

From: Campbell Docherty  
Transport Scotland Communications  
9 September 2011

Cabinet Secretary for Infrastructure and Capital Investment  
Minister for Housing and Transport

## **EDINBURGH TRAMS – DIRECT INVOLVEMENT OF TRANSPORT SCOTLAND – COMMUNICATIONS HANDLING**

### **Purpose**

1. Further to a meeting between Ministers and Transport Scotland (TS) officials on Thursday 8 September, Ministers have asked for advice on presentational handling of the decision that TS will have a more direct role in the delivery of the Edinburgh Trams project in partnership with City of Edinburgh Council (CEC). This note sets out suggested key messages, a draft news release with a media briefing sheet for approval.

### **Priority**

2. **Immediate.** This announcement requires to be timed immediately following a meeting between CEC and TS on **Tuesday 13 September**. This will allow CEC to conclude the necessary revised agreements with its contractor to recommence work on the project. In order for the news release to include positive quotes from CEC and the contractor it would be helpful to have Ministerial approval by **4pm on Monday 12 September** to allow necessary dialogue with the relevant parties.

### **Handling**

3. This announcement will generate significant interest from the media at an Edinburgh, Scottish and potentially UK level. We propose a Ministerial news release from the Cabinet Secretary for Infrastructure and Capital Investment, followed by an off camera, on the record press briefing supported by TS Director Ainslie McLaughlin, followed by one-to-one media interviews with the Cabinet Secretary. A media briefing sheet will also be prepared. This could feature quotes from CEC and its contractor to create a positive, forward-looking and, crucially, consensual atmosphere around the governance revision. **Exact timings will be discussed further with Private Office and Special Advisors given the meeting with CEC scheduled for 3pm and the Cabinet meeting at 4pm on Tuesday 13 September.**

4. Ministers will want to consider whether they wish to undertake media bids around this announcement. We can expect interest from GMS and Newsnight in particular. Given the interest and comment this announcement will generate, we would advise Ministers to undertake interviews with key media to reinforce our messages and deal with any running issues.

5. The following materials are attached for approval:

**Annex A: Key Messages & Core Script**  
**Annex B: Q&A**  
**Annex C: Draft News Release & Media Briefing Sheet**

**Next Steps**

6. TS Communications will work closely with Ainslie McLaughlin and other officials to ensure appropriate agreements are in place to manage reputational risks to the Scottish Government during project delivery. To this end, we are planning to meet with CEC on Monday to clarify its current wider communications strategy (including plans for communicating with directly affected businesses, communities and wider stakeholders) and governance arrangements with a view to securing appropriate visibility and influence.

**Conclusion**

7. Ministers are invited to:
- approve the handling approach outlined above;
  - approve the news release and briefing materials in Annex C; and
  - note or comment on the contents of Annexes A & B.

Campbell Docherty  
TS Communications  
Ext [REDACTED]

9 September 2011

## ANNEX A

### **KEY MESSAGES & CORE SCRIPT**

- **Ministers are taking this unique and unprecedented step because CEC are still not in a position to guarantee that even the latest £776 million estimate will be enough to complete the project to St Andrew's Square.**
- While the contractual difficulties appear to have been resolved and a clear way forward for the project established, there is still no fixed price for the whole project and significant risks remain in completing the crucial Haymarket to St Andrew's Square section because of previous failures to clear the path of the utilities.
- Tight robust project management is now essential to ensure as far as possible these risks are properly managed and controlled to prevent further cost overruns.
- Ministers and CEC agree that Transport Scotland's expertise in successful delivery of major transport infrastructure is now essential to assist in completion of Edinburgh Trams.
- TS has already played a key supporting role in the mediations that have been ongoing since March which have resulted in the resolution of the long running contractual disputes that have dogged the project for so long.
- This move builds on that partnership approach to finding the best possible outcome for the public purse.
- Audit Scotland suggested in February that TS' expertise could assist with delivering the project.
- TS has a strong record of efficient transport infrastructure delivery, including the M74 Completion, M80 Steps to Haggis, Clackmannanshire Bridge, Airdrie-Bathgate Rail Link among others. It is currently delivering the Forth Replacement Crossing project and a number of other projects.
  
