

## Greater Manchester Combined Authority

Date: Friday 31<sup>st</sup> January 2025

Subject: Metrolink 2027

Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for Transport and Caroline Simpson, Group Chief Executive, GMCA

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### Purpose of Report

The purpose of this report is to present the findings of the review and assessment of options when the current Metrolink Operations and Maintenance Agreement (MOMA) with Keolis Amey Metrolink Ltd (KAM) expires in July 2027. The report outlines the review undertaken, the options identified, the findings, and provides a recommendation as to how Metrolink should be operated from mid-2027.

### Recommendations:

GMCA is requested to:

1. Endorse the procurement of a Metrolink franchise agreement with adjusted scope from the current Metrolink Operations and Maintenance Agreement, to commence from July 2027 when the current Agreement expires.
2. Note the intention for TfGM to deliver a number of customer experience elements of the current Agreement from mid-2027, to increase TfGM's control and oversight over service delivery and asset management through the new Agreement.
3. Note the potential for a unified GM transport operation in the 2030's.
4. Note that, subject to GMCA feedback, procurement of the successor Franchise arrangements will commence.
5. Note that a further report will be brought to GMCA before the award of any contract which is anticipated in the second half of 2026.

### Contact Officers

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# Equalities Impact, Carbon and Sustainability Assessment:

Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities		No impact on Cycling and Walking The proposal does not currently impact the reach of the Metrolink Network
Vehicle procurement	N/A	
Land Use		
Land use	N/A	
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.
	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

- ### Recommendation - Key points for decision-makers
1. To agree to the procurement of a Metrolink franchise agreement with adjusted scope.
  2. Note the potential for a unified GM transport operation in the 2030's.
  3. Delegate authority to the Group Chief Executive, GMCA TfGM Managing Director and Chief Network Officer to undertake the procurement

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing		
Economy		
Mobility and Connectivity		Ensuring that the Metrolink Network is well run and maintained will ensure the continuity of the highly renowned and sustainable light rail network.
Carbon, Nature and Environment		The renewal of the Metrolink operation contract will facilitate the move to zero emission vehicles for the operation of the contract
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		The reprocurement of the Metrolink Operate and Maintain Agreement provides the opportunity to drive greater carbon reduction initiatives in to the resultant contract over and above the current provision.

<b>Further Assessment(s):</b>	Carbon Assessment		
Positive impacts overall, whether long or short term.	Mix of positive and negative impacts. Trade-offs to consider.	Mostly negative, with at least one positive aspect. Trade-offs to consider.	Negative impacts overall.

## **Risk Management**

A risk assessment concluded that due to the significant risk transfer achieved under a Franchise agreement combined with the expertise and established processes that the private sector operators have, the recommended option presents the best approach for the management of operational and financial risks.

## **Legal Considerations**

There are no specific legal implications arising directly from this report. The arrangements for the undertaking of any subsequent procurement will be in accordance with the Procurement Act 2023 and supporting Regulations.

## **Financial Consequences – Revenue**

The work to procure the new contractual arrangements can be undertaken within existing budgets and financial forecasts. The forecast costs of the new contractual arrangements will be presented to GMCA as the procurement progresses.

## **Financial Consequences – Capital**

No specific capital cost consequences associated with the work to procure the new contractual arrangements. The forecast costs of the new contractual arrangements will be presented to GMCA as the procurement progresses.

**Number of attachments to the report:** Nil

## **Comments/recommendations from Overview & Scrutiny Committee**

N/A

## **Background Papers**

N/A

## **Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

No.

## **Exemption from call in**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

**Bee Network Committee**

Bee Network Committee will consider this report on Thursday 30<sup>th</sup> January 2025. Any feedback will be reported to the GMCA.

