

LOTHIAN BUSES LIMITED

Minutes of the Meeting of the Regional Sub-Committee

**Meeting No. Thirteen, 8 June 2020,
Held by Webex Video Conference**

Members Present:

Representing Lothian Buses

Susan Deacon	Committee Chair & Non-Executive Director
Jim McFarlane	Board Chair
Nigel Serafini	Commercial Director
Sarah Boyd	Operations Director
John Benson	Finance Director

Representing Midlothian Council:

Karl Vanters	Principal Officer, Public Transport
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Representing East Lothian Council:

Bruce Moffat	Service Manager Transport
Andrew McLellan	Senior Transport Officer
Cllr Norman Hampshire	

Representing West Lothian Council

Jim Jack	Head of Operational Services
Cllr Cathy Muldoon	

Apologies:

Ewan Kennedy	The City of Edinburgh Council
Kevin Anderson	Executive Director, Place, Midlothian Council
Cllr Russell Imrie	Midlothian Council
Nicola Gill	Passenger Transport Manager, West Lothian Council

1. Welcome, Attendees and Apologies

Susan Deacon as Chair welcomed those present. Apologies were conveyed on behalf of those named above.

2. Minutes of Last Meeting

The Chair asked those who were present at the last meeting held on 20 February 2020 at Midlothian Council, Dalkeith, if they were content that the minutes represented an accurate record of the meeting, this was agreed by the committee. There were no further matters arising outwith the current agenda to be discussed.

3. Covid-19 Response – Update

The Chair conveyed to the committee, the Board's view of how well the Executive team have responded to the unprecedented challenge experienced by the business during Covid-19 and the pace at which they have dealt with implementing changes. She then asked the Managing Director to update the committee on Lothian's response and current challenges.

Nigel Serafini began by advising that Lothian are continuing to operate a reduced critical service network, running at around 30% of normal operation, with the Lothian city operation now running solely from Central Garage having closed both Marine and Longstone Depots during this period, with Lothian Country and East Coast Buses running skeleton services out of Livingston and Musselburgh respectively. He added that Lothian Motorcoaches and Edinburgh Bus Tours were also shut down at the outset of the lockdown.

He advised that passenger numbers have been at 10% of usual customers up until the start of phase 1 of the Scottish Government's Route map, where numbers have now begun to increase to around 12-13%. He noted the Scottish Government's decision to pay concessionary income and BSOG at full level. However, he advised that around two thirds of staff are now furloughed, with the support of the UK Government Job Retention Scheme – this still leaves the business in a loss-making position.

He explained that he is involved in continued discussions through CPT and Transport Scotland with other operators in trying to secure a funding deal from the Scottish Government, as has happened with the DfT in England. Forecasts and costs were passed onto Deloitte who have been appointed by the SG to engage on this with the industry operators, however there is no further news on this. He conveyed that in the absence of this funding the future of the company is uncertain.

Nigel advised that through the CPT forum there was a recent conference call with Professor Jason Leitch, the SG's National Clinical Director, this involved discussion within the bus industry around face coverings, possible screens and whether the current 2m restriction in social distancing could be reduced to 1m, however it was advised that this is not going to change at the present time.

He further advised that the team are working on a further 'step up' of services on 21 June as there is an expectation of further increase in public travel, possibly moving into phase 2 of the SG route map. He then asked Sarah Boyd the Operations Director to provide an update to the Committee on measures being introduced within operations.

Sarah explained that as you would expect health and safety measures have been introduced for drivers such as providing hand sanitiser, gloves and masks. As well as only operating vehicles which have driver cab screens installed, this has resulted in the Lothian 'red' buses being utilised within Lothian Country and East Coast Buses, however the engineering team are in the process of installing these screens within all other vehicles so these will be rolled out in time.

Sarah noted that the Communications team have worked hard to ensure customer messaging on bus is consistent and is displayed digitally and on vinyl, in regards to following SG advice around travel and physical distancing. However, she noted that they are keen not to place responsibility on the driver to 'police' those travelling, as it would

not always be clear if those travelling in groups are from the same household which is allowed.

Sarah noted positively that operations are currently running with around 500 volunteer drivers and following a further survey of staff has resulted in an additional number of volunteers to return to work which will cover the next phase.

The Chair thanked both Nigel and Sarah for the helpful overview and asked the committee if there were any questions in relation to the update provided.

Cllr Norman Hampshire highlighted concerns around capacity in particular to when schools re-open and further whether Lothian would consider making face coverings compulsory when travelling on Lothian buses. SB answered that Lothian wouldn't go so far as to make face coverings compulsory until such time as the Scottish Government enforced this and there be a joined-up approach. In regards to schools, NS advised that he would be looking to engage with all the local authorities to gauge what their plans are in regards to the re-opening of schools, whether that be staggered times/days etc.

Cllr Hampshire thanked Sarah and Nigel for their response, he advised that in his recent engagement with other operators and COSLA, it was acknowledged that there needs to be further relaxation of restrictions or assistance for bus operators and this is a major issue for all public transport operators, this needs to be recognised and addressed by the Scottish Government. He further added that in regards to schools, discussions are still ongoing.

Jim Jack acknowledged importance in public transport when restrictions are lifted in getting people to work and asked if there were any pressure points within West Lothian, where capacity would need to be increased, specifically at the moment. He noted the drop from both rail and bus passengers down by at least 80-90% and raised concerns if that number increased to car usage this would cause greater pressure on the road network. He also advised that WLC are looking to have their schools position clearer by the end of this week and would continue to liaise with Nigel and his team. Nigel advised that they would be looking to increase capacity between Bathgate and Livingston.

