

Edinburgh Trams to take over maintenance costs – and will be ‘in the red’

When the council transfers the £8.5 million liability for maintenance of the tram infrastructure to Edinburgh Trams the tram operator’s accounts will reflect a short term loss.

The city council’s Transport and Environment committee is set to back a new operation agreement between the two parties, which would mean Edinburgh Trams will be obliged to pay the authority an annual £8.5 million fee to use the tram infrastructure meaning it is no longer profitable. The losses will be partly funded by issuing shares to the council, but it is expected that the company will become profitable ‘in the medium term’.

One of the ways they will offset the losses is that Edinburgh Trams will retain all advertising revenue generated by the trams.

But the council says the transfer of responsibility for maintaining tram infrastructure has been “long-planned” and insists it will have no impact on the finances of Lothian Buses.

Edinburgh Trams reported their first operating profit in 2016, a year ahead of schedule and in 2017 they reported a pre-tax operating profit of £1.6 million with passenger numbers which grew by 24% over the year.

Cllr Lesley Macinnes, Transport and Environment Convener,

said: "It's a reflection of how well Edinburgh Trams is performing as a company that we feel they are now ready to take on the responsibility for maintenance costs – as was always the plan when the current arrangements were agreed.

"Their continued growth in passenger numbers, improved service frequency and excellent and indeed award-winning customer service point to their readiness for this transfer of responsibility."

The council believes, "in the medium term it is anticipated that the company will return to profitability" and that tax reasons are largely behind the changes.

The report adds: "Tax legislation allows for a company's profits to be offset by losses from other companies in the group for that year.

"The council is working with its tax advisors, Scott Moncrieff, to ensure that any benefit to the council's tax position resulting from these amendments is secured."



Lea Harrison Managing Director Edinburgh Trams Photo Ian Georgeson

Lea Harrison, managing director of Edinburgh Trams said: “In less than five years of passenger service, we have proven ourselves as a competent operator of the tramway by returning an operating profit through sustained increases in patronage, revenue and customer satisfaction.

“The proposal to add additional responsibility to the agreement is recognition of our efforts and demonstrates the council’s belief in our organisational maturity and our ability to make cost savings for the city.”

The council will agree Heads of Terms with Edinburgh Trams by the end of December 2018.

This is the report which the Transport and Environment Committee will consider on Thursday :



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