
From: Park A (Andy)
Sent: 19 February 2007 10:08
To: Sharp DP (Damian); MacDonald TR (Tom); Patel DR (David); Duffy F (Frances); Anderson D (David); McMahon S (Steven); Duffy F (Frances)
Cc: Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)
Subject: Re: Edinburgh Trams - draft papers for collective consideration

Damian

Thanks for the clarification. I had been unable to quite work out if the current tie estimates had been subject to non-standard inflation (ie > 2.5%) to bring them to outturn prices and so thought there may be an effect from this. Following your clarification that the spot cost (in actual prices) from tie has not changed I would agree that the BCR issue is not that important, per se.

From the TS view, the £20mill in 2002 prices also needs discounting from 2011 to 2002 so the impact will be less - I suspect in the order of 1.07. As such 1.1 is likely to remain correct even if 1.10 isn't technically so.

Thanks and apologies if I have added unnecessarily to your workload at a busy time.

Yours,

Andy

Dr. Andy Park
Strategy and Investment
Transport Scotland
Tel: [REDACTED]
Mob: [REDACTED]

Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Sharp DP (Damian)
To: Park A (Andy); MacDonald TR (Tom); Patel DR (David); Duffy F (Frances); Anderson D (David)
CC: Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)
Sent: Mon Feb 19 09:51:16 2007
Subject: RE: Edinburgh Trams - draft papers for collective consideration

Andy

Thanks for your very quick turnaround of this information. The very tight deadlines are as you say imposed by the lateness of material being delivered from tie and this issue is indeed reflected in the risks.

I would like to offer some reassurance when it comes to what has changed since colleagues saw earlier versions of the drafts. 2 types of thing have changed:

* I have attempted to reconcile the various comments about the drafts (and indeed have done that again following the circulation of this set of drafts)

* tie has submitted new information about the capital cost and the drafts have been amended to reflect that

I will this morning supply a copy of what tie has provided in relation to the capital costs but the majority of the work validating that was carried out by my team at tie's offices by review of key documents underpinning the cost estimates.

Your main point is that the BCR does not reflect the revised cost estimate. Given that tie's revised cost estimate for Phase 1a is £477.5-517.5m versus a "spot" cost of £500m, tie does not consider that any change is necessary. The BCR of 1.10 remains tie's calculation.

The advice highlights that Transport Scotland's review of the capital cost does not come to the same answer and the essential difference is that we are not prepared to count savings which are not specifically identified, have an owner, probability and action plan. This means that our cost estimate is higher. This is a significant issue for affordability and, as you say, possibly an issue for BCR.

I do not see it as productive to enter into a debate with tie as to whether they should change their BCR. I have, however, done a very rough and ready calculation which is that an additional £25m in 2011 prices deflates to approximately £20m in 2002 prices at 2.5%. That would change the BCR calculation from 373/340 to: 373/360 ie 1.04 - alternatively £33m in 2002 prices gives us a possible capital cost of £541m before we break even in BCR terms (assuming no change to benefits). We would therefore run out of affordability before the BCR reached unity.

I have therefore included your text as amplified slightly (see below) in the annex. Text now reads:

"These figures do not reflect initial consideration of Infracore bids received by tie. Transport Scotland's view of the costs would have a negative impact on these figures but the BCR of Phase 1a would remain marginally above 1."

I have accepted the remaining changes verbatim.

Damian

-----Original Message-----

From: Park A (Andy)

Sent: 16 February 2007 14:16

To: Sharp DP (Damian); MacDonald TR (Tom); Patel DR (David); Duffy F (Frances); Anderson D (David)

Cc: Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)

Subject: RE: Edinburgh Trams - draft papers for collective consideration

Damian

Please find comments attached in tracked changes. A couple are simply typographical (although I have not focused on proof reading, given the time constraints).

I am afraid that I feel I must remark that the timeframe that has been available to comment on this is wholly inappropriate given the importance of the note and likelihood of it leading to the expenditure of £500m of public money. I realise that this is the fault of me in delaying submitting material and am glad that this issue is reflected in the risks.

However, it would have been extremely helpful to have been given significantly more time to comment and to have access to the new material that the note is based on, rather than to restrict comment to the note in itself..

My main issue is that the BCR does not reflect the updated costs and it has not proved possible, in the 4 hours available, to reconcile the two. It is my firm belief that, in an ideal world, the decision point in terms of the FBC would have taken place when the current (or better) estimates of the scheme costs were known. I also believe that the BCR should be updated to reflect the latest information. My additions to the document reflect an appropriate stance on this view.

I have added appropriate lines on the impact of the concessionary fares issue on accessibility and the fact that this issue, in terms of additional PSC, is not accounted for in the BCR (although I accept that this last point may be marginal).

I also removed "best practice" from a statement discussing how the STAG component of the work was conducted as I do not believe the inclusion to be warranted.

There is a minor pedantic issue that discussion of how the project performs under the STAG criteria should not really be headed as Economic Viability but as I can't think of anything more appropriate in the context I have left this point.

The final sentence of the Annex has been changed to reflect that situation regarding the audit situation. Following our discussions, the view was taken that we had to accept the audit based on Scott Wilson's professional competence and the text now reflects this. You

will, of course, recall my concerns over potential doubt being cast on the possible propriety of a major consultant on the EARL team acting as an independent auditor on the trams.

Happy to discuss,

Andy

Dr. Andy Park

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-----Original Message-----

From: Sharp DP (Damian)
Sent: 16 February 2007 08:59
To: MacDonald TR (Tom); Patel DR (David); Park A (Andy)
Cc: Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)
Subject: FW: Edinburgh Trams - draft papers for collective consideration
Importance: High

Tom

David

Andy

To see revised papers to reflect consideration of comments and latest information from the following initial analysis of the Infraco bids. There are still a couple of numbers to plug in.

I am sorry to ask for comments so urgently but we only got final material from the this week. I would very much appreciate final comments by 2.00 pm today.

I will be in meetings for much of the day but am happy to be dragged out to talk to you if need be to resolve any outstanding issues.

I have made a variety of drafting/tidying up changes but key changes to earlier versions you have seen are:

Paper from Tavish Scott to Finance Minister, DFM, FM

- Revised capital cost table at para 13 – consequential amendment to first & second bullets of affordability section at para 14
- para 14 bullet points have been re-ordered and re-structured to reflect the 3 tests (economic viability, financial viability, affordability)
- Financial viability bullets – new bullet point pointing out reliance on TEL business plan on passenger growth and RPI+1 fares increases – goes on to point out Lothian Buses has achieved greater annual growth rates over last 8 years than forecast in business case
- Financial viability – concessionary fares pressure – initial estimate of potential pressure of £2-3m per annum identified but offset against reduction in Bus Service Operators Grant identified – is this right?
- Affordability – section substantially revised in light of Infraco bids and additional tie responses on risk
- bullet point on potential quality of Infraco bids removed now that we have received them

Annexes

- Annex C has been completed to cover scheme facts and a description of the proposed bus service alterations – this description is drawn up from the TEL business plan and is therefore the up-to-date position
- Annex A – new para 4 to cover patronage growth & new paras 6-8 to cover commentary on tie's cost estimates especially in relation to risk
- Annex B – general updates to risk matrix plus significant change to entries on affordability and contingency in line with main submission

Damian



-----Original Message-----

From: Sharp DP (Damian)

Sent: 22 January 2007 10:21

To: Minister for Transport

Cc: PS/Transport Scotland; PS/Perm Sec; PS/ETLLD; Ewing JA (John); Reeve W (Bill); Duffy F (Frances); Patel DR (David); Ramsay J (John); Davis L (Lorna); Press Transport Scotland; Ghibaldan S (Sam); Colwell A (Adrian); Tattersall J (Jessica); Communications Transport; Spence M (Matthew); Adamson L (Lucy); Spencer FM (Fiona); Dow DM (David); MacDonald TR (Tom)

Subject: Edinburgh Trams - draft papers for collective consideration
Importance: High

Minister

Following feedback that the trams project will not need to go to full Cabinet and discussions with Finance Officials I attach an updated version of the paper. This is very much still in the style of paper that Cabinet would require given the collective Ministerial discussion that will follow.

There are some bits of the paper where details need to be checked and factual information added. This is ongoing but I thought it better to provide you with a substantially complete draft paper now while we complete all the details before circulating it formally for others Ministers' agreement.

The papers include an additional Annex which includes further information about the scheme and summarises development up until the previous collective Ministerial consideration in January 2006.

You may wish to let the Minister for Finance have a copy of these updated papers before you meet him on Wednesday.

I am working on a revised covering minute.

Damian

-----Original Message-----

From: Brown F (Fee) On Behalf Of Spencer FM (Fiona)

Sent: 05 January 2007 16:03

To: Minister for Transport

Cc: PS/Transport Scotland; PS/Perm Sec; PS/ETLLD; Reeve W (Bill); Duffy F (Frances); Patel DR (David); Sharp DP (Damian); Ramsay J (John); Davis L (Lorna); Press Transport Scotland; Ghibaldan S (Sam); Colwell A (Adrian); Tattersall J (Jessica); Communications Transport; Spence M (Matthew); Adamson L (Lucy); Spencer FM (Fiona)

Subject: Proposed Cabinet Memorandum: Edinburgh Trams: Pre-Digest Minute: January 2007

Minister

I attach for your consideration a draft pre-digest minute together with the Cabinet Memorandum on the Edinburgh Trams and the associated Annexes. Cabinet Secretariat advise that, for the paper to be considered on 21st February it needs to go into pre-digest by 5 February at the latest, with responses required from other Ministers by 13 February so that comments can be addressed and the Memorandum put forward to FM and DFM on the 14th of February.

If the paper enters pre-digest earlier then it would allow time, if you wish, for a meeting with the Minister for Finance during the pre-digest period. It would be worth considering this as it would help to ensure that we are able to address fully any points he may wish to raise. We have arranged to meet Finance officials next Thursday (12th) for a preliminary discussion so that officials are properly prepared should you wish a discussion with their Minister.

<< File: Cabinet Paper_Edinburgh3.doc >> << File: Trams - final draft Cabinet Paper.doc >> << File: Trams - Annexes1.doc >>

Fiona

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