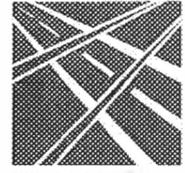


Major Transport Infrastructure Projects

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SCOTLAND

Sue Bruce
Chief Executive
City of Edinburgh Council
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Date:
30 August 2011

Dear Ms Bruce,

GRANT OFFER TO CITY OF EDINBURGH COUNCIL FOR CONSTRUCTION OF PHASE 1 OF THE EDINBURGH TRAM NETWORK

I refer to my previous letter of 30 March 2011 intimating that the above grant agreement between The Scottish Ministers and The City of Edinburgh Council would expire on 31 March 2011 and as such, Ministers' obligations to make payments in support of the tram project would cease from that date.

Notwithstanding that, Ministers agreed on an interim basis to continue to make payments under the terms of the existing grant agreement to support the Council while negotiations were ongoing with the Bilfinger Berger, Siemens and CAF Consortium toward the resolution of the contractual dispute which would take the tram to St Andrew's Square. It was made clear that this was an interim arrangement which was entirely at Ministers' discretion and which could be withdrawn at any time and would not extend beyond 31 August 2011.

In light of the Council's decision on 25 August 2011 to take the tram only to Haymarket, Ministers are now of the view that this represents a fundamental change to the basis on which the Scottish Government originally agreed to contribute up to £500 million. It will result in the tram requiring a significant ongoing public subsidy, which is damaging in public expenditure terms. In these circumstances, I have to advise you that Ministers are not prepared to make any further payments to the project and will not extend the existing grant arrangements beyond 31 August 2011.

If the Council wishes to make further proposals that are consistent with the basis of the original agreement given by Ministers, these will be considered on their merits.

Yours sincerely,

[REDACTED]
Ainslie McLaughlin
Director

