will increase toll income this will result in an increase in the contract payments to TT2. Given the current uncertainty around the increase in traffic flow the original budget will be based on current traffic levels with the increase evidenced in summer 2019 being reflected in the revised estimate this time next year.
- 2.4.9 The Tyne Tunnel Reserve is ringfenced for the costs and financing of the Tyne Tunnels. After allowing for the repayment of Local Growth Fund Grant used temporarily to fund costs relating to the Pedestrian and Cycle Tunnels and directly funding the remainder of the works, the estimated level of Tyne Tunnel Reserves at 31 March 2020 is currently estimated to be £14.8m.

## 2.5 **Transforming Cities Fund**

- 2.5.1 During October, NECA was announced as one of ten shortlisted areas to progress to the next stage of bidding for the government's £840m Transforming Cities Fund. The Budget 2018 announced additional money for the Fund, increasing the amount of the fund that we can bid into by £440m to £1,280m. An additional two areas will be allowed to bid for this fund, increasing the number of bidding areas to 12.
- 2.5.2 NECA will be working with DfT to develop plans which, if successful, will be used to tackle congestion and improve transport connections across the region. There is a need to identify revenue resources to support the bidding process and initial project design costs, which may include the use of revenue budget savings in 2018/19, and this will be a potential issue for consideration in the budget report to the January meeting of the JTC.

## 2.6 **Treasury Management - Borrowing**

- 2.6.1 Currently all external borrowing held by NECA relates to historic Tyne and Wear Transport activities, and the financing of the borrowing debt is met from the Tyne and Wear levy and the Tyne Tunnels budgets and is included within the proposals set out above. While the JTC has an advisory role in connection with the borrowing limits relating to transport, the Treasury Management arrangements are managed by NECA as the accountable body for the JTC and are approved by the two Combined



Authorities. A proportion of the outstanding balance of the loans and investments (based on the share of Tyne and Wear population in each combined authority area) will be shown in the balance sheets of the two Combined Authorities. A summary of the actual loans outstanding at the date of the change in governance is set out in the table below, which is less than the approved capital financing requirement (CFR):

*Table 5: Historic Tyne and Wear Borrowing*

	<b>Principal</b>	<b>Interest Due</b>	<b>Total</b>	<b>NECA Share</b>	<b>NoTCA Share</b>
<b>Capital Finance Requirement (CFR)</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tyne and Wear Historic CFR	23,919	23,919		13,324	10,595
Tyne Tunnels CFR	129,808		129,808	72,311	57,497
Nexus CFR	39,938		39,938	22,248	17,960
<b>Total CFR</b>	<b>193,665</b>		<b>193,665</b>	<b>107,883</b>	<b>85,782</b>
<b>Actual External Debt</b>	<b>167,333</b>	<b>2,274</b>	<b>169,607</b>	<b>94,482</b>	<b>75,125</b>

## 2.7 Tyne and Wear Transport Reserves

2.7.1 The level of Tyne and Wear reserves at 1 April 2018 was £0.513m. This is expected to continue at broadly the current level this year and next.

## 3. Reasons for the Proposals

3.1 The proposals are presented here to inform the Sub-Committee about the preparation of the 2019/20 Transport Budget as part of a two-month consultation process before decisions are taken in January 2019.

## 4. Alternative Options Available

4.1 This report is for information at this stage.

## 5. Next Steps and Timetable for Implementation

5.1 The Transport budget proposals will be consulted upon with constituent councils, Overview and Scrutiny Committee, Audit and Standards Committee and with the North East England Chamber of Commerce. Detailed budget proposals will be developed and responses to consultation will be taken into account in preparing the more detailed report to the January JTC and Tyne and Wear Sub-Committee meetings.

5.2 Under the new governance arrangements, the Transport Budget and levies are to be set by the Joint Transport Committee (JTC) based on a unanimous decision. Current the intention is that this will happen at a meeting on 22 January. The Transport levy determined by the JTC will be formally issued by the two Combined Authorities. This

needs to be done before the Statutory deadline of 15<sup>th</sup> February 2019. The Tyne and Wear Sub Committee will next meet on and will formally recommend the new Tyne Tunnel Tolls. The proposals will be submitted to approval by the Department for Transport for implementation in March/ April 2019.

## **6. Potential Impact on Objectives**

6.1 The budget presented in this report is set to achieve the Transport policy objectives of the Authority.

## **7. Financial and Other Resources Implications**

7.1 The financial and other resource implications are summarised in this report where they are known. Further details which are developed as part of the budget development and consultation process will be identified in the budget report to the January 2019 Joint Transport Committee.

## **8. Legal Implications**

8.1 The JTC must approve the transport budget, levies and tolls unanimously. The Leadership Board must approve the final overall budget proposals unanimously (incorporating the budget and levies approved by the JTC).

## **9. Key Risks**

9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

## **10. Equality and Diversity**

10.1 There are no equality and diversity implications arising from this report.

## **11. Crime and Disorder**

11.1 There are no crime and disorder implications arising from this report.

## **12. Consultation/Engagement**

12.1 The NECA Constitution requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed. It is proposed that the 2019/20 Transport budget proposals be consulted upon including with the Overview and Scrutiny Committee, Audit and Standards Committee, constituent councils and the North East England Chamber of Commerce. The extent of public consultation will be proportionate to the impact that the proposals would have on services to the public. At this stage no significant service implications are expected.