- **This is not a magic wand and significant challenges and uncertainty still remain for the project. The Scottish Government is clear that all remaining risks to the public purse must now be fully understood and mitigated.**
- The risk to the public purse represented by the sheer amount of utilities that still require to be moved or indeed moved *again*, despite the MUDFA works which four years ago, is simply unacceptable (estimated at up to 700 separate utilities conflicts) and a clear failure of the previous management of the project under TIE.
- This situation is clearly one of the main factors in the perilous situation the project reached and we must be clear on the extent of the challenge facing us in order to protect the public purse.
- TS' immediate focus will be helping CEC work with its contractor and the utilities companies to mitigate these risks as far as possible.
  
- **Edinburgh Trams remains a City of Edinburgh Council project and they will remain the client under the contract.**

- The Scottish Government does not propose to increase the grant of £500m which Parliament voted for, opposed by the SG, in June 2007.
  - TS is taking a direct role in Trams for the first time to assist in direct operational delivery to ensure - between CEC and TS - we have the best possible expertise available to finally make good on the public money spent on this project.
  - A public inquiry is inevitable - and to be welcomed - into the circumstances around the severe difficulties the Edinburgh Trams project has faced.
  - However, it is vital for the public purse and the worldwide reputation of Scotland and it's capital city that a line is now drawn and the project proceeds to delivery as smoothly and efficiently as possible.
  - It is also vital that disruption to the public in Edinburgh is kept to a minimum and those businesses and communities directly affected by works are kept regularly informed.
- 
- The Scottish Government has been forced to step now because despite assurances TIE was still giving up until the start of this year that they could resolve this dispute it is clear that they were simply not up to the job.
  - It is important to remember that CEC had already set up TIE in 2002 as its own expert transport delivery body expertise in TIE to manage the Trams and a number of other projects.
  - Any direct involvement from TS earlier in this project – however desirable that might be now in hindsight – would have resulted in confused project management and been completely impractical given that TIE was already set up to perform this expert role.

## ANNEX B

### Q&A

#### Edinburgh Trams: Q & A

**Q1: Will tram services be included in the National Concessionary Fares Scheme?**

A While we recognise the significant investment being made and still to be made in the Edinburgh Trams project, and the associated social and economic benefits that will follow, a decision of whether to extend concessionary travel to tram services will be made nearer to the project's conclusion

**Q2: Will the Scottish Government contribute any funding on top of the £500 million grant agreed in 2007 to help the Council with the increased cost of the project?**

A: Parliament has been reminded that funding remains capped at £500m for this project. As Parliament recognised in 2007, the project's promoter, the City of Edinburgh Council is wholly responsible for cost over-runs. Additionally, The City of Edinburgh Council has already confirmed that it is able to fund the additional cost responsibilities through prudential borrowing.

**Q3: Why did TS not take a more active role earlier while public money was being paid out.**

A: This is a unique and unprecedented move and it builds on the role TS played supporting the recent contractual mediation process. The Scottish Government has been forced to step in when it became clear that TIE had lost control of the project.

It is important to remember that CEC had already set up its own body of transport delivery expertise in TIE to deliver Trams and a number of other projects.

Any direct involvement from TS earlier in this project – however desirable that might be now in hindsight – would have been completely impractical given there was a body already set up to perform this expert role.

When the severe difficulties became apparent, we were also acutely aware that changes to the governance structure or withholding grant monies would have been seriously detrimental to the Council's attempts to resolve the contractual dispute.

**Q4: When will the Scottish Government set up a public inquiry to establish what has gone wrong with this project?**

A: The Scottish Government will be delighted to have a public inquiry into the trams fiasco, and will do so once there is greater clarity about the direction of the project so that its full circumstances can be examined.

We have already said that there will be a public inquiry into the trams project—the First Minister has confirmed that—but we will decide the remit and timetable for and the

composition of that inquiry at a later date. The important priority is to ensure that the project is delivered and finalised in the best way possible.

**Q5: Will the Scottish Government re-instate the remaining £72m grant support to the Council?**

A: We believe the decision to take the scheme to St Andrew's Square is the right one to deliver a viable tram scheme. We are currently discussing revised grant conditions with the Council for the release of the remaining £72m.

**Q6: What confidence does Transport Scotland have in CEC's estimates for the various options presented at its most recent meeting ?**

A: The City of Edinburgh is entirely responsible for the delivery of this project. Transport Scotland is not party to any of the contracts or the work on which the Council's estimates are doubtless based.