4. Financial Impact

John Benson, Finance Director updated the committee on the financial impact on the business, he stated that at the end of March passenger numbers fell to 10% of the normal level, resulting in a huge reduction in income. Following this Transport Scotland agreed to keep the concessionary reimbursement and Bus operators fuel grant at the level prior to the Covid-19 outbreak. He noted passenger numbers have increased slightly since the SG restrictions were eased slightly. Like other businesses Lothian has seen revenue decline rapidly and recovery is slow and are awaiting on next announcements from the SG. He noted that for the year to date up until the middle of May Lothian earned £44m revenue compared to that budgeted of £64m showing a £20m decline due to the Covid-19 outbreak. We have forecast a slight increase in passenger numbers over the next 6 months as we move through the next phase but don't expect to be back at pre-covid levels for a while yet. As mentioned both Marine and Longstone garages were temporarily closed to save costs, solely operating from Central garage, with satellite services at Musselburgh and Livingston. He advised that Lothian have had to make use of the UK Government's Job Retention Scheme which has saw approximately 1800 staff

furloughed out of 2700 (69%) mainly drivers however also some engineers and admin staff, which has helped with cashflow.

He advised that further arrangements have been drawn on such as bank payment holidays for hire purchases, an arranged bank overdraft and the decision to rescind the dividend payment to ensure funds are kept as working capital.

Cllr Hampshire asked what the company's position would be when the furlough scheme ends in October. JB answered that the business is heavily reliant on the JRS, and would have hoped that by October there would be income from other funding sources. Although there is a large overdraft capacity this would need to be repaid back, the company could not continue to run at losses as a commercial business.

NS added that the whole Scottish bus industry is in the same position, if there is no funding coming forward then decisions will have to be made, considering the additional costs in maintaining physical distance there is a limit in how long that can be sustained.

It was acknowledged there is a limit on public finances, however to get the economy moving again public transport is important for those who rely on it to get to work.

The Board Chair advised that there is a Transport for Edinburgh Board meeting being held on Friday 12 June, he intends to express the point that if there is an expectation that Lothian ramps up services to support the economy the question of financial support needs to be addressed. He further advised the committee that at the Lothian Buses Board meeting on 23 April, the Board as advised by the company auditors were to address the 2019 Financial Accounts as a going concern issue. Measures such as the bank overdraft facility and guarantee from the City of Edinburgh Council have addressed the going concern question for the business to continue to trade for a further 12 months, however that would likely conclude in a £20m deficit for the financial year 2020 and as a commercial company the Directors have legal responsibilities that the business can only continue to trade if the business is financially viable. He concluded that decisions will need to be made as to how the business can continue to operate effectively, and expressed the point that as public transport is essential to get the city and economy moving again the SG would need to recognise funding is needed.

5. Recovery Considerations

Cllr Hampshire noted the reality of funding available at SG and the need for support across the industry and other sectors and considered the necessity to generate income from other sources such as congestion charging with that income being ring fenced for public transport.

Andrew McLellan referred to the Regional Public Transport Group, linking into the City Deal and recent email dialogue, he advised that progress is now being made on a more joined up approach with the city looking at measures to aid public transport flow. He suggested that the regional councils also feed in to COSLA the issues public transport are facing through Covid-19.

Nigel Serafini advised that he has had discussion with Cllr Lesley Macinnes, Transport Convenor at the City of Edinburgh Council, and expressed his view that some of the city plans pre Covid need to be reviewed as the city faces new challenges.

Discussion continued around the benefit of reducing the current 2m socially distant rule to 1m, linking this with the possibility of the use of face coverings being compulsory would reduce financial implications on public transport and that this continues to be fed into government discussions.

Cllr Hampshire suggested that Nigel construct a letter to the Council leaders of all the authorities affected by the situation that Lothian Buses is in, stressing the consequences of no immediate SG action, further proposing a joint meeting with the Cabinet Secretary.

The Chair asked what the timescale is in regards to Lothian's financial position that further action would be required such as potential cost savings. John advised the critical point would be when the JRS runs out in October, however it was noted that action may need to be taken prior to then to maintain cashflow.

The Board Chair proposed that this be further discussed at the company's Audit and Risk Committee which is taking place on Thursday 11 June, including the worst-case financial scenarios being more fully quantified, with this being fed back to CEC and SG and related consequences facing the business.

Nigel advised that the Executive team have started dialogue with the Trade Union in regards to possible cost saving actions that the business may need to take. This is dependent on Scottish Government funding being available for as long as possible. The Chair asked that the Board Chair and Managing Director further discuss how this be taken forward with the Shareholders.

6. Any Other Business

Susan made reference to the Communications team at Lothian, and recognised how central this has been in keeping both the workforce and customers on board, and saw this as continuing as the business goes through its recovery period.

7. Next Meeting

The Board Chair proposed that the next meeting should include the Majority Shareholder including other representatives at a Senior Political level.

Cllr Hampshire advised that he planned to contact Cllr Adam McVey, Leader at the City of Edinburgh Council following this meeting, with a proposal that the council leaders get together to discuss these issues with a potential meeting with the Cabinet Secretary as soon as possible.

The Chair then thanked everyone for their attendance and contribution and brought the meeting to a close.