# 1. Introduction

- 1.1. Metrolink is the largest light rail network in the UK, patronage is at record levels and work is underway to add capacity and expand the reach of the network to more parts of Greater Manchester.
- 1.2. Multi modal fare caps and ticketing products being introduced this year will allow people to move more seamlessly between Metrolink and the now fully franchised GM bus network.
- 1.3. In addition, a major infrastructure pipeline for Metrolink will deliver:
  - New stops;
  - New signalling and control systems;
  - New fleet, with tram-train functionality;
  - New lines and extensions (including tram-train);
- 1.4. These are demanding projects, requiring significant organisational capability and capacity.
- 1.5. Metrolink will, therefore, continue to be an integral part of the Bee Network, our plan for a high-quality, affordable and fully integrated public transport and active travel system for the people and businesses of Greater Manchester.
- 1.6. Importantly, Metrolink will be a key enabler in achieving city region outcomes by delivering growth, social value and opportunities for the people and communities of Greater Manchester.
- 1.7. The purpose of this report is to present the findings of a review and assessment of options when the current Metrolink Operations and Maintenance Agreement (MOMA) with Keolis Amey Metrolink Ltd (KAM) expires in July 2027. The report outlines the review undertaken, the options identified, the findings, and provides a recommendation as to how Metrolink should be operated from mid-2027,
- 1.8. Given the scale and complexity of the Metrolink Operational and Maintenance arrangements a formal decision on the recommended option is required to be taken now to allow the procurement of and the subsequent preparation and implementation of arrangements for the operation and maintenance of Metrolink from 25th July 2027.

- 1.9. TfGM has worked with external specialists to provide an independent and objective review on how current Metrolink arrangements are performing and to produce a set of options and a recommendation for the future operation and maintenance of Metrolink. This work has identified lessons learned from current Metrolink operations and maintenance arrangements and compared them to similar operations in the UK and across the globe.
- 1.10. This review identified a number of potential options for Metrolink in the period post July 2027, and a set of assessment criteria to evaluate the potential options against a set of objectives, as set out below.
- **Customer Experience:** Delivering consistently high levels of customer satisfaction through high performance, modal integration, intuitive and accessible service provision.
  - **Safe and Secure:** Providing a safe and secure environment for our staff, travelling passengers and the general public.
  - **People First:** Putting people first, by driving engagement, inclusion and developing expertise and skills.
  - **Maintain and Grow:** Improving performance and growing patronage through effective asset management, delivery of system enhancements, and improving the environment and experience for customers.
  - **Sustainability:** Ensuring Metrolink is financially, commercially, technologically, and environmentally sustainable.
- 1.11. The assessment resulted in two shortlisted options:
- an arm's length body, 100% owned by GMCA / TfGM to operate and maintain the Metrolink Network; and
  - a Franchised arrangement, similar to what is currently in place, albeit with an amended scope to provide TfGM with more responsibility for areas such as customer and asset management.

## 2. Options Review

- 2.1. TfGM, with support from external specialists, undertook a series of interviews and workshop sessions during June and September 2024. These sessions used a structured series of questions to ascertain lessons learned with the current MOMA from both TfGM and KAM perspectives.
- 2.2. The Team also engaged with TfGM colleagues working on Bus Franchising , as well as six other UK and international Authorities who have light rail networks. the Team also interviewed seven private sector operating groups with UK and international experience of running light rail networks to understand market appetite and to identify relevant lessons for Metrolink beyond mid-2027.
- 2.3. The review concluded that the performance of Metrolink is good in comparison with its peers and is improving year on year with key performance metrics including mileage operated and excess wait time trending positively, demonstrating that Metrolink is currently well managed and is incentivised to improve.
- 2.4. Other UK Tram Authorities, including in Sheffield and West Midlands, have, in recent years moved to a public sector owned arm's length operating model to overcome a variety of issues that were prevalent in the prior contracting arrangements. Edinburgh Trams have been a municipal operation since its' inception. LUAS (Dublin) and the DLR (TfL) both have long standing franchise arrangements in place and are not considering changing their delivery models.
- 2.5. From the operating groups that were interviewed it was apparent that the Metrolink network is of a scale, with appropriate balance of risks and contractual maturity which is attractive to a wide range of operating groups in the market.

