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**From:** Andie Harper  
**Sent:** 26 October 2006 17:08  
**To:** Graeme Bissett  
**Cc:** Stewart McGarrity; Geoff Gilbert  
**Subject:** RE: Capex

Graeme

Thanks for the note and please note my mark up comments as tracked changes. I will seek to consider these scenario's and develop a position.

andie

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**From:** Graeme Bissett [<mailto:graeme.bissett@>]  
**Sent:** 25 October 2006 10:51  
**To:** Suzanne Waugh; Stewart McGarrity; Andie Harper  
**Subject:** Capex

A couple of thoughts from this am :

Can we have a think about the amount and correct home for marketing launch costs ?

Andie, in phasing terms, if we're in a world where 1a needs to be well underway before 1b work is seriously commenced, what would that do to the operational commencement timing for 1a and consequently time-cost of 1a ? Currently the programme isn't setup on this logic, however subject to a couple of issues to resolve on two sections, I can initially see a four month saving, however instinct tells me there is more. I will be looking more closely at this next week.

Going the other way, can we get an assessment of the cost differential for 1b if it were started (say) two years after 1b opened for business. Ie a scenario where people want the certainty of construction cost, quality, patronage and acceptance by the public before they finance 1a. This is almost certain to be tabled as an option and we need to be ready. However, it is largely bogus given the dependence of 1b on development which makes it a very different risk profile from 1a.  
**We can work this, clearly this option will not benefit from marginal resourcing costs and will be penalised for sub-optimal contractor prelims. More of an issue would be purchase approach to additional trams for 1b to avoid possible set up cost duplication.**

We didn't cover SDS this morning, but is there an option which limits their work to substantially less than the £21m (allowing for any penalties) and assumes that the bidders pick up the work and do it more effectively within or close to the assumed Infraco package costs ?  
**Yes, maybe , big issue will be approvals, consents and liability transfer, in my opinion Infraco's will not take on these issues.**

Can we check the consistency of the underlying time periods used to arrive at the current capex estimates and the indexed calculation of grant.  
**Yes, I will ask Stewart and Geoff to respond on this element.**

Regards  
Graeme

Graeme Bissett

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