## **13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 None

**15. Background Papers**

15.1 NECA Leadership Board Budget 2018/19 and Transport Levies report 16 January 2018

<https://northeastca.gov.uk/wp-content/uploads/2018/03/Leadership-Board-16-January-2018-Agenda-Pack.pdf>

The Joint Transport Committee Transport Budget and Levies Report, 20 November 2018.

Nexus Corporate Plan and Budget Preparation 2019/20 (report on this agenda)

**16. Contact Officers**

16.1 Paul Woods, Chief Finance Officer, [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk), 07446936840

**17. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

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## North East Joint Transport Committee, Tyne and Wear Sub-Committee

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**Date:** 21 November 2018

**Subject:** Nexus Corporate Plan and Budget Preparation 2019/20

**Report of:** Director of Finance and Resources, Nexus

### Executive Summary

This report complements the budget report presented to the Joint Transport Committee by the NECA's Chief Finance Officer on 20 November 2018, and proposes Nexus' approach to the development of its 2019/20 corporate plan and budget, an element of which is funded by the Tyne and Wear transport levy.

### Recommendations

It is recommended that the Sub-Committee agrees to the corporate planning and budget approach for Nexus as set out in this report, which will need to be reflected within the Joint Transport Committee's 2019/20 budget and indicative medium term financial strategy.

## 1. Background Information

1.1 At its January 2018 meeting, the Leadership Board of the North East Combined Authority (NECA) agreed that Nexus could run a budget deficit amounting to £1.934m in 2018/19, which would be funded by using its reserves. In the Revenue Budget Monitoring Report presented to the NECA's Transport North East Committee on 11 October 2018, Nexus reported that it had made permanent reduction to its base budget requirement and it was now reporting a £1.200m surplus for 2018/19.

1.2 The adjustments to Nexus' base budget are shown in the table below:

	£m	£m
<b>Base budget deficit 2018/19</b>		<b>1.934</b>
<b>Budget Savings</b>		
- Concessionary travel	(0.830)	
- Metro fare income	(0.800)	
- High voltage power	(0.500)	
- Secured services	(0.310)	
- Investment income	(0.080)	
- Scholars income	(0.200)	
- Employees	(0.300)	
- Other	(0.257)	(3.277)
<b>Budget Pressures</b>		
- Commission income	0.060	
- Inflationary adjustments	0.058	
- Departure charges	0.025	0.143
<b>Revised base budget surplus 2018/19</b>		<b>(1.200)</b>

### Nexus' Corporate Priorities 2019/20

1.3 The Sub-Committee will be asked to approve Nexus' Corporate Plan for 2019/20 at its January 2019 meeting.

1.4 Whilst Nexus' Corporate Plan is a statement of its key priorities over the medium term, its resource base is such that it is not practicable to plan with any degree of certainty beyond the first twelve months of the Plan. This is particularly so because the Tyne and Wear transport levy together with central government grant to support the operation and maintenance of the Tyne and Wear Metro will only be certain until 31 March 2020.

1.5 The Joint Transport Committee intends to develop a single Transport Plan for the North East (the Transport Plan), focussing on shared priorities agreed by the Combined Authorities, which are the Local Transport Authorities for their respective areas. This will be a comprehensive statutory document, setting out the policy aims and objectives for Nexus to deliver.

- 1.6 Nexus' Corporate Plan will be adjusted to align with the emerging policies, aims and objectives being set by the Joint Transport Committee as the Transport Plan develops.
- 1.7 With that in mind, the suggested priorities during 2019/20, which will be developed and expressed in more detail within the Corporate Plan for the Sub-Committee's approval in January 2019 are set out below for the Sub-Committee to give consideration to now:
- i. Award contracts to design, build and maintain a new fleet of trains for the Tyne and Wear Metro and to design and build a new depot.
  - ii. Improve our customers' journey experience on Metro.
  - iii. Continue the programme to modernise the Metro with track renewal, replacement of overhead power lines and the opening of a new Transport Interchange in South Shields.
  - iv. Open our new Learning Centre in South Shields, to provide a step change in how we develop our people and make Nexus an employer of choice.
  - v. Ensure the North East's priorities for transport are properly reflected in Transport for the North's (TfN's) investment plans.
  - vi. Develop plans to expand Metro and local rail services, connecting communities not currently served by either Metro or Northern rail services.
  - vii. Implement organisational change to deliver efficiencies, ensuring we achieve value for money in everything we do.
  - viii. Protect levy funded frontline services and discretionary concessionary travel schemes.
  - ix. Develop plans to improve the local bus network and the use of new mobility services.
  - x. Deliver technological improvements, which will benefit our customers and encourage wider use of public transport.

