

From: John Ramsay
Rail Delivery, Transport Scotland
8 May 2008

Minister, for Transport, Infrastructure and Climate Change

EDINBURGH TRAMS: Revised Arrangements for Financial Close and impact on programme

Purpose

1. To advise you of the latest reports of negotiations for Financial Close of the two main tram project contracts by Tie Ltd on behalf of City of Edinburgh (CEC), and the latest forecasts of final project completion.

Timing

2. Routine.

Background

3. My previous note of 29 April 2008 advised of Transport Scotland concerns about a probable delay to completion of the Edinburgh Tram project given the continued delay to completion of Financial Close. Though Tie Ltd continued to assert there would be no delay to project completion, our analysis of their programme information gave cause for concern.

4. We were requested by the Cabinet Secretary to express our concerns about the delay to City of Edinburgh Council (CEC) and receive assurances that they would meet their declared programme.

Progress:

5. We have alerted CEC to Ministers' concerns over the delay to the programme resultant from the continuing delay on contract completion with the preferred Infracore bidder, Bilfinger, Berger Siemens.

6. CEC and Tie Ltd were again unable to reach Financial Close on 2 May as per previous advice. They are currently engaged in further negotiations covering further unforeseen issues.

7. CEC and Tie Ltd stated at their progress meeting with Transport Scotland on 7 May they remain confident negotiations will be concluded this week. Senior representatives of both Bilfinger Berger and Siemens Boards are present in Edinburgh with the aim of achieving this outcome.

8. Given the delay in securing Financial Close, CEC and Tie Ltd now advise that the date for commencement of full operations on Phase 1a will be July 2011. This is a seven month slippage of final completion, whereas financial close has been delayed by some four months.

9. CEC and Tie Ltd state they are confident there will be no further slippage in this date, and that construction will commence immediately on conclusion of contract signing.

Transport Scotland has not yet had an opportunity to scrutinise any substantive programme information associated with this revised forecast.

10. CEC and Tie Ltd still propose to commence limited but full fare paying operations in the Airport to Haymarket section prior to the baseline completion date of January 2011. This confidence is largely based on the knowledge that this section of Phase 1a is almost entirely off-road and will be built and commissioned first. This section contains the proposed tram depot.

11. Transport Scotland will press CEC and Tie Ltd to deliver this early benefit prior to full commissioning. We will encourage and support part opening in early 2011. However, Transport Scotland plays no formal role in the management governance of this project under the "arms length" funding and risk transfer arrangements put in place last year.

12. It may be helpful for CEC councillors to stress the importance of early delivery of partial opening in their discussions with CEC and Tie Ltd officials.

13. Transport Scotland would expect a delay of seven months to have an impact on the final project cost. Under the revised governance and risk transfer arrangements, this will be for CEC to manage.

14. We will provide a further update shortly once further progress with Financial Close has been achieved.

John Ramsay

Rail Delivery, Transport Scotland

Ext: [REDACTED]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for Finance and Sustainable Growth			X		
DG Economy Cabinet Secretariat PS/Transport Scotland Bill Reeve Frances Duffy Guy Houston Jerry Morrissey Scott Prentice Steve Milligan Nadia Savage Communications Finance & Sustainable Growth Press Transport Scotland Stephen Noon Kevin Pringle					