### 3. Long List Options

3.1. A range of delivery options were initially considered for the operation and maintenance requirements for Metrolink post 2027 across the full range from 100% in-house to a fully outsourced Private Finance Initiative/Public Private Partnership (PFI/PPP) type arrangement, as summarised below:

No.	Option Description	Degree of Control and Risk transfer
1	GMCA / TfGM full in-house delivery	TfGM Control and 100% Risk
2	GMCA / TfGM 100% owned 'Arm's Length' entity	
3	Franchise with adjusted scope compared to current contract	TfGM Control, with allocated scope and risk
4	Franchise with same scope as current contract	
5	Full scope outsourced Concession Contract	Limited TfGM Control with maximised risk to Operator
6	Full scope outsourced PFI / PPP Contract	

3.2. The long list options were initially tested against two 'red-lines' of not ceding transport authority control and direction; and ensuring intermodal planning and engagement. This process ruled out options 5 and 6 the Full scope concession contract and the full scope PFI/ PPP Contract.



3.4. The remaining 4 options, were each tested against the Metrolink 2027 key objectives, outlined at paragraph 1.97 and the outcome of that assessment is identified below:

Key Objective	Detail	Option 1 Full in-house	Option 2 Arm's length Municipal	Option 3 Modified Franchise	Option 4 Current MOMA
Customer Experience	Delivering consistently high levels of customer satisfaction through high performance, modal integration, intuitive and accessible service provision.	Aligned as integrated part of Bee Network	Aligned as integrated part of Bee Network	Aligned as integrated part of Bee Network	No change from current
Safe and Secure	Providing a safe and secure environment for our people, passengers and the public.	More direct control (and liability)	More direct control (and liability)	Increased influence	No change
People First	Putting our people first, driving staff engagement, inclusion and developing expertise and skills.	More direct control and influence but public sector T's and C's	More direct control and influence with public sector T's and C's but distinct from TfGM	Increased control Private Sector T's and C's	No change Private Sector T's and C's
Maintain and Grow	Maintaining and growing by improving performance and growing patronage through effective asset management, delivery of system enhancements, and improving the environment for customers.	More challenging to draw on expertise and wooden dollar performance regime	More challenging to draw on expertise and wooden dollar performance regime	Leveraging private sector expertise and tightened performance regime	Leveraging private sector expertise. No change to performance regime
Sustainability	Ensuring that Metrolink is financially, commercially, technologically, and environmentally sustainable.	More direct control and full responsibility for all risks	More direct control with some separation for risks	Increased control with some risk transfer	No change

3.5. Using this analysis, the long list was reduced to two shortlisted options that most closely aligned with the key objectives:

- **Option 2** - Municipally Operated GMCA / TfGM 100% Owned 'Arm's Length' entity (similar to models in place in Midlands Metro & South Yorkshire). This is referred to as the 'Municipal option'
- **Option 3** - Franchise (Adjusted Scope) Contract arrangement operated via a Franchise (in-line with TfGM Bus Franchising Strategy). This Franchise would include more retained TfGM Scope (focused on customer experience) and increased control/oversight over Service Delivery and Asset Management. This is the 'Franchise Option'.

## 4. Shortlist Assessment

4.1. The two shortlisted options were subsequently assessed against 15 more detailed factors and assessment criteria (as summarised in the table below) using a 'Red, Amber, Green' (RAG) approach to assess these two options with the benefits of the lessons learned review. The 15 criteria assessed were:

