

Private & Commercially Confidential

**Edinburgh Tram Project:
Fourth Quarterly Project Review
CEC Offices Waverley Court, Edinburgh
0900 hrs, 13 November 2009**

Attendees-	
Dave Anderson	City of Edinburgh Council
Marshall Poulton	City of Edinburgh Council
Alan Coyle	City of Edinburgh Council
Andy Conway	City of Edinburgh Council
Richard Jeffrey	Tie
Steven Bell,	Tie
Stewart McGarrity	Tie
Bill Reeve	Transport Scotland
Jerry Morrissey	Transport Scotland
John Ramsay	Transport Scotland
Apologies-	
Donald McGougan	City of Edinburgh Council

Item	Notes
Purpose of meeting	<ol style="list-style-type: none"> 1. Transport Scotland restated the purpose of the Quarterly Review in term sof the requirements of the formal Grant Funding Agreement and welcomed Richard Jeffrey to his 1st Quarterly Review. 2. Richard Jeffrey confirmed that tie appreciated that these reviews were essentially business for Transport Scotland and City of Edinburgh Council but felt that in current situation, it was helpful that tie were present.
Minute of Previous Meeting	The Minute of the previous Quarterly Review held on 18 June 2009 was agreed.

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<p>Key Headlines Update</p>	<p>High level overview: Tie reported a cautious air of optimism due to progress based on changes of attitude from BSC based on a recent series of meetings principally with Bilfinger's recently appointed Main Board member (civils))- David Darcy. These had been very conciliatory and positive with progress promised in form of a way forward on;</p> <p>a) Commencement of New Work Areas</p> <ol style="list-style-type: none"> 1. The on-street issues now agreed. Tie needs to get 9 months relief from damages so right to offer BSC something. 2. Costs of EOT1 have now been agreed and this offer appears to have broken the recent deadlock. 3. Tie now has a list of start dates for new work sites over the next 4 weeks. Meantime Princes Street will be handed back to CEC on 29 November as per programme. . <p>b) Imminent BDDI > IFC DRP Decisions The 2 BDDI > IFC DRP issues are due for decision on week beginning 17 November 2009. Both hinge on technical argument around costs of design development or design change</p>
<p>Programme Development</p>	<p>Current Status Development of recovery programme: -</p> <ol style="list-style-type: none"> 1. Following the BSC promise on an agreed recovery programme, discussions start almost immediately. The 1st phase (revised programme logic) is hoped to be concluded by January 2010 and 2nd phase (commercial agreement) by February 2010. 2. In parallel, Tie also advised that the real impact on progress would not become clear until next February / March as agreements on the new programme were clarified. 3. Currently tie confirmed that BSC's open for service dates were unmitigated - January 2013 / Mitigated December 2012 4. Meantime the commercial debate will continue in parallel.
<p>Commercial Issues</p>	<p>DRP Status and Negotiations</p> <ol style="list-style-type: none"> 1. Hilton Road was decided in tie's favour and should be finished by end of November 2009. 2. EOT1 - agreement has been reached on this at cost of £3.5m (NB this is a marked reduction from BSC's claim for £7m) 3. BDDI - IFC - these involve 2 bridges at Carricknowe and Gogarburn and a decision is due next week 4. BSC has referred the Russell Road dispute for adjudication and a decision is due on 17 December 5. Mudfa Rev 2 has been set aside for progress on new programme 6. The Haymarket Viaduct referral has been withdrawn and sensibly reduced from

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	<p>£400k down to £190k</p> <p>7. There are a further 5 referrals being worked up by tie for issue in early 2010. These again are all BDDI decisions</p> <p>Potential Commercial settlements</p> <ol style="list-style-type: none"> 1. Airport MUDFA section has now been completed by Farrans 2. Forth Ports section now commenced sensibly 3. The Carillion contract has been mutually terminated (but not yet legally concluded) and Carillion are expected to be off-site by Xmas. 4. Carillion has submitted an outline claim for circa £14m against tie's estimate of circa £2m. This is being independently reviewed. 5. The 2 remaining residual MUDFA sections at York Place and Haymarket are expected to be complete by end March 2010 and April 2010 respectively, completing all Phase 1a utility diversion works. 6. Tie has had to replace 48 kms of utility against the originally estimated 27km. There is accordingly a considerable betterment element.
<p>Cost and Budget Implications</p>	<p>Impact on Council Finances</p> <ol style="list-style-type: none"> 1. Range of possible outcomes depends on successful commercial agreements and implementation of the new programme 2. tie advise that £545m is very difficult with £600 - £620m most realistic 3. CEC - £545m has continuing relevance for politicians just now but for how much longer? - but they are prepared for change <p>Transport Scotland commented that as a result, it was apparent that this would generate a gap in affordability of between £55m to £75m based on the range £545m to £620m and ministers would wish to have more certainty about such a development. In response, the Council confirmed that it could manage the probable funding gap up to £600m without creating problems for Ministers and this would be achieved (mostly) through prudential borrowing. The Council also advised that more clarity on final costs would become apparent over the coming period as negotiations on the recovery programme were concluded.</p> <p>Cash Forecasts</p> <ol style="list-style-type: none"> 1. <u>Current Year</u>: - Tie reported no change at £109m were currently being considered but advised Transport Scotland that there could be changes from P9 onward. 2. <u>Forward Years</u>:- Transport Scotland reminded both CEC and tie that the cash profile for Transport Scotland's funding had not yet been agreed to extend grant support through the extended period to 2013. Accordingly, further years' provision needs to be identified as soon as possible, particularly given the project's history of underspend. Tie suggested that it would be helpful if it met Transport Scotland ahead of the P9 report to go through the actual financial

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	breakdowns and forecasts. This would be arranged by Stewart McGarrity
Any Other Business	<p>Progress on Negotiations with Network Rail on Bridge Agreements: Transport Scotland reported that they anticipated a meeting with Peter Doran of ORR sometime in the next week or so. This would aim to clarify requirements for the Council. Ahead of this it would be helpful to receive further background from the Council</p> <p>Gogar Interchange</p> <ol style="list-style-type: none">1. The Council advised that it remained anxious about the interface with Network rail. In reply, Transport Scotland advised that the challenge for them was to navigate a way through current anxieties and are considering adopting a GRIP5 approach to ease these.2. Tie reported that they were currently working up estimates of costs of Network Rails “pre-conditions” and hoped to have these completed by end of following week. Any risks associated and passed onto the Tram project are fully priced and covered off with transport Scotland3. Tie also advised that it was beginning to incur programme management costs on Gogar Interchange. Transport Scotland confirmed that this was covered by the existing grant letter but tie responded that it was in danger of getting into protracted enhanced work and there was a need to be careful about keeping communication lines with Bilfinger Berger cleaner. This will be done but meantime the current uncertainty needs to be clarified.4. The Council reported a possible re-arrangement of the proposed meeting of Council Planning Committee / Councillors Transport Scotland and Network Rail to take politicians through the key issues. Some doubt was expressed about such a meeting with politicians particularly as the purpose remained unclear and the Council agreed to investigate.5. Transport Scotland reminded the Council that it was a condition of the grant that there would be no operating subsidy. As no issue of additional operating cost of Gogar Interchange for Trams was required, this principle had been accepted.
Actions required	<ol style="list-style-type: none">1. The Council agreed to reconsider the proposed meeting of Council Planning Committee / Councillors Transport Scotland and Network Rail;2. Tie agreed to brief Transport Scotland ahead of the P9 report on the imminent work on the actual financial breakdowns and forecasts.

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