
From: Stewart McGarrity
Sent: 28 June 2010 14:19
To: Richard Jeffrey; Steven Bell; Alastair Richards; Dennis Murray; Susan Clark
Subject: FW: Pitchfork (Private & Confidential) – Incremental Delivery Costs (Status at 26/4/10)
Attachments: Incremental Delivery Financials.xls

All,

Further to my email of 26th April – couple of points to keep in mind and discuss when appropriate. Other than the result of the negotiations with BB and S, the most significant variables in our cost estimates for Increment delivery are probably:

1. The final bill for all utility diversions (including the Farrans and Clancy work and the final account for CUS) net of betterment
2. The likelihood of offloading tram vehicles not required – the cost estimates in the attached spready assumed 10 trams less for Airport to Haymarket and 8 less trams for Airport to St Andrew Sq. (Also face the difficult decision of considering disposing or otherwise laying these assets off when they will be required to run the full service to Leith in due course and they are a seriously long lead item to procure).

The resolution of these uncertainties will be significant in answering the question as to whether we get to St Andrew Sq for £545m or not.

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From: Stewart McGarrity
Sent: 26 April 2010 11:56
To: Richard Jeffrey; Steven Bell; Susan Clark; Dennis Murray; Tony Rush (rush_aj@[REDACTED]); Alastair Richards; 'Graeme Bissett'; 'Fitchie, Andrew'; Mandy Haeburn-Little; 'david_mackay@[REDACTED]';
Cc: Gregor Roberts; Mark Hamill
Subject: Pitchfork (Private & Confidential) – Incremental Delivery Costs (Status at 26/4/10)

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Pitchfork (Private & Confidential) – Incremental Delivery Costs (Status at 26/4/10)

So everyone is up to date on where we got to with estimating costs on our Incremental Delivery Options.....and also as a commentary on the action to determine what “reasonable settlement costs” look like on the Level 2 action list. Dennis gets the credit for doing a lot of the thinking and hard work on this.

The attached spreadsheet has our base costs estimates for each of Option 2b2 (tie steps into Civils on-street) and Option 3C (BSC complete the whole thing compliantly with a new Cl65 arrangement) - £667m and £640m respectively. We've also extended this analysis to show for each option the estimated cost of getting the infrastructure to Haymarket, York Place, Foot of the Walk and Ocean Terminal. The finish date used for all scenarios is Dec 2012 – the programme (and the connected matter of BSC entitlement to prolongation delay and disruption) is obviously a significant and very uncertain variable in all these scenarios.

On the face of – for the approved funding of £545m with a stretch to slightly over £600m if required (and assuming all of the TS money is available for a lesser shorter first phase):

- Airport to Haymarket can be delivered within £545m
- Airport to York Place might be delivered for £545m to £570m depending very much on the programme (and the nature of the commercial settlement with BB/BSC if we are re-procuring on- street Civils – CEC would need convincing on the absence of clear daylight (headroom) between the cost estimates and available funding
- Airport to FOW might be delivered for £600m to £630m – again very much dependent on programme and still without clear daylight between the cost estimate and the funding. I think Donald McGougan is now less bullish about the future availability of Prudential Borrowing to plug the gap – there are other ways to consider financing a shortfall if there is an appetite to take the risk.

In each scenario it is assumed we have to settle a Claim from BB and S for reduction in their scope and for settlement of costs incurred prior to reduction in scope – see calculations on the Claims tab on the spreadsheet. This may be viewed as conservative – the starting point in any negotiation from our standpoint is that BB would be getting relieved of their apparently onerous obligation to complete the on street works which we believe they have underpriced. Acting reasonably should they not just be happy with not being forced to complete risky and loss making work?

Isn't all of this is highly uncertain unless and until we:

- Start estimating the cost of a real deal in the making
- Nail a programme
- Figure out what happens to the estimated £20m plus we have paid to BB which has not been translated to infrastructure in the ground (it is assumed all the Siemens up front money has gone on procuring or fabrication but we have no visibility of that yet)

Regards,

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