

## **Integration of Public Transport - Company Structures**

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**The City of Edinburgh Council**

17 December 2009

### **1 Purpose of report**

- 1.1 This report details matters in relation to Edinburgh Trams Limited, a subsidiary of Lothian Buses, which is proposed to be transferred to Transport Edinburgh Limited (TEL). This report seeks Council approval for this proposed transfer and also to delegate authority to me to agree appropriate terms for the remit of its operations.
- 1.2 This report also deals with a proposed change to TEL's Articles of Association and seeks Council approval for this.

### **2 Main Report**

#### **Background**

- 2.1 On 20 August 2009, Council approval was obtained for a number of changes to the Tram Project governance arrangements in order to enable the transition towards the integration of tram and bus services in Edinburgh and the Lothians. This included approval for the proposed final phase 1 governance structure.
- 2.2 On 29 September 2009, the Council's Policy and Strategy Committee approved the terms of a revised TEL Operating Agreement and a Memorandum of Understanding among the Council, TEL and ~~the~~ Ltd.

#### **Edinburgh Trams Limited**

- 2.3 Whilst construction is still underway, initial planning for operational readiness has been taking place. This work will intensify as construction nears completion. For organisational and legal purposes, certain activities are best retained in a separate legal entity and a company presently owned by Lothian Buses, which already bears the name Edinburgh Trams Limited, has been identified as a appropriate vehicle to achieve this.
- 2.4 It is therefore proposed that the ownership of Edinburgh Trams Limited pass from Lothian Buses to TEL as soon as possible. This will enable construction and certain aspects of operational planning to be kept in two separate and

distinct entities (**tie** Ltd and Edinburgh Trams Limited), but with TEL management having full oversight of, and overall responsibility for, both workstreams and companies. This will also ensure coordinated management, but with clearly delineated responsibilities and goals.

- 2.5 The proposed transfer of this company to TEL ownership was approved in principle by the Lothian Buses board of directors on 9 December 2009. I am therefore seeking authority to effect this transfer as soon as possible in order that TEL, Lothian Buses and Edinburgh Trams Limited will be able to press on with the advance preparations for integrated operations of the bus and tram network.
- 2.6 If this transfer is approved, it is proposed that Edinburgh Trams Limited will fulfil certain aspects of planning for operations as per the services to be provided to the Council by TEL in terms of the revised TEL Operating Agreement. In this regard, Edinburgh Trams Limited will also in the near future take on Transdev's (the tram operator) employees as contractual responsibility for operations transfers from Transdev to the TEL group of companies to realise logistical and financial efficiencies.
- 2.7 To ensure good governance, and to complement the group structure approved by Council in August, it is proposed that a further memorandum of understanding be put in place among the Council, TEL and Edinburgh Trams Limited to deal with the latter company's remit in relation to the Trams Project on terms to be agreed. Such terms will be very similar to the terms recently agreed by Council in relation to TEL and **tie** Ltd.

#### **TEL's Articles of Association**

- 2.8 The Articles of Association for TEL restrict the maximum number of directors of TEL to 12. If the recommendations in the report which was continued to this meeting from the Policy & Strategy Committee on 1 December 2009 are approved then there will be 16 directors on the TEL Board. The Articles therefore require to be amended to allow the new appointments to be made.

### **3 Financial Implications**

- 3.1 The proposed transfer of Edinburgh Trams Limited will ultimately lead to a more streamlined and cost efficient organisational model.

### **4 Environmental Impact**

- 4.1 The arrangements proposed in this report should help to enhance the prospects of the Council's goal of integrated public transport being realised.

### **5 Recommendations**

- 5.1 a) The Council is asked to approve the transfer of the ownership of Edinburgh Trams Limited from Lothian Buses to TEL and note that Edinburgh Trams Limited will undertake certain aspects of operational planning work in relation to the Trams Project under the guidance and oversight of TEL.

- b) The Council delegate authority to me to agree appropriate terms and conditions with TEL and Edinburgh Trams Limited in relation to the preparations for integrated operations and report back to Council on the implementation of such transfer and the terms of the agreement in Spring 2010. Council notes that such terms will be similar to those recently agreed by the Council in relation to TEL and **tie** Ltd.
- c) The Council agree that the Articles of Association for TEL Limited be altered to allow up to 16 Directors to be appointed to the Board.



**Jim Inch**  
**Director of Corporate Services**

*09/12/09*

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Wards affected City wide

Single Outcome Agreement

Background Papers