**Q7: Will Transport Scotland ensure that it is satisfied that the business case for the line going to St Andrew's square is robust, so that people can again have confidence that transport projects will be delivered on time and within budget?**

A: TS has a strong record of efficient transport infrastructure delivery, including the M74 Completion, M80 Stepps to Haggs, Clackmannanshire Bridge, Airdrie-Bathgate Rail Link among others. It is currently delivering the Forth Replacement Crossing project and a number of other projects

This is not a magic wand and significant challenges and uncertainty still remain for the project. The Scottish Government is clear that all remaining risks to the public purse must now be fully understood and mitigated.

The delivery of the project is and always has been the responsibility of the City of Edinburgh Council. We recognise the complexities and difficult circumstances that the council has faced as it has sought to make the right decisions for the people of Edinburgh.

## ANNEX C

### **DRAFT NEWS RELEASE & MEDIA BRIEFING SHEET**

#### **News Release**

#### **TRAMS ROLE FOR AGENCY TO 'PROTECT THE PUBLIC PURSE'**

The Scottish Government has confirmed its transport agency, Transport Scotland, is to play a new role in the delivery of Edinburgh Trams.

Cabinet Secretary Alex Neil said the agency will work closely with City of Edinburgh Council, providing technical assistance as the Council now moves forward with a revised scheme between St Andrews Square and Edinburgh Airport. This follows resolution of a protracted contractual dispute between CEC and its contractors Bilfinger Berger.

The move is part of CEC's revised governance structure for the project and the Scottish Government and the council have agreed that Transport Scotland's expertise in the successful delivery of major transport infrastructure projects - such as the new M74 and M80 motorway links - should be made available to assist completion of Edinburgh Trams.

Alex Neil, Cabinet Secretary for Infrastructure and Capital Investment, said:

"We are taking this unique and unprecedented step because CEC are still not in a position to guarantee that even the latest £776 million estimate will be enough to complete the project to St Andrew's Square.

"While the contractual difficulties appear to have been resolved and a clear way forward for the project established, there is still no fixed price for the whole project and significant risks remain in completing the crucial Haymarket to St Andrew's Square section.

"The Scottish Government, through Transport Scotland, has recently delivered projects like the M74 Completion early and under budget and secured significant savings on the three contracts to deliver the new Forth Replacement Crossing.

"Tight robust project management is now essential to ensure as far as possible these remaining risks on Trams are properly managed and controlled to prevent further cost overruns."

Mr Neil sounded a clear note of caution that the Government remained concerned about the significant risk still posed by up to 700 separate instances where utilities remain in conflict with the project design – some even after they were diverted as part of the earlier utilities diversion works contract.

Mr Neil said:

"It is important to understand this move is not a magic wand and significant challenges still remain for the project.

“The Scottish Government is clear that all remaining risks to the public purse must now be fully understood and mitigated and my officials in Transport Scotland will be focused on helping the Council work with its contractor and the utilities companies to mitigate these as far as possible.

“Edinburgh Trams remains a City of Edinburgh Council project and they will remain the client under the contract. The Scottish Government also does not propose to increase the grant of £500m, which we opposed but Parliament voted for in June 2007.

“However, we recognise the real challenges and complexities the Council has faced and commend the steps that Council officials have taken to put the project back on track. Transport Scotland is taking a direct role in Trams for the first time to assist in direct operational delivery to ensure - between CEC and TS - we have the best possible expertise available to finally make good on the public money spent on this project.”

Mr Neil added that while there was numerous questions to be answered about the difficulties the project has run into but said the project team needed to be focused on finally delivering a viable tram service for the people of Edinburgh and making good on the public expense.

He said:

“A public inquiry is inevitable - and to be welcomed - into the circumstances around the severe difficulties the Edinburgh Trams project has faced. However, it is vital for the public purse and the worldwide reputation of Scotland and its capital city that a line is now drawn between the past and the future and the project proceeds as smoothly and efficiently as possible.”

CEC has calculated that the overall budget for the project is now £776m, comprising of a base budget of £742m and a risk allowance of £34m.

This increase of £231m above the original project budget of £545m will be funded through the Council’s prudential funding facility.

