

Edinburgh Trams will need taxpayer subsidy



The Edinburgh tram route. Picture: BBC Midlands

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EXTRA funds will have to be made available to the Edinburgh trams network to stem losses in the first five years of operation, it has emerged.

Up to £3.2 million a year will be set aside from the city budget to cover initial start-up costs and operational losses.

Edinburgh City Council currently receives an annual dividend from Lothian Buses, which is usually channelled, for example, to the schools or transport budget. This sum – which would amount to £16m over five years if the dividend remains at its current level – will now be made available to tram chiefs.

Details of the subsidy emerged in the tram operating agreement signed between the council and Lothian Buses, which will run the network.

Passenger numbers are expected to be significantly lower in the first two years of operation, before rising to previous estimates of about nine million a year.

The network is forecast to be ready for summer next year, and the extra funding would cover losses from ticket sales in the early years, among other costs.

Concerns have previously been raised over the use of Lothian Buses profits to subsidise the running of the shortened route, between Edinburgh Airport and York Place.

The publicly-owned firm will provisionally pay £2.7m per year for leasing the vehicles, but the costs of any refurbishment will be borne by the council, as will any losses, chief executive Sue Bruce confirmed in a report.

Edinburgh City Council insisted that the extra funding would only be used if necessary and it intends to use only part of the dividend – which has varied from £2m to £3.2m in recent years – although it would not confirm how much.

Lesley Hinds, the city's transport leader, said: "We anticipate tram passenger numbers will increase after the first two years as is often the case when new transport schemes are introduced.

"The council, as a major shareholder, receives an annual dividend from Lothian Buses and part of this will be available to support the trams in the first few years of operation."

Critics of the project, however, said that taxpayers were being burdened with unexpected expense.

Cameron Rose, leader of the Conservative group on the council, said: "This is certainly part of the cost to the Edinburgh taxpayer of the trams.

"It's important the tram gets a viable start. However, it needs to be for a limited start-up period and we need to move as quickly as possible to return these profits from Lothian Buses to the council funds."

He added: "It is also a worry that at the moment we don't have written into the operating agreement the appropriate incentives to ensure the operation is as efficient as possible."

John Carson, former head of maintenance at Network Rail and a long-standing critic of the trams, said: "This is simply another unexpected and unacceptable debt to the city, with up to £16m poured down the black hole instead of spent on front-line services.

"This is money outwith the project budget, which would usually go to education, social care – statutory services."

The tram operating agreement was signed by councillors last week and details for the first time how Lothian Buses will operate Edinburgh Trams on behalf of the city.

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