### **Grant Payable to Nexus from the Tyne and Wear Transport Levy**

- 1.8 In the Chief Finance Officer's report to the Joint Transport Committee on 20 November 2018, it was proposed that the Tyne and Wear transport levy would be cut by £0.7m in 2019/20. This will mean that the grant made available to Nexus in 2019/20 from the Joint Transport Committee will reduce by £0.7m.
- 1.9 Notwithstanding the cut to the grant Nexus will receive from the Joint Transport Committee in 2019/20, because of Nexus' improved financial position in 2018/19, it will be able to maintain frontline services during 2019/20. As in previous years, it will be necessary to plan on the basis that Nexus will need to utilise reserves in order to prepare a balanced budget.
- 1.10 In so doing, and without any improvement in its funding from April 2021, Nexus will need to work through the Sub-Committee (and the Joint Transport Committee) in regards possible service reductions during 2020/21. These include (but are not

limited to)

- Curtailing and/or withdrawing secured bus services, the cross-Tyne ferry service and group travel services;
- Providing less public transport information;
- Increasing and/or removing the Gold Card concession;
- Increasing and/or removing the Under 16 or 16-18 concession;
- Reducing the frequency of cleaning and maintenance regimes and not having a security presence at bus interchanges and in bus waiting facilities;
- Increasing Metro fares significantly above inflation; and
- Reducing the Metro timetable.

1.11 It is likely that potential service reductions will need to be set in the context of previous consultation carried out by Nexus (under the NECA's Transport Sub-Committee's direction) during the summer of 2016 (the outcome of which was reported to the Sub-Committee, minute 100/2016 refers). Members will recall that because of the way in which Metro is funded i.e. it places little reliance on grant provided by the NECA, it was specifically excluded from the consultation. Of those services that were consulted on, broadly speaking, the consultation showed a preference for the following services, in priority order:-

- i. Bus services, Group travel and Ferry Services
- ii. Public Transport Information
- iii. Local Voluntary Concessions
- iv. Bus Waiting Facilities
- v. Major Projects (although members of the Sub-Committee did express a strong view that Nexus' ability to part fund Major projects and/or pay for their development was vitally important).

### **Setting the Nexus Budget for 2019/20**

1.12 Against a background of medium term financial uncertainty, but with the proposed objectives of its corporate plan for 2019/20 in mind, Nexus has considered its spending plans for 2019/20, assuming its budget is being set at 'stand-still' i.e. if it were to maintain service outcomes.

1.13 The budget proposal is based on estimates that have a degree of uncertainty in respect of some of Nexus' largest areas of expenditure. In particular:

- a. Nexus is currently in consultation with its four recognised Trades Unions (TUs) concerning pay awards for April 2018 and April 2019. Nexus' offer is the subject of a ballot at this time and the outcome is uncertain. However the 'gap' between the TUs pay claim and that which Nexus have offered (which is broadly in line with the local government settlement) is circa £0.500m in 2018/19 and £1.0m in 2019/20.
- b. Whilst Metro fare revenue collected to the end of period 6 in 2018/19 is £0.800m above the budget set in January 2018, we are continuing to see a reduction in the sales by third parties, most notably Network Ticketing Limited. If fare revenues worsen during the remainder of the year, this will have a



knock-on effect in future years. In addition, the Metro fares review scheduled to come into effect in January 2019 has not yet been agreed by the Sub-Committee who will agree an approach based upon another report contained elsewhere on today's agenda.

- c. The estimate for High Voltage Power is based on intelligence provided by the specialist team at NEPO who assist Nexus in its procurement of this commodity. Previous estimates have proven to be conservative due to better prices being obtained and delays in the implementation of the governments' Electricity Market Reform agenda.
- d. Whilst the majority of the secured bus services budget is subject to contract price inflation, an element of the budget is dependent on contract renewals and the vagaries of tender returns being different to the previous contractual price

1.14 However, Nexus does have more certainty over concessionary fares expenditure across the next two years than it would normally have at this stage in its budget planning, as a consequence of having negotiated settlements with two of the major bus operators (whilst the third is in the process of being finalised). In addition, Nexus' grant settlements from DfT for Metro Rail Grant, Bus Services Operators Grant and Rail Administration Grant are either known (as is the case for Metro Rail Grant) or likely to be notified at existing levels.

1.15 Nexus also continues to absorb significant budget pressures across its range of services e.g. the inflationary uplift in its Track Access Charge for operating on Network Rail infrastructure in Sunderland. It will also need to accommodate committed growth in its budget e.g. costs associated with its new transport interchange in South Shields.

1.16 For the third year a contribution of £3.333m representing an adjustment to grant payable to Nexus will be made to the Metro Fleet Renewal reserve, increasing the reserve to £10m to help to achieve the £25m match funding contribution that is required by the Department of Transport.

### **Nexus Reserves**

1.17 At its February 2016 meeting, the Tyne and Wear Sub-Committee established the strategic objective that Nexus should be able to balance its revenue budget without placing reliance on its revenue reserves by 2019/20 (minute 65/2016 refers). However, at that time it was anticipated that Nexus' budget deficit would have grown to £7.0m by 2017/18. Through efficiency savings and by redirecting expenditure into priority areas, Nexus has successfully managed and averted this significant budget risk. It is therefore in a position to use reserves in 2019/20 as a means of protecting services.

1.18 As at 31 March 2018, Nexus' revenue reserves amounted to £18.7m. This is in addition to its capital reserves, earmarked for investment in capital projects, the most notable amount being the £15.0m earmarked to provide a local contribution for the new Metrocar fleet. Total capital reserves amounted to £29.2m as at 31

March 2018.

- 1.19 It is therefore apparent that Nexus has options to cushion the impact of the proposed grant reduction from the cut to the Tyne and Wear transport levy during 2019/20, although it is anticipated that Nexus will need to commence consultation on service reductions during 2019/20 as noted in paragraphs 3.3 and 3.4 above.

