

Capital trams project set to roll through £600m mark

Dispute with contractors could take 'months rather than weeks' to conclude

BY STEVEN VASS

EDINBURGH tram chiefs are set to admit that the project costs will breach the £600 million mark, as it emerged that the dispute with the contractors could rumble on for months to come.

Although it was originally expected that the £80m adjudication process initiated last year by tram overseer Transport Initiatives Edinburgh (TIE) would be concluded by Christmas, the Sunday Herald understands that only four out of 12 separate issues have been resolved. Add to this a revelation that a separate negotiation between TIE and the construction consortium BSC concerning the future of certain controversial stretches of road is likely to add a figure in the "low double-digit millions" to the project, it is now expected that the final estimate will now shoot past the previous figure of £545m and possibly exceed £600m.

Since there is not even £545m of public money available, it looks increasingly likely that council contingency plans to mortgage the future income of the project will become a reality.

Meanwhile, one senior source said that it was likely to be "months rather than weeks" before the adjudication process reached an end. This is stoking fears that critics' predictions of a 2013 completion date will be borne out.

Shirley-Anne Somerville is the SNP MSP for the Lothians and a consistent critic of the project who has predicted it will end up costing between £650m and £750m. She said she was "disappointed" with these latest revelations.

She said: "We were assured last summer that we would be told in January how much the project would cost, but now we don't even know when the adjudication will end.

"It's a new year. It could have been a new start for both sides. What people want to know is, how much is it going to cost and where is the shortfall going to be paid from? At the end it's the Edin-

burgh taxpayer that will suffer."

The fact that the adjudication still shows no sign of concluding means that the dispute, which began last February, will almost certainly continue for more than a year.

The dispute concerns various disagreements over who should pay for delays caused by design changes and unexpected problems with utility infrastructure. After negotiations failed in the first half of last year, TIE triggered formal adjudication proceedings in August with a view to getting the contractual work completed in the earliest possible time frame.

INSTEAD, it appears that more and more issues have been rolled into the adjudication, with points being scored on both sides. The Herald yesterday reported that the most recent adjudication, concerning piling work carried out at Russell Road near Murrayfield Stadium, went 90% against TIE to the effect that the agency's increased overall bill for that issue alone was £4.5m.

However, a senior source insisted this was misleading, and that TIE thought it had won some important points on the adjudication that could have a wider application to future issues. Another senior source said that successes and failures for both sides in the adjudication process meant that the current result amounted to a "score draw". This then prompted Ms Somerville to decry the "spin and counter-spin" that was taking place between the parties.

The separate negotiation concerns the stretches on Leith Walk and Shandwick Place, following BSC's demand last autumn for a new deal that would permanently fix the costs in both areas regardless of other unexpected discoveries during the process. Such an agreement made it possible for work to take place on Princes Street last year, but these negotiations have now also become acrimonious and sources are divided as to when they would conclude.

One said they were "slugging it out but 95% complete" and would probably reach agreement before the end of next month, while another insisted it could take longer. Work is suspended in both areas until a deal is reached. With TIE having to pay extra for the certainty that any such agreements would produce, one well-placed source said that a deal was likely to be in the "high single-digit or low double-digit" millions.

There are also hints that separate similar negotiations might yet kick off over other road stretches and it is understood that TIE will not revise the budget or timetable until more of the adjudications and these other negotiations are resolved. TIE chief executive Richard Jeffrey's most recent public statement is that it will complete in 2012 and that £545m will be difficult but not impossible to achieve.

In the meantime, work is continuing in areas away from the roads. Having proved less contentious, these include the Haymarket viaduct, Carrick Knowe bridge, Gogar bridge and the airport.

Mandy Haeburn Little, director of customer services and communications for the Edinburgh Tram Project said: "We will not be commenting on confidential and commercially sensitive negotiations, particularly when the information presented to us is inaccurate and from unnamed sources.

"We do not believe that this kind of reporting is helpful as we work to deliver the Edinburgh Tram Project for the fairest price and in the quickest timescale."

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A static display tram is as close as Edinburgh has got to the real thing
Terris

Photograph: Gordon

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