
From: Reeve W (Bill)
Sent: 10 May 2010 16:13
To: Cabinet Secretary for Finance and Sustainable Growth; Stevenson S (Stewart); Minister for Transport, Infrastructure and Climate Change
Cc: Middleton DF (David); McLaughlin AC (Ainslie); Fairweather S (Sharon); Morrissey J (Jerry); Ramsay J (John)
Subject: Tram Project Update - Commercial In Confidence

Purpose

1. To advise Ministers of the latest information provided by Richard Jeffrey of tie Ltd.

Priority

2. Routine

Background

3. Ministers have asked to be kept advised of progress with tie's negotiations with the BBS construction consortium

Current Position

4. Last week's Tram Project Board endorsed two parallel workstreams :
 - Negotiation of a "Guaranteed Maximum Price" with BBS in exchange for a truncated scope (probably at St. Andrews Square or Haymarket).
 - Preparation of a contract termination process which would commence with the service of a "Remediable Termination Notice." This contractual provision would give BBS 30 days to propose a remediation and/or object to the notice.
5. It is considered by tie that these two parallel workstreams support each other. The termination option is a necessary contingency in order to allow effective negotiation.
6. The truncation of scope to be delivered by BBS would not require the truncation of the tram route. Subsequent sectional contracts could be let to new contractors to complete the route as CEC funding permits.
7. A paper is to be submitted by CEC officials to the Council meeting on 27 May. This paper will be sent to Council members on 20 May. It is likely this paper will include a statement of a strong probability of the total project cost exceeding £545m: this would be a change from the position that £545m remains possible, if unlikely.
8. CEC is to provide further information concerning this paper to TS prior to its issue, having regard to their obligations to Scottish Ministers as the principal funder.

Recommendation

That Ministers note this update.

Bill Reeve

Director, Rail Delivery
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