

Edinburgh trams company predict profitability



The tram service is predicted to run at a surplus over fifteen years following recent news coverage that suggests otherwise, according to the council.

The BBC ran an article earlier this week which suggested that the trams will run at a loss over the fifteen years, but this is now disputed.

The Council has set out a fifteen year business model which integrates the finances of Lothian buses and the tram service as part of a new transport company for Edinburgh. When revenue and operating expenditure is taken into consideration, Council would draw a surplus of £5m over 15 years. The tram on its own is forecast to run with a £48m operating surplus.

Maintenance and refurbishment costs for the tram system (totalling £87m and which aren't part of operating costs) would be covered by surplus income from the tram (£48M), through the dividend paid to the council by Lothian Buses (£30m), a dividend from tram operation (£3m) and through other funding which totals £11m. Other funding may be achieved through tax savings and through additional income generation such as advertising.

Transport Convener Lesley Hinds said:

"These figures are provisional but they stack up and, all things considered, Edinburgh's new transport company is predicted to deliver a surplus. Even on its own, the tram is predicted to deliver an operating surplus. The tram and bus service will be fully integrated, with tickets, timetabling and everything else being delivered through one system – this is the same for the finances. Under one company both services need to operate together.

“We’ve already committed that tram will have no negative financial impact on the bus service and, although the arrangements are still in draft form, we’ll ensure that any dividend drawn from income will go back into Edinburgh’s transport system.

“Whilst this business model and all predictions have been and continue to be verified externally, it’s important to remember that they are still predictions. The Council will bear the financial risk so I’m determined that numbers are closely and continuously scrutinised as we move towards service.”

The full council [report](#) can be found on the Council’s web pages. It was considered only briefly at a meeting of the Full Council on Thursday 27 June 2013. A further report will be presented to Council on 22 August to confirm arrangements once further financial due diligence has been carried out. We [ran a report on the trams](#) earlier in the week.