### **Looking Further Ahead – 2020/21 and 2021/22**

- 1.20 As previously acknowledged, at some point Nexus needs to reduce its reliance on its revenue reserves as a means of balancing its budget, because its ability to keep on delivering efficiency savings that can offset its growing cost base ‘at standstill’ whilst grant funding from the Joint Transport Committee keeps on reducing, diminishes each year. By way of example, between 2010 and 2020, Nexus will have withstood a £15m or 22% cut in its grant support from the Tyne and Wear transport levy. Fundamentally, because this funding is primarily used for concessionary fares reimbursement, Nexus’ ability to continue providing other services funded from this particular grant becomes more and more compromised over time.
- 1.21 Nexus is currently updating its medium term financial forecast (MTFF) in order to identify likely expenditure commitments through to 2021/22. The MTFF will use the same parameters as those in determining the 2019/20 budget estimate i.e. if income and expenditure is planned on a standstill basis and if the grant from the Joint Transport Committee was to be frozen at the proposed level for 2019/20, the likely gap in resource will represent the level of service reductions required. This is notwithstanding Nexus’ ability to utilise some of its revenue reserves in order to help cushion any impact.
- 1.22 In the context of the MTFF, one very important consideration will be the level of revenue support that Nexus receives from the Department for Transport (DfT) in the form of Metro Rail Grant (MRG). This equates to £26.090m in 2019/20 and provides for around one-third of the net subsidy required to operate the Tyne and Wear Metro with two-thirds of the net subsidy met from a combination of fare revenues and the grant Nexus receives from the Joint Transport Committee (this element primarily to fund the Gold Card). MRG has been provided by the DfT since 2010 and Nexus has negotiated a one-year extension to the multi-year funding agreement that was due to expire in March 2019. The level of MRG that Nexus can expect from DfT in 2020/21 and beyond is not yet known and subject to the outcome of discussions with central government via the 2019 Spending Review. In this regard, the chair of the Sub-Committee recently wrote to the Secretary of State, seeking an early decision in order to aid financial planning (copy of letter attached at Appendix A).
- 1.23 It is also worth noting that the latest triennial valuation of the Tyne and Wear Pension Fund is due at 31 March 2019 and this can have a significant impact on the Nexus budget and MTFF.
- 1.24 The work that is necessary in order to update Nexus’ MTFF will culminate in it being presented to the Joint Transport Committee in January 2019. However, it is important to recognise that there are considerable uncertainties concerning a

forecast that needs to estimate likely costs and revenues up to 42 months from now.

## **2 Proposals**

- 2.1 The Sub-Committee is invited to consider and agree the corporate planning and budget approach for Nexus.

## **3 Reason for the Proposals**

- 3.1 The proposals will need to be reflected within the Joint Transport Committee's 2019/20 budget and indicative medium term financial strategy.

## **4 Alternative Options Available**

- 4.1 There are no alternative options as the report is for information on the corporate planning and budget approach for Nexus.

## **5 Next Steps and Timetable for Implementation**

- 5.1 The Joint Transport Committee will be asked to agree the Tyne and Wear transport levy for 2019/20 at its January 2019 meeting. This will be in the context of Nexus' updated MTFE where now, it seems likely that Nexus will be able to protect service outcomes in 2019/20 but in so doing will be reliant on its revenue reserves in order to balance its 2019/20 budget.
- 5.2 It is likely that a further round of consultation will be necessary during 2019 in order to prepare for the delivery of savings which based on Nexus' financial planning assumptions at this point in time, are likely to have a fundamental impact on service delivery in 2020/21 and in particular 2021/22.

## **6 Potential Impact on Objectives**

- 6.1 Nexus' future spending plans are very likely to result in a significant reduction in the achievement of the objectives within the Tyne and Wear Local Transport Plan and associated policies and strategies.

## **7 Finance and Other Resources Implications**

- 7.1 Financial implications are considered throughout this report.

## **8 Legal Implications**

- 8.1 There are no legal issues that arise directly as a consequence of this report.

## **9 Key Risks**

- 9.1 The budget proposals will include an assessment of risk facing the Nexus budget, which will be used to inform the level of reserves which is determined to be prudent. This report is for information on the budget process and has no specific risk management implications.

## **10 Equality and Diversity**

10.1 There are no specific equalities and diversity implications arising from this report.

## **11 Crime and Disorder**

11.1 There are no specific crime and disorder implications arising from this report.

## **12 Consultation/Community Engagement**

12.1 The proposed budget will be subject to a period of consultation including the Overview and Scrutiny Committee, Governance Committee, and the North East Chamber of Commerce.

## **13 Other Impact of the Proposals**

13.1 There are no other specific impacts arising from this report.

## **14 Appendices**

14.1 Letter from Sub-Committee chair to Secretary of State for Transport

## **15 Background Papers**

15.1 None.

## **16 Contact Officers**

16.1 John Fenwick, Nexus Director of Finance and Resources;  
Email: [john.fenwick@nexus.org.uk](mailto:john.fenwick@nexus.org.uk);  
Tel: 0191 203 3248.

