



Mr Tom Aitchison  
Chief Executive  
City of Edinburgh Council  
Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG

Our Ref: WG/JPT

Date: 13<sup>th</sup> May 2008

Dear Tom,

**EDINBURGH TRAM PROJECT**

You will be aware that intensive negotiations have been undertaken to conclude the principal tram project contracts ("the Infraco Contract Suite" or "the contracts" as listed on the attached schedule). On 18<sup>th</sup> March 2008 we issued letters to the unsuccessful bidders notifying them of our intention to award the contracts to the BBS consortium. We have now finalised the remaining legal processes and have concluded a thorough quality control review of the relevant documents.

The operating agreement between tie and the Council, which will be signed as part of the Financial Close procedures, requires that tie deploys best endeavours to deliver the project in line with the Final Business Case ("FBC") approved on 20<sup>th</sup> December 2007. In finalising the terms of the Infraco Contract Suite, certain matters have been concluded which are marginally different from the terms set out in the FBC including a revision to total project cost from £498m to £512m (Phase 1A) and a revised estimated date for commencement of revenue service of July 2011. The comprehensive Close Report and the accompanying letter to tie and the Council from DLA summarise the final terms of the contracts. I would be grateful for your acknowledgement that tie's obligations in the operating agreement with respect to the FBC are revised to reflect the agreed final contractual position. My recommendation below is based on the FBC but taking account of the final terms contained in the Infraco Contract Suite.

We confirm tie's view that the final terms negotiated are materially consistent with the terms set out in the FBC and confirm the value for money proposition demonstrated by the FBC and that it is now appropriate to conclude the contracts.

Yours sincerely

Willie Gallagher  
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Executive Chairman

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