<b>Factor</b>	<b>Assessment Criteria</b>	<b>Factor</b>	<b>Assessment Criteria</b>
<b>Transport Authority Control &amp; Direction</b>	The degree to which TfGM can exert control on the delivery of Metrolink Services	<b>Organisational, Capability Leadership, Expertise &amp; Excellence</b>	The capability to absorb/develop organisationally to be able to deliver what is required
<b>Intermodal Planning &amp; Engagement</b>	The degree to which TfGM can exert control, and deliver integration, across modes	<b>Ready access to a wide body of expertise.</b>	The capability to attract experienced resources and access industry best practice
<b>Financial Sustainability via Price / Cost Certainty</b>	The degree to which there is certainty of costs and the ability to influence revenue	<b>Procurement &amp; Supply Chain</b>	The capacity to deliver the necessary procurement and supply chain management
<b>Reputation and Accountability</b>	The degree to which TfGM / GMCA / Leaders / Mayor can effectively manage and be accountable for the reputation of the performance of Metrolink	<b>Renewals &amp; Asset Management Planning &amp; Delivery</b>	The capacity and capability to plan and deliver renewals of varying scope, scale and complexity
<b>Incentivise &amp; Penalise Performance</b>	The degree to which incentivisation of good performance is likely to be effective	<b>Extensions &amp; Major Project Management &amp; Delivery</b>	The capability to plan and deliver major projects varying scope scale and complexity
<b>Value for Money</b>	The degree to which public funding is effectively spent to deliver outcomes	<b>Signalling / Tram Management System (TMS) Replacement</b>	The capacity to deliver highly specialist projects incl the ultimate replacement of the TMS
<b>Allocation of Risk</b>	The degree to which risk sits with the organisation best able to mitigate and control it	<b>Social Value</b>	Ability of the option to deliver incremental Social Value to GM
<b>Safety</b>	Ability to address safety obligations and regulatory safety requirements		





4.2. The key findings of the assessment were that 7 criteria were rated 'Amber' for the 'Municipal option' with the key issues being:

- Increased reputational risk;
- Lack of performance incentives;
- Difficulty attracting and retaining leadership and expertise;
- Public sector procurement is slower than the equivalent private sector and requires additional resources;
- Implementation risk during a busy period for TfGM on other projects;
- Limited financial contingency in the event of an unforeseen circumstance; and
- No risk sharing.

4.3. The assessment showed that there were 2 'Amber' rated issues with the Franchise option:

- Commercial margin paid to the private sector owning Groups; and
- Employee relations with employers, trade unions and staff.

4.4. The remaining criteria for both Municipal and Franchise options were green. No Criteria against either option was identified as being Red. The criteria rated Amber are identified below:

	<b>Municipal Option</b>	<b>Franchise Option</b>
<b>Financials &amp; Value for Money</b>		
<b>Transport Authority Control &amp; Direction</b>		
<b>Intermodal Planning &amp; Engagement</b>		
<b>Renewals &amp; Asset Management Planning</b>		
<b>Organisational Capability, Expertise &amp; Excellence</b>		
<b>Organisational Reach &amp; Shared Practice</b>		
<b>Incentivise &amp; Penalise Performance</b>		
<b>Procurement &amp; Supply Chain</b>		
<b>Employee Relations</b>		

## **5. Financial Assessment**

- 5.1. A Financial Assessment tested the Value for Money (VfM) considerations of the two options and concluded that there was not a compelling VfM case for the Municipal option, with the Franchise option assessed as likely to cost between £1m to £2m less to setup and £0.5m to £1m less to operate per annum.

## **6. Risk Assessment.**

- 6.1. A Risk Assessment identified the risks associated with each option. The assessments concluded that due to the significant risk transfer achieved under a Franchise combined with the expertise and established processes that the private sector operators have, the recommended option presents the best approach for the management of operational and financial risks.

## **7. Equality Impact Assessment**

- 7.1. An Equality Impact Assessment concluded that having access to international best practice and innovation through an operator would best deliver equality through service reliability, ticketing and access arrangements, safety, innovative changes and access to international best practice in working with disadvantaged and vulnerable groups. Other factors such as expanding the network (and stimulating investment and growth in these areas) and creating jobs were assessed as being comparable under either a Franchised operator or Municipal operator running Metrolink.