## **17 Sign off**

- 17.1
- Head of Paid Service ✓
  - Monitoring Officer ✓
  - Chief Finance Officer ✓

## **18 Glossary**

18.1 DfT – Department for Transport  
MRG – Metro Rail Grant  
MTFF – Medium Term Financial Forecast  
TUs – Trades Unions



Rt Hon Chris Grayling MP  
Secretary of State for Transport  
Department for Transport  
Great Minster House  
33 Horseferry Road  
London SW1P 4DR

Our ref GH/vh  
Your ref

Direct Line  
Facsimile  
Email

Date 15<sup>th</sup> October 2018

Dear Secretary of State,

### **Ongoing investment in the Tyne and Wear Metro**

At last week's meeting of the North East Combined Authority's Tyne and Wear Transport Sub-Committee, I raised the issue of ongoing investment in the Tyne and Wear Metro, specifically in regards the need for continued support from the Department for Transport.

I know that you visited the Metro system recently. You will therefore have had the chance to see for yourself the benefits of Nexus having a long-term multi-year settlement, by being able to plan asset renewal effectively and create local employment opportunities.

I understand that Nexus' officers have recently written to Department officials in relation to this and also regularly raise this matter at the joint DfT/Nexus programme board which helps oversee amongst other things, the Nexus Asset Renewal Programme.

However, members of the Committee were not fully assured by the explanation received, which is Nexus has to await the outcome of the 2019 Spending Review. At this point, there will be less than eighteen months left on the existing capital grant funding agreement with DfT and less than six months left in relation to the existing revenue grant funding agreement.

As I am sure you will acknowledge, this uncertainty makes forward planning very difficult and increases the likelihood of sub-optimal decisions being made. I am therefore writing to ask that you bring forward these timescales in order to provide Nexus with the certainty it needs to properly plan.

We are of course, grateful to your Department for its financial support for our new Metrocars and for the work that civil servants have undertaken in helping Nexus to make the case for ongoing support for the Metro's day-to-day operation and essential infrastructure renewals. However, as our current funding agreements end, and without ongoing surety of funding secured, the Committee is concerned that Nexus will be much less efficient and prevented from properly planning the renewal and operation of the Metro, which is a position I thought we had moved

Nexus House St James' Boulevard Newcastle upon Tyne NE1 4AX  
T: 0191 2020747 [www.nexus.org.uk](http://www.nexus.org.uk) [www.northeastca.gov.uk](http://www.northeastca.gov.uk)

away from several years ago. This really doesn't make any sense, especially considering the success Nexus has made of its Asset Renewal Programme. In fact, it reminds me of the time I served on this Committee's predecessor body, the Tyne and Wear Passenger Transport Authority, when Nexus was in receipt of annual funding settlements, which led to a piecemeal approach to asset renewal and a gradual deterioration in the condition of the Metro network.

Therefore, in summary, I would ask that you reconsider and bring forward the timescales for reaching a decision in respect of funding for ongoing investment in the Tyne and Wear Metro. I believe that delaying this key decision will compromise the benefits of the £350m invested in new and upgraded infrastructure since 2010 plus the £362m shortly to be invested in a new fleet (and depot facilities) thereby leading to sub-optimal outcomes and poor value for money.

Yours sincerely



**COUNCILLOR GLADYS HOBSON**  
**Chair of the NECA Tyne and Wear Transport Sub Committee**



## **North East Joint Transport Committee, Tyne and Wear Sub-Committee**

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**Date:** 21 November 2018

**Subject:** Tackling Metro Performance Issues

**Report of:** Managing Director (Transport Operations)

### **Executive Summary**

The purpose of this report is to provide Members with an overview of recent issues affecting Metro performance and the mitigating actions put in place by Nexus.

