

## Summary

Lothian Buses is committed to the growth and increased use of public transport in Edinburgh.

- Lothian Buses is committed to the growth and increased use of its bus operation in Edinburgh.
- The operation of a tram service is in direct conflict with the business of running a bus company.

tie has proposed a structure for the ownership and operation of both tram and bus services, without consultation with LB, which is flawed in the following ways:

- it seeks to force passengers to transfer from bus to tram in order to boost tram patronage, without regard to the negative effects on the network as a whole, or the reduced public transport usage that would result.

### Response

- *There is no obligation on tie to consult with Lothian Buses plc.*
- *The tie proposal does not seek to force passengers to transfer from the buses to the trams.*
- *There is no economic rule which states that tram and bus are in conflict.*
- *The trams will offer bus users an alternative mode of transport.*
- *The introduction of trams will encourage increased use of public transport in Edinburgh as:-*
  - *there will be a wider choice of public transport mode; and there will be an increased number of services.*
- *The number of public transport users should in fact increase as a direct result of the increase in the mode of public transport.*

- it pits tram against bus, creating a built-in-conflict which works against the objective of integration.

### Response

- *The introduction of trams will create competition between the trams and the buses which is why tie have recommended that a suitable corporate structure is put in place to ensure that the two are integrated.*

- it jeopardises the financial position of LB and its ability to invest by diverting its profits to offset any tram losses.

### Response

- *the proposal does not jeopardise the financial position of LB, for the following reasons:-*
  - *Lothian Buses will continue to run as a set legal entity and Lothian Buses can only declare dividends when it has sufficient distributable reserves.*

- it puts at risk bus services where the tram offers no alternative.

Response

- *if the tram offers no alternative to a bus service then the bus service cannot be at risk.*

LB offers an alternative proposal which gives the following benefits:

- it places the tram and bus as complementary partners in an integrated network.

Response

- *The tram and bus operators will not be complementary partners as the bus operator will have control over the operations of the tram operator and the bus operator has neither competence nor capacity to run trams.*
- *The network will not be integrated as the tram company will be contracting with LB and LB's interest is to protect the operation of its buses in Edinburgh.*

- by placing the commercial performance of the network as a whole "under one roof", it removes the imperative of the tram jeopardising the bus network, or vice versa.

Response

- *Agreed. However this will not be achieved where LB has control over the operation of the tram network. To ensure that there is transport integration, a separate board requires to be created to consider the requirements of both parties and to ensure that a balanced and objective approach is taken to ensure that the bus and tram operations are properly integrated.*

- it places control of the network as a whole within one body (LB), whose commercial interests lie in the prosperity of the network as a whole.

Response

- *Agreed that the network should be controlled by one body and that is why tie has recommended the incorporation of newco.*
- *LB's commercial interests do not lie in the prosperity of the network as whole. LB is accountable to its shareholders for the successful operation of its business, which is the operation of a bus service, in Edinburgh. LB cannot contract with the tram operator on an impartial basis where their respective commercial interests are to provide competing transport services.*

Neither the tie nor LB proposals address the issue of how tram operating losses in excess of LB's dividend payment levels are to be funded.

Response

- *The statement is not understood.*

- Bus frequency reductions, fare increases, and cessation of lightly used bus services to generate increased bus profits to fund tram losses are unacceptable to LB and CEC.

Response

- *This has not been suggested by tie and has nothing whatsoever to do with the EITL concept as presented.*

**tie proposal**

3.1 tie is responsible for procuring the tram project. tie, or a company it controls will be the counter-party to the tram operator contract.

Response

- *tie is proposing that the DPOF contract is novated to newco. It is not proposed at present that Newco will be controlled by tie.*

Summary Points

- *LB contends that the placing of the entire bus/tram network within one body would benefit the commercial interest of the entire network. This is the same proposal that tie has made.*
- *LB's view that tie and Newco are one in the same is incorrect. Under the Newco structure Newco would not be controlled by tie.*
- *LB contend that Newco would be a company with the aim of maximising tram passengers. This is not the case. Newco's objectives would be to integrate the existing bus operations and the proposed tram operations. Thus, the aim is integration and would not be biased to modal shift from bus to tram.*
- *LB propose a structure whereby Lothian Buses become the counter-party to the DPOF agreement. This completely undermines the procurement process. Such a contract will be unacceptable to the DPOF bidders.*
- *The transfer of trams operations to the bus company is unlikely to be acceptable to the Council as from the outset the procurement has been carried out without LB's involvement and such a structure have been provided to tie to implement. No such direction was even given to tie by CEC.*