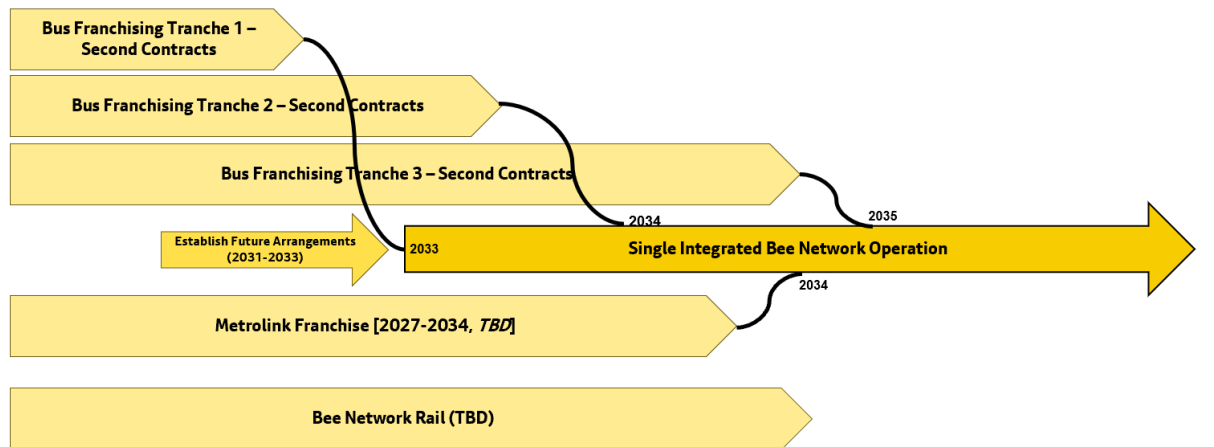
## **8. Recommended approach**

- 8.1. The current Metrolink model is successful, providing TfGM and GMCA with a large degree of control and with limited and well understood risk. Following the assessment of key criteria, a preferred option for Metrolink for the period beyond July 2027 would be to enter into a new franchise contract with an adjusted scope from the current contractual arrangement through a competitive procurement.
- 8.2. Entering in to such a contract will allow GM to focus on other strategic priorities including rail integrating rail into the Bee Network and stabilising and enhancing the bus network. Introducing a new Metrolink model at the current moment could dilute this focus.

- 8.3. Similarly, maintaining an enhanced version of the current model would de-risk the significant changes and enhancements required to Metrolink over the next 7 to 10 years such as line expansion and implementing a new Tram Management System. Metrolink would benefit from a global operator's expertise in taking forward this development and delivery pipeline.
- 8.4. All major operators have expressed an interest in bidding for a competed Metrolink Operate and Maintain contract.
- 8.5. Adjusting the scope' for a new contract would further align the Metrolink model with TfGM's Bus Franchising Strategy, by including more TfGM and GMCA control over:
- Customer safety and experience;
  - Asset condition oversight and asset management;
  - Service specification;
  - Tighter alignment with Bee Network bus service and multi modal integration; and
  - Enhancing the contract to prepare for the potential transition to a Bee Network wide Operator or a Bee Network Municipal Operator at the end of the term

## 9. Future proofing

- 9.1. As GM has moved into a wholly franchised bus market and is developing propositions for rail integration and devolution, TfGM will ensure the new Metrolink arrangements do not limit options to determine the shape of Greater Manchester's transport operations from the early/mid 2030s
- 9.2. A revised franchised operation for Metrolink from July 2027 would be structured in a way that does not preclude further integration of Metrolink, Bus operations, and potentially Rail, into a single, unified operating structure in the early 2030's should the Combined Authority subsequently wish to pursue that option.
- 9.3. A potential high-level pathway to a unified operation, delivered either through Franchise or through a Municipal option is set out below:



Dates indicative based on current and anticipated contract terms