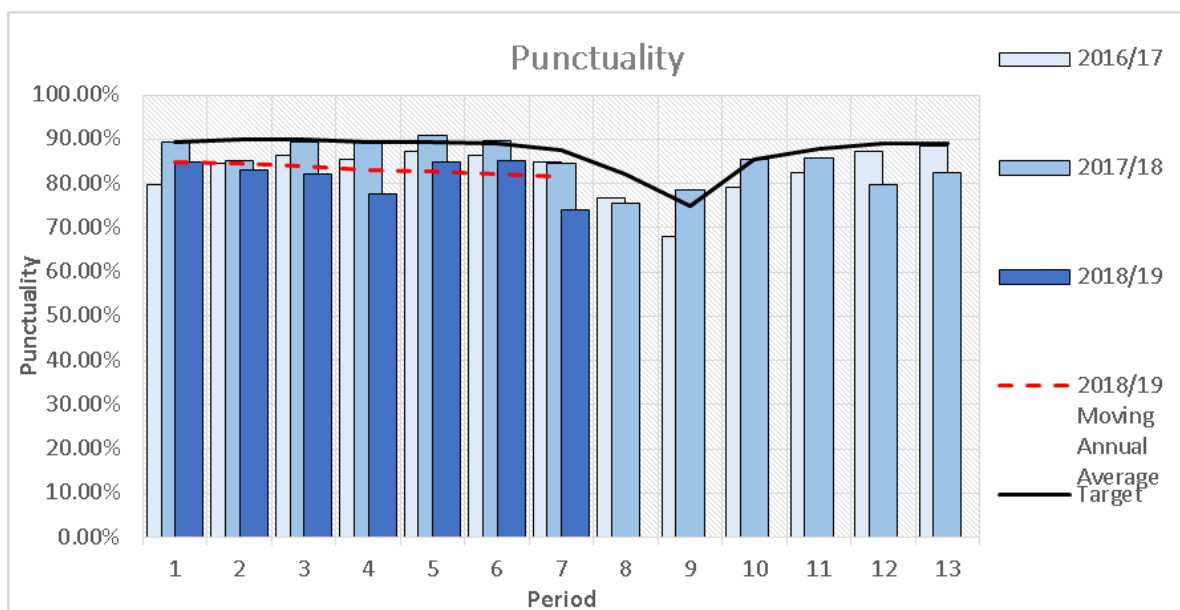
### **Recommendations**

The Transport North East (Tyne and Wear) Sub-Committee are recommended to note the report.

## 1. Background Information

- 1.1 Members have requested that a report covering recent problems affecting the Metro's performance should be provided to TWSC. In addition to this report please see a letter from Nexus' Managing Director to Chair of the Tyne and Wear Sub-Committee attached at Appendix A.
- 1.2 The main metric of Metro's train performance is punctuality which is measured at 15 monitoring points around the system. If a train passes any one of the monitoring points between 30 seconds before and 3 minutes after its scheduled time the train is deemed to be 'on time'. This is a more rigorous measurement compared to mainline rail, which measures punctuality based on the train's arrival time at its final scheduled destination– trains are classified as 'on time' if they are within 5 minutes of their scheduled arrival time for regional services (such as Northern Rail) and within 10 minutes of their scheduled arrival time for long distance services (such as London North Eastern Railway).
- 1.3 For the purposes of measuring performance each financial year is divided into thirteen 'periods' of four weeks each. Across the first seven periods of 2017/18 Metro's train performance reached a punctuality high of 88.35%, the best continuous and sustained performance improvement for several years. However following that autumn conditions and severe weather events such as 'the Beast from the East', combined with engineering issues at the depot impacted on train performance to such an extent that by the end of the financial year punctuality had dropped back to 85%.

Current punctuality to date for the year 2018/19 is 81.68%, some way below the previous year. The chart below compares this year's punctuality with the previous 2 years:





- 1.4 35% of all delays this year, the largest single category, are related to the performance of the Metro car fleet and its maintenance. Whilst the age of the Metro fleet means that fleet faults are likely to continue to be a problem until the new fleet is fully introduced, nevertheless some improvement can be achieved.
- The engineering team has been restructured to provide a dedicated management focus in the heavy production workshops, with designated teams supervised by Team Leaders. Additional lifting equipment has been purchased to provide more resilience, and the level of resource available to work on Metro car doors (a significant cause of Metrocar faults) has been increased.
- Recently Nexus has prioritised an additional £906,000 to invest in the fleet; this will be used to improve train driver cabs, power and braking systems and better breakdown equipment to complement the increase in resources available, enhanced training and an additional breakdown vehicle.
- 1.5 21% of all delays this year are related to operational issues, primarily related to the installation of new systems related to train control. Nexus is working hard with its suppliers to resolve these issues as soon as possible.
- 1.6 During the summer various factors, including the significant programme of summer events, led to difficulties in securing sufficient commitments from staff to work overtime. This led to some delays and cancellations, accounting for 25% of all delays over a four week period. The management team is currently in discussions with the Driver Trades Union representatives to improve rosters, shift times and spare driver cover throughout the week. The operations team is also in the process of correcting establishments in certain parts of the organisation where previously drivers would be seconded for long periods of time to cover other roles. This approach will enable more drivers to be operationally available.
- 1.7 Metro has created a new Service Delivery function and appointed a new role of Head of Service Delivery who is currently making changes to the team's structure to improve resilience. An external auditor has been procured to carry out a benchmark review and examine in detail current control policies to ensure that delivery remains align to industry best practice.
- 1.8 Metro has adopted from Network Rail safer procedures for the emergency services gaining access to the infrastructure in a more controlled manner and there is closer co-ordination between Metro Control and Northumbria Police Control.
- 1.9 12% of all delays this year are related to customer service issues, mainly caused by anti-social behaviour on the trains and stations, passengers ill on trains and customer loadings.
- 1.10 In 2017 Metro appointed a Security Manager who works closely with the British Transport Police, the Metro Police Unit and other external stakeholders in the local authorities. Regular evening exercises are now being conducted in conjunction with external stakeholders to mitigate anti-social behaviour and fare evaders. More recently we have also engaged with the Special Constabulary who have supported Metro through special exercises and discussions are ongoing regarding formalising additional hours dedicated to the Metro system.

