

Council preparing to take the tram to Newhaven



The trams will in the very near future go all the way to Newhaven, and the council say they have the money to pay for it, without affecting their revenue budgets in the short or long term.

So yesterday we had George Clooney in town, but this is today's big news in the capital.

The beleaguered Edinburgh Tram project which contracted to become one tram **line** from the airport to York Place has a long history, and is now the subject of the [Edinburgh Tram Inquiry](#) under the chairmanship of Lord Hardie.

The preparatory works have already been done all the way down Leith Walk, but to stop the line at the Foot of the Walk, on Picardy Place or even at Ocean Terminal would not make financial sense according to council officers. The only option which they recommend is to extend the tram line all the way to Newhaven.

The council agreed in June this year to spend £400,000 on working up the Outline Business Case for the tram extension, and next week councillors will be asked to approve spending of a further £1.6million to take the project to the next stage.

We are not yet at the point of pressing the green for go light on the Tram Extension, but we are getting much closer, as the council approves more investigation.

There are still many hurdles to get over, but the council is adamant that it has learned lessons from the first phase of

the tram project and will use this knowledge in taking the next step. They mention traffic management and project governance as two key areas where they will do better next time.

The £1.6million spending to be approved next week will cover what are called Stage 1 activities, which includes procurement for all external processes like hiring lawyers and doing site investigation. This stage is broken down into three parts: Project and Technical Management Resource (£1.3m), Tram Enabling Works (£176K) and Leith Programme Enabling works (£123K).

According to all reports the trams have operated successfully for a year and a bit now, but they are not yet profitable on their own. Nonetheless, during August this year over half a million passengers used the service, and in the latest UK Transport Focus customers said that they are overwhelmingly happy with it. Edinburgh Trams scored a 95% overall satisfaction rating.

So the tram is now reasonably good news for those who use the service, but there is still the matter of how it will be paid for. How will the council be able to pay for the tram extension without affecting any other revenue spending at all?

They say it is very simple: they will use their wholly owned company Lothian Buses to pay for preparatory stages and then provide the 'deposit' for prudent borrowing.

In the first place the council already have £5million in its coffers waiting to be spent on the initial phases. This money has been retained from previous dividends paid by Lothian Buses. Secondly they will ask Lothian Buses for a special one-off dividend of £20million over four years which will then be used to enable council borrowing, and which will cover the initial funding gap.

The council also recognise that the proposed financial

structure could be affected by any change in the numbers of tram passengers or a drop in tram fares, and that any shortfall would have to be met by the council. The next stage of the project is to investigate ways of reducing this risk, and the report suggests that there is much work to be done before firmly deciding to go ahead.

According to Lothian Buses' latest accounts to December 2014 the company made a net profit of over £8million, and is in a position to pay a dividend of around £5m per annum quite easily. The City of Edinburgh Council is the company's biggest shareholder holding over 91% of the shares and so is entitled to demand the dividend needed to make the project a reality.

The capital costs for the extended line have been calculated at £144.7m. The council has investigated borrowing options where the cost would be lower at the beginning, but would increase as the profitability of the project grows, but much depends on The Scottish Government issuing new guidance on council borrowing. The council recognises that there is a risk in any borrowing, particularly in the early years when the line would be under construction with no increase in revenue.

The initial economic research shows that the extended tram line will become profitable almost immediately, and the build cost is the cheapest at £30.9million per kilometre if the line is run to Newhaven.

Leith is the most densely populated area of the city, and the area where only 50% have a car, so it is clear that this area alone adds to the number of potential passengers, but it would not be viable to simply run the line to the foot of Leith Walk.

In addition by 2022 the projections show that there will be another 50,000+ people living in the capital. The bus service in the city may be a very good one but it reaches capacity at

2,400 passengers in one direction each hour, and there will be around 4,000 passengers waiting to get on board from Newhaven, making it necessary to look at other public transport options.

The tram itself will support housing and other economic development across the city and in particular developments at Leith Waterfront which stalled when the decision was taken to stop the tram line in the city.

So is this today's good news? Let us know what you think below.