

**From:** Ramsay J (John)  
**Sent:** 30 April 2008 17:10  
**To:** Cabinet Secretary for Finance and Sustainable Growth; Minister for Transport, Infrastructure and Climate Change  
**Cc:** DG Economy; Cabinet Secretariat inbox; PS/Transport Scotland; Reeve W (Bill); Duffy F (Frances); Houston G (Guy); Prentice S (Scott); Milligan S (Steve); Savage N (Nadia); Communications Finance and Sustainable Growth; Press Transport Scotland; Noon S (Stephen); Pringle K (Kevin)  
**Subject:** RE: EDINBURGH TRAMS: Revised Arrangements for Financial Close and Ministerial Acknowledgement on Tram Publicity Material

Cath

In response to the Cabinet Secretary's request for more information etc, please see further details below.

The potential for programme slippage on this project is due to the protracted time that it has taken all parties, City of Edinburgh Council / Tie.Ltd, Bilfinger Berger Siemens (the preferred Infrastructure contractor), CAF (the preferred Tram builder) and Parsons Brinkerhoff (the current design contractor, SDS) to reach agreement on the final contract detail. The Final Business Case set out the agreed sequenced procurement strategy which required novation, initially of the design contractor SDS to Bilfinger Berger Siemens and thereafter of CAF. The design of the procurement strategy is not the traditional route that has been applied so far by previous light rail promoters in the UK but it was designed in the light of (often expensive ) lessons learnt from such procurements to ensure that the Edinburgh Tram project provided optimum risk transfer from the public sector.

Given this, both Tie.Ltd and City of Edinburgh Council had advised Transport Scotland that they had both anticipated some delay in reaching Financial Close and built in a degree of flexibility into the programme to accommodate this since both preferred main contractors had hitherto presented no antipathy to the agreed procurement route. This was consistently reported by Tie.Ltd indicating possibility of delay in Financial Close up to end of March 2008 (substantiated by Tie.Ltd issuing the formal EC Intention to Award notice on 19 March) However, we now understand that a combination of due diligence / contractual complexity, currency fluctuation and differing parent company cultures have apparently led to more protracted and difficult negotiations and have caused postponement to 2 May 2008. (latest advice)

City of Edinburgh Council agreed last summer that together with continued financial support from the Scottish Government to the cap of £500 million, they would accept responsibility for further cost and programme delay. Since then Transport Scotland has adhered to Ministers' wishes that it should adopt a more remote engagement with the project management of the Tram project and has since relied on receipt of formal 4 weekly project promoter's reports, not least because of the risk that more pro-active engagement with its promoters could compromise the agreed position on risk and on City of Edinburgh Council's ultimate responsibility for cost and programme management. These are subsequently reviewed with the promoter reports with particular emphasis on any potential impact on Transport Scotland's overall funding programme and costs. On the last point the Financial Agreement between Transport Scotland and City of Edinburgh

Council includes agreed spread of funding over the next 3 years. CEC have already acknowledged in their monthly reports that they are aware that a combination of programme delay and Transport Scotland's ring fenced budget (SR07) may force them to borrow more in the next 2 years as the onus is on them to borrow rather than us change our spending profile.

As mentioned, the last formal report indicated a continuing expectation of an end of March Financial Close and possibility of delay. The next formal report is now due, but until then Transport Scotland is unsighted on the full impact of the further delay in Financial Close on the overall programme. However, and in advance of that report, Transport Scotland have already requested a full explanation of slippage to 2<sup>nd</sup> May and an impact assessment including an updated programme of works through to completion. Transport Scotland cannot be certain that there will be delay. However, in the absence of the latest report from CEC of any revised programme and in the light of the delayed Financial Close, it seems