- 1.11 During the early part of 2018 Metro engaged with the North East Ambulance Service (NEAS) and a similar policy has been adopted to one in use on the London Underground to improve response times to an incident or where possible to move the train to a mutually agreed location to improve overall response times. Later this year we will be providing a 3 day advanced first aid course to our Customer Service Managers and providing them with a large seating capacity vehicle to improve our response times to incidents. The number of Customer Service Advisors will increase from 98 to 104 in April 2019 and this additional resource will provide more flexibility to improve general performance issues.
- 1.12 A new Public Announcement system is being installed and we will be combining the Social Media team and Customer Services Controllers to create a new role which will be available to communicate with customers 24/7 and during the quieter hours will focus on improving our response times to customer complaints.
- 1.13 During the summer of 2018 Metro employed an intern from Newcastle University to do a deep analysis of 'small minute delays' and we also commissioned some work concerning timetable constraints between Pelaw and South Shields. The results of this analysis and lessons learned from the previous changes will inform a proposed timetable change planned for December 2019.
- 1.14 25% of all delays this year are related to Nexus infrastructure issues. The recent performance on the infrastructure has mainly been centred around the introduction and commissioning of the new Rail Traffic Management System (RTMS) system which was commissioned in early August 2018. The core system is functioning correctly but issues around the sub – systems which are supported by the RTMS system are causing issues and Nexus is working closely with the supplier to resolve the snagging issues.
- 1.15 'Storm Ali' on the 19<sup>th</sup> September caused damage to the infrastructure and an enhanced vegetation management plan has been implemented.
- 1.16 There have been various issues related to the power supply which have caused one-off but significant delays, and each is being investigated in detail by the Engineering team supported by additional external expertise where needed.

## **2. Proposals**

- 2.1 There are no specific proposals for decision arising from this report.

## **3. Reasons for the Proposals**

- 3.1 There are no proposals for decision arising from this report.

## **4. Alternative Options Available**

- 4.1 There are no alternative options available as the report is for information only.

## **5. Next Steps and Timetable for Implementation**

5.1 A report updating on Nexus' performance, including Metro performance is submitted to each meeting of the North East Joint Transport (Tyne and Wear) Sub-Committee. This report allows Members to reflect on recent Metro performance and any issues which have affected the delivery of Metro services in Tyne and Wear.

## **6. Potential Impact on Objectives**

6.1 Monitoring the performance of Metro helps to provide assurance to Members that desired outcomes are achieved.

## **7. Financial and Other Resources Implications**

7.1 There are no direct financial or resource considerations arising from this report.

## **8. Legal Implications**

8.1 There are no direct legal considerations arising from this report.

## **9. Key Risks**

9.1 There are no direct risk considerations arising directly from this report, though monitoring and reviewing Metro performance plays an important role in risk management. A separate review of Nexus' corporate risk register, which includes a risk on Metro performance is submitted to each meeting of the North East Joint Transport Committee (Sub-Committee).

## **10. Equality and Diversity**

10.1 There are no specific equality and diversity considerations arising from this report.

## **11. Crime and Disorder**

11.1 There are no specific crime and disorder considerations arising from this report.

## **12. Consultation/Engagement**

12.1 There are no specific consultation or engagement considerations arising from this report.

## **13. Other Impact of the Proposals**

13.1 There are no direct proposals arising this report, and therefore no consequential impacts.

## **14. Appendices**

14.1 None.

## **15. Background Papers**

15.1 Letter from Nexus Managing Director to Chair of the Tyne and Wear Sub-Committee is attached at Appendix A.

**16. Contact Officers**

16.1 Tobyn Hughes  
Managing Director (Transport Operations)  
Email: [tobyn.hughes@nexus.org.uk](mailto:tobyn.hughes@nexus.org.uk)  
Tel: 0191 203 3236

**17. Sign off**

- 17.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

**18. Glossary**

18.1



Councillor Gladys Hobson  
Chair of the NECA Tyne and Wear  
Transport Sub Committee

Our ref TH/EMW-Performance  
Your ref

Direct Line 0191 203 3246  
Facsimile 0191 203 3181  
Email tobyn.hughes@nexus.org.uk

**By email**

22 October 2018

.....  
Dear Cllr Hobson

I am writing to respond to your request for an explanation of the problems undermining Metro's performance in recent weeks and what Nexus is doing to rectify them.

Many of our customers have had a poor experience on Metro over the last two weeks, and I apologise unreservedly for this. Over an eight-day period, there were four occasions where major incidents led to delays or service suspensions in either the morning or evening peak in busy parts of the system. This has been made worse because our display boards and public address systems at stations have failed to provide the level of information passengers expect and deserve. I will deal with each major issue in turn:

**Power failure**

Metro suffered a major failure in the electrical substation that supplies power to the depot in Gosforth and the busiest section of the system just after 6am on Thursday, 11 October. As a result, there were no trains between Heworth, Airport and Regent Centre, through Gateshead and central Newcastle, until just after 9am, while a temporary repair was made. A full service was restored by around 10:30am.

The cause of the power loss was a failed circuit breaker, which was fully repaired overnight on 11-12 October. To allow time for this 12 trains were stabled around the network, which meant some early morning services between South Hylton, Pelaw and Airport were cancelled up to 6:50am on Friday, 12 October. The same evening there were further delays when trains were suspended for about 30 minutes at South Gosforth in both directions after a member of the public fell onto the track. This unfortunate accident had a severe impact on the evening peak service on what had already been a difficult day for passengers.

In a separate incident, there was a loss of overhead power and associated circuit breaker trip on the evening of Tuesday, 16 October. Although this was resolved quickly five peak-hour trains were delayed as a result.

**What we are doing about it:** We have seen a number of recent instances of power surges leading to circuit breakers tripping or failing where it has not always been possible to determine what created the fault – a problem with a passing train or within the power equipment itself. We have therefore commissioned analysis from an independent expert in the field who can recommend any improvements we could make.

