



## Media Release

### EDINBURGH TRAM PROJECT CONTRACTS CLOSURE AND INFRASTRUCTURE CONSTRUCTION COMMENCES

tie Limited and the City of Edinburgh Council have today announced the successful contract closure that heralds the beginning of the construction phase of the Edinburgh Tram project and will see the first tram tracks laid by September 2008.

After complex and lengthy negotiations, starting in October 2007, **tie** and CEC are pleased to announce the successful conclusion of a landmark deal with organisations of international repute which delivers both a world class tram and the infrastructure to match and also meets the expectations of all key stakeholders in the project

In Belfinger Berger Siemens the Edinburgh Tram project has a formidable consortium made up of two global companies that have delivered some of the most exciting and challenging infrastructure projects across the world. Members of the BBS consortium have played a major role in the construction of over 30 urban transport schemes around the world, in countries including France, Portugal, USA, China, Turkey, Taiwan and Mexico.

The tram manufacturer, CAF, a world leader in light and heavy rail, is best known in the UK as the company that provided the first train fleet (Class 332's) for the Heathrow Express in a consortium with Siemens. It has recently supplied the trams to Seville's new tram system and has recently put into service a fleet of diesel trains for Northern Ireland Railways.

With these final fixed price contracts now completed all parties can now proceed to delivering this project safely to programme and budget and to the detailed specifications determined by **tie** as agreed with the City of Edinburgh Council and Transport Scotland.

The final contract agreements have been conducted in a background of difficult and uncertain international economic conditions combined with an extremely heated UK construction sector in terms of both material prices and demand on resources.

In reaching this final agreement **tie** with BBS have worked to minimise the consequences of the above factors and together we have consolidated and therefore eliminated more of the risks associated with the cost and delivery of the programme. A major benefit of this approach has been to incentivise the BBS consortium so as to secure the delivery of the project through key milestones based on programme and cost. Intensive last minute negotiations with BBS over the past seven days have culminated in an agreement that sees a significant additional shift of risk transferred from the public to private sector and which reflects a full and final conclusion to the negotiations and price.

The final price agreed between all parties is £512 million, which is a rise of 2.8% on the price forecast in the Final Business Case and remains well within the funding envelope of £545million set for the Edinburgh Tram Project.

**tie** has recommended that the final terms negotiated represent the best result achievable for the public sector and has asked the council to authorise tie to proceed with the contract close.

**tie** has maintained a focus on the competitiveness of the developing contract terms to ensure they remain best value and are fully aligned with relevant regulations.

**Willie Gallagher, Executive Chairman of tie** said

“I’m pleased that these negotiations have now reached a successful conclusion.

These pressures on costs are not isolated to the tram project. The fact is that every major construction project in Scotland and in the UK is and will be impacted by these exact same factors. We have sought to successfully deal with them now.

From the start of the procurement process my team set out to drive a fair and hard bargain to achieve the best deal for Edinburgh.

**tie** has brought together an international project team with experience from all around the world and we look forward to building the Edinburgh Tram project on time and on budget. The end of these contract negotiations allows us to turn to the next phases of the Edinburgh Tram project. The start of the infrastructure construction will give confidence to all stakeholders in moving forward with the business case for 1(b) and we will start to see the delivery of the economic benefits of this investment for Edinburgh and Scotland in 2011.”

**Cllr Jenny Dawe, Leader of the City of Edinburgh Council,** said:

“I am delighted that the intricate and tough negotiation period has reached a satisfactory conclusion. This has not been easy, particularly in the prevailing global economic situation, but I am confident we have a fair deal.

“We are now well on our way to delivering an excellent tram project for Edinburgh that will connect vital growth areas in the city and provide a first class modern, attractive additional means of public transport for residents and visitors.”

**Christian Roth, Managing Director for Siemens Transportation Systems UK**, part of the Mobility Division of Siemens Industry Sector, said:

“Siemens has a proven track record in the international light rail market for delivery and integration of infrastructure on time and to budget. We will be working hard with **tie** and our consortium partner Bilfinger Berger to deliver the technical elements of Edinburgh Tram’s infrastructure including communications, control and signaling equipment, electrification and substations, as well as parts of the track structure itself.

Involvement in this prestigious project is an important milestone for Siemens in Scotland, where Siemens plc currently employs over 2900 people across numerous industries from transport to power generation to financial services.”

**Ends**

**14<sup>th</sup> May 2008**

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## **Notes to Editors**

### **Programme:**

#### **Key milestones:**

- Infrastructure to start: May 2008
- Start of Construction in City Centre: August 2008
- End of infrastructure construction: January 2011
- Trams running: July 2011

#### **Contract:**

The Infrastructure contract will also have novated to it the design contract, delivered through SDS, and the tram manufacturer contract (TramCo), delivered by CAF.

The initial phase 1a comprises:

- 27 Trams
- 18km track
- 9 substations
- 22 tram stops
- Single depot at Gogar

Phase 1b comprises:

- 4 trams
- 6km track
- 3 substations
- 9 tram stops