**\*\*CEC QUOTE (tbc)\*\***

**\*\*BILFINGER BERGER QUOTE (tbc)\*\***

### **Notes To Editors**

1. CEC announced last week that it has agreed that the necessary diversions for Princes Street - previously planned for 3/4 September 2011 - will be introduced the weekend of 17/18 September 2011. These diversions will take place on a phased basis from 5am on Saturday 17 September 2011 with the full diversion in place by Monday 19 September 2011. These remedial works will at the contractor’s expense.



Full details of the diversions are available on the Edinburgh Tram website [www.edinburghtrams.com](http://www.edinburghtrams.com).

2. Transport Scotland is the Scottish Government's national transport agency responsible for; aviation, bus, freight and taxi policy; coordinating the National Transport Strategy for Scotland; ferries, ports and harbours; impartial travel services; liaising with regional transport partnerships, including monitoring of funding; local roads policy; major public transport projects; national concessionary travel schemes; rail and trunk road networks; sustainable transport, road safety and accessibility; the Blue Badge Scheme. Transport Scotland is an Executive agency accountable to Scottish Ministers. Our website is [www.transportscotland.gov.uk](http://www.transportscotland.gov.uk)

3. For further information please call Transport Scotland Communications on [REDACTED]

## **Media Briefing Sheet**

### **Why is this happening?**

- Ministers are taking this unique and unprecedented step because CEC is still not in a position to guarantee that even the latest £776 million estimate will be enough to complete the project to St Andrew's Square.
- While the contractual difficulties appear to have been resolved and a clear way forward for the project established, there is still no fixed price for the whole project and significant risks remain in completing the crucial Haymarket to St Andrew's Square section because of previous failures to clear the path of the utilities.
- Tight robust project management is now essential to ensure as far as possible these risks are properly managed and controlled to prevent further cost overruns.
- Ministers and CEC agree that Transport Scotland's expertise in successful delivery of major transport infrastructure is now essential to assist in completion of Edinburgh Trams.
- TS has already played a key supporting role in the mediations that have been ongoing since March which have resulted in the resolution of the long running contractual disputes that have dogged the project for so long.
- This move builds on that partnership approach to finding the best possible outcome for the public purse.
- Audit Scotland suggested in February that TS' expertise could assist with delivering the project.
- TS has a strong record of successful, efficient transport infrastructure delivery, including the M74 Completion, M80 Stepps to Haggs, Clackmannanshire Bridge, Airdrie-Bathgate Rail Link among others. It is currently delivering the Forth Replacement Crossing project and a number of other projects.

### **Is TS taking the project over?**

- No. Edinburgh Trams remains a City of Edinburgh Council project and they will remain the client under the contract.
- This is not a magic wand and significant challenges and uncertainty still remain for the project. The Scottish Government is clear that all remaining risks to the public purse must now be fully understood and mitigated.
- The risk to the public purse represented by the sheer amount of utilities that still require to be moved or indeed moved *again*, despite the MUDFA works which four years ago, is simply unacceptable (estimated at up to 700 separate utilities conflicts) and a clear failure of the previous management of the project under TIE.
- This situation is clearly one of the main factors in the perilous situation the project reached and we must be clear on the extent of the challenge facing us in order to protect the public purse.
- TS' immediate focus will be helping CEC work with its contractor and the utilities companies to mitigate these risks as far as possible.

- The Scottish Government does not propose to increase the grant of £500m which Parliament voted for, opposed by the SG, in June 2007.
- TS is taking a direct role in Trams for the first time to assist in direct operational delivery to ensure - between CEC and TS - we have the best possible expertise available to finally make good on the public money spent on this project.

### **Why Now?**

- The Scottish Government has been forced to step now because despite assurances TIE was still giving up until the start of this year that they could resolve this dispute it is clear that they were simply not up to the job.
- It is important to remember that CEC had already set up TIE in 2002 as its own expert transport delivery body expertise in TIE to manage the Trams and a number of other projects.
- Any direct involvement from TS earlier in this project – however desirable that might be now in hindsight – would have resulted in confused project management and been completely impractical given that TIE was already set up to perform this expert role.

### **What about a public inquiry?**

- A public inquiry is inevitable - and to be welcomed - into the circumstances around the severe difficulties the Edinburgh Trams project has faced.
- However, it is vital for the public purse and the worldwide reputation of Scotland and it's capital city that a line is now drawn and the project proceeds to delivery as smoothly and efficiently as possible.
- It is also vital that disruption to the public in Edinburgh is kept to a minimum and those businesses and communities directly affected by works are kept regularly informed.