

FOISA Exempt
Mr Marshall Poulton
Head of Transport
The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Our Ref: DJM/JPT

8th June 2010

Dear Marshall

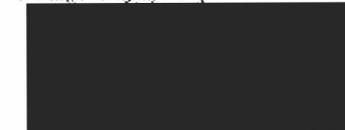
As you are already aware, TEL and tie have been working on a strategic options review relative to the programme and cost implications of the ongoing dispute with the Infraco Consortium. I am also aware that the August 2009 report to Council noted that "it is now considered that it will be very difficult to deliver the full scope of Line 1a within the available project envelope of £545m. Until the key issues are resolved through the contractual and legal process, it will not be possible to forecast accurately a revised budget outturn."

As required by clause 2.24 of the revised Operating Agreement between TEL and the Council, this letter is to formally advise you that the TEL Board now consider that it is reasonably expected that the full scope of Line 1a cannot be delivered within a budget of £545m and by October 2012. As you know, a number of options for delivery of the project (including incremental delivery) are being examined at present. Until such time as commercial certainty is achieved with Infraco, I am unable to provide you with accurate details of potential final outturn costs or a final open for revenue date. As you are aware, TEL and tie continue to make strenuous efforts to enforce contractual rights to achieve programme and cost certainty and these efforts will continue. However, it is now certain that further Council approval will be required in due course, whether for staged delivery or for additional funding.

I assure you that I and the team will continue to keep you fully informed of progress and will keep you up to date with the mitigation measures which are or will be employed. Meanwhile, I should record formally that tie is not seeking additional funding or approval for an increased budget at this juncture.

If you have any queries, please do not hesitate to contact me.

Yours sincerely



David Mackay
Chairman
On behalf of the TEL Board

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