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**From:** Reeve W (Bill)  
**Sent:** 10 June 2010 19:01  
**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); Press Transport Scotland; Communications Finance and Sustainable Growth; Morrissey J (Jerry); Ramsay J (John); Fairweather S (Sharon)  
**Subject:** Fw: EDINBURGH TRAM  
**Attachments:** Bill Reeve - Transport Scotland.doc; Bill Reeve - Enclosure.pdf

To advise Ministers of a letter received from CEC today concerning the anticipated cost of the tram project exceeding the terms of the Grant Letter.

Formal advice has now been received from CEC and tie (letters attached to email below) that they will not be able to deliver phase 1a of the tram project within the budget of £545m. This means that CEC is no longer able to comply with one of the conditions of the Grant Letter through which they are funded by the Scottish Government.

We shall be taking further legal advice concerning the letter from CEC. However, the possibility of this circumstance has been anticipated in previous briefings. The terms of the grant afford Ministers a number of options in such circumstances, including, at Ministers' discretion, the serving of a Cure Notice which would require CEC to provide Ministers with its plan to remedy the identified problem.

It is likely that the response to the Cure Notice would comprise a proposal to pursue the commercial plan which tie has previously outlined and is currently pursuing. Therefore a Cure Notice may not achieve any practically different result from that which is currently happening.

A meeting has been arranged between the Cabinet Secretary and Minister and tie on 21 June. It is suggested that further consideration of any response to today's letter should be made after that meeting.

Bill Reeve

Director, Rail Delivery  
Transport Scotland

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**From:** Jane Turner <[Jane.Turner@edinburgh.gov.uk](mailto:Jane.Turner@edinburgh.gov.uk)>  
**To:** Reeve W (Bill)  
**Cc:** Andy Conway <[Andy.Conway@edinburgh.gov.uk](mailto:Andy.Conway@edinburgh.gov.uk)>; Ramsay J (John); [david.mackay@tie.ltd.uk](mailto:david.mackay@tie.ltd.uk) <[david.mackay@tie.ltd.uk](mailto:david.mackay@tie.ltd.uk)>  
**Sent:** Thu Jun 10 08:46:36 2010  
**Subject:** EDINBURGH TRAM  
Please find attached letter from Dave Anderson.

Jane Turner  
Director's Administrator  
City Development Department  
The City of Edinburgh Council  
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