Resource type: case study

Manchester Metrolink

The ten Greater Manchester Local Authorities have long known of the need to improve connectivity and reduce congestion in and around Manchester. Apart from the benefits of reductions in journey times and improvements to air quality the expected encouragement to local economic growth was recognised as a key desired outcome.

Unfortunately, long term investment to realise new transport solutions was elusive. Greater Manchester had difficulty with fragmented annual funding horizons and a lack of options to raise revenue or bid for funding. Further, the single city authority was divided into ten district councils who shared responsibility for transport, in 1985. The solution was the creation of the Greater Manchester Transport Fund (GMTF) and Transport for Greater Manchester (TfGM). The GMTF was created to build new capacity through MetroLink (an Integrator), expanding the new rail lines in four phases to accommodate six new lines. With a total investment package of £1.5 billion, they brought disparate financing options; block grants from the Department for Transport, a 'top slice' from the Greater Manchester Integrated Transport Block and Local Transport Plans and borrowing, both from private institutions and the European Investment Bank.

The operating costs of TfGM, which owns Metrolink, operated through a supplier, are met from; an additional levy on council tax from each of the ten Greater Manchester local authorities, reserves from the GMTF and grants from the Department for Transport. The revenue from fares is sufficient to meet any additional costs and repay all capital funding incurred by GMTF by 2045. The local authorities are able to levy more through council tax if needed which helped to secure funding.

Development of phases one and two of the project in the 1980's took on 15 million passenger journeys when initially deployed, some 5 million more than initially anticipated. This greater than expected patronage, coupled with parallel reductions in road congestion and evidence of regeneration along the new routes helped to prove the business case for further extension through phase three in the late 1990's.

The local authorities manage risk through quarterly reporting and monitoring of changing circumstances. For instance, Greater Manchester Combined Authority, representing the ten district councils and the Mayor as the Investor, monitors changing grant conditions, a significant proportion of the current capital budget, to mitigate the risk of monetary claw back from central government. The various bodies also maintain a reserve fund, ring fenced to pay for and manage the capital cost risks of delivery of service expansion.

Metrolink has successfully helped to revive areas of the city and region as intended at the outset, and the line has played a large part in the revitalisation of south Manchester around MediaCityUK, Oldham Mumps and Oldham town centre and has increased overall traffic capacity into the city centre by 5%, helping to boost productivity and stimulate growth.

This funding model has resulted in a network which serves 97 stations, the largest light rail system in the UK, with 27 million journeys in 2016. By pooling resources, thinking long term, having a clear plan, expanding capacity and transferring profit back into further expansion, Manchester has developed an extensive light rail which benefits the city's environment, economy and social cohesion.