### **Metro's train fleet**

We continue to face reliability problems that see trains taken out of service throughout the day. This can mean a train being cancelled or passengers being asked to get off and catch a following train, causing delay and inconvenience for them. The trains currently experience a fault causing delay of more than four minutes every 6,500km on average, which equates to about three incidents each day.

While most of these are dealt with quickly, the most severe incidents can leave a train unable to move for several hours. These happen a few times each year with the most recent being on Tuesday, 16 October, at Fellgate. This led to services being suspended between Fellgate and the next station, Brockley Whins, for nearly three hours, and of course, this had an impact on anyone travelling between Sunderland and Newcastle.

Metro staff organised a taxi shuttle between the two stations and ticket acceptance on local buses for people making longer journeys, but passengers suffered major delays as a result, and the whole system's performance dipped.

**What we are doing about it:** We have recently increased the amount we spend on fleet maintenance by £906,000 within the overall Metro budget. This will be spent over the next 18 months, starting immediately to improve reliability and reduce the number of failures by focussing on the most common faults. We will be taking on additional staff at the depot to support this investment.

As you know, the fleet is ageing and maintaining and improving reliability will be constant challenge. That is why it is vital we push forward with the procurement of a £362 million new fleet. We expect to take delivery of Metro's first new train by the end of 2021 with the whole fleet phased in from then on.

### **South Shields Interchange**

South Shields station and the line from Chichester is closed until 4 November to allow construction work for the new town centre interchange, including laying new track. This is a well-planned project proceeding to schedule, including the temporary arrangements for passengers.

Unfortunately, an error made on site on Tuesday, 16 October, led to a loss of power to signals up the line to Bede, with trains immediately being halted as a result; the first of these was just before 5:30pm, in the evening peak, and lasted 30 minutes.

**What we are doing about it:** We have investigated and found the cause of the error. Method statements used by the contractor at the interchange have now been updated and briefed to all staff. We are considering what works can be rescheduled outside of Metro's traffic hours to reduce the risk further, without harming the project timescale.

### **Rail Traffic Management System (RTMS)**

We switched to a new Rail Traffic Management System in August, following a four-year by an industry-leading supplier, Resonate, to create software for Metro. The RTMS translates each day's timetable into a string of actions, automatically setting signals and points to move each train along its route, as well as interfacing with other systems to monitor performance and drive station information displays. Over all the RTMS is working well and provides major improvements compared to the previous system. The interface with other systems, however, is not fully functioning and this has led to inconsistent information on station screens since the summer.

There are, however, elements of the way RTMS translates the timetable that have caused difficulty. On Friday, 19 October, the coding for an additional maintenance train led to RTMS rejecting the entire timetable for the day. Metro's Control Centre staff used a manual fallback process instead but this was more time-consuming and meant some early trains, and the additional morning peak-hour services, did not run.

The delays passengers experienced were made worse by station screens not functioning correctly, and the PA system being unavailable system-wide that morning.

**What we are doing about it:** It is our top priority to complete the successful introduction of the new RTMS as soon as possible, and we are working closely with the supplier to achieve this. We have already agreed a number of actions following the disruption last Friday, including the supplier finding ways we can detect future coding errors before they become live and impact the service. I have arranged a call with the company's chief executive this week to ensure we have the appropriate level of commitment from them towards this goal.

### **Public Address (PA) system**

We are completing a long project to replace the PA system at all 60 stations on Metro, as the previous system was life expired. This has been going on over recent weeks and, during installation and commissioning there have been occasions where PA facilities have been unavailable at some stations, and occasionally system-wide. This was the case on Friday and unfortunately coincided with the fault with RTMS, leaving our customer service staff unable to provide information to customers at stations.

**What we are doing about it:** While we have extended live updates to an app and social media, we recognise that most passengers will still rely on the PA system and screens as they travel. We are working hard with the supplier to complete the installation as soon as possible

while reducing faults during the commissioning phase. Our supplier is providing additional round-the-clock support and site visits to achieve this, and we expect capacity boosting planned for this week to reduce the number of commissioning faults.

In summary, I want to assure you that improving the performance of Metro is an overwhelming priority for Nexus right now. We understand and share the frustration of passengers when trains are delayed or information is hard to find, not least because like them we travel by Metro every day and experience these problems first hand. The problems we have seen in recent weeks have had a profound impact on people using Metro at its busiest times; some of these have been the unfortunate side effects of work to renew and modernise our technology, and will be resolved shortly. There are also on-going reliability issues with the ageing fleet, as well as the effects of low rail adhesion caused by autumn leaf-fall and other minor issues that cause delay. The overall effect has been to create a very poor experience, for which I can only apologise. We are well aware of the affect that an unreliable Metro system has on our passengers' lives and we are doing everything in our power to tackle the causes of each problem quickly.

I will continue to report to you and other councillors on the Combined Authority on the overall performance of Metro throughout the year. If you would like to explore any of the subjects in this letter in more depth at the next Transport North East (Tyne and Wear) Sub-Committee meeting, I will be pleased to provide more information and an updated position.

Yours sincerely



**Toby Hughes**  
**Managing Director**

cc Councillor Carl Johnson  
Councillor Joyce McCarty  
Councillor John McElroy  
Councillor Amy Wilson



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