
From: PS/Transport Scotland
Sent: 21 February 2007 10:10
To: Ewing JA (John)
Cc: Sharp DP (Damian); Reeve W (Bill)
Subject: RE: FOR ACTION - Edinburgh trams

John

Thanks for your message, and sorry for the delay. My blackberry was in the blackberry clinic at Saughton House when you called.

Damian and Andy Park have discussed Andy's comments on the BCR recalculation issue and you will have seen the e-mail that Damian sent on this issue yesterday.

The text of the advice that has gone forward highlights that the BCR has not been recalculated in light of Transport Scotland's assessment of the cost but that this would still leave the BCR above 1. Andy Park and Damian have looked at the sensitivity figures roughly and come up with figures of around 1.04 or 1.07 – Andy's is higher and better informed! Exact quote from paper below:

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

So advice to Ministers now takes account of this issue. Essentially in this marginal business case any adjustment would mean that the case would remain marginal but positive.

You also raise the broader issue about our commitment to review the business cases of schemes at key decision points. We would argue very strongly that the treatment of the tram has been consistent with our treatment of other major schemes – most notably the Borders. Damian feels a very strong professional obligation to defend the giving of objective advice to a comparable standard and then to implement Ministers' decisions following their consideration of that advice whatever their decision is.

It is worth noting that tie recalculated the BCR of the scheme when they submitted the draft FBC and the issue is whether they should have recalculated it again on receipt of the Infraco bids. They should if there was any significant change in the capital cost but tie argues that the range for 1a is now £477.5 – £517.5m and the earlier figure of £500m is in the middle of that range so no change to the BCR is required. That is their prerogative. It is our role to advise on the appropriateness of that.

For trams we have done exactly as we did for Borders in referring to benchmark data, in analysing and commenting on the business case and in making a recommendation. We did not recalculate the BCR for Borders ourselves and it would not be normal for us to do so. I would draw a distinction between re-working the Promoter's analysis (which we don't do) and advising on the strengths and weaknesses of their analysis (which we have done). I think you can therefore be assured that we have treated Tram fairly and with equal rigour to how we have treated other schemes.

I recognise that the tram scheme has been and remains contentious. However, it is worth recalling that it has always enjoyed support from the Transport Minister of the day, and remains a

partnership agreement commitment, albeit caveated. My view is that, providing that the scheme continues to meet the basic BCR test, it is wrong to keep going back to first principles. Ministers have consciously agreed that a tram scheme has a positive part to play in solving Edinburgh's evident transport and environmental problems. Whilst on paper and in certain assumed conditions a bus alternative might be able to play a similar role, all the evidence is that bus solutions fail to achieve the modal shift of a tram scheme, and will not provide the transformational change that has been seen most recently in Nottingham and Dublin but is also a characteristic of longer-established schemes. However much our bus policy colleagues may regret this, that is the context, and I would hope that we could go forward jointly on that basis.

Malcolm

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

From: Ewing JA (John)

Sent: 16 February 2007 16:49

To: PS/Transport Scotland

Subject: FOR ACTION - Edinburgh trams

Importance: High

Malcolm

Left a message on your Blackberry to call me but in case we don't connect I thought I would drop you this line.

I've been trying to follow today's exchanges on the trams paper for Ministers, and am a little concerned from Andy Park's comments that there hasn't been time to recalculate the BCR figure for the project on the basis of Transport Scotland's view of costs. Instead the paper relies on tie's estimates, but acknowledges that if the revised cost information was included the BCR would likely to be lower from what is already a marginal figure.

Its your call, but I would be concerned that not recalculating the BCR is incompatible with the assurances which have been given to the Parliament and MSPs, budget reviewers etc., that at each stage in the major projects when a go ahead is given or funds released a reassessment of the economic case is made. Personally I wouldn't feel comfortable relying on tie's figures alone but I am no longer close enough to the project to make that judgement and you may have access to other information which would give you the degree of comfort needed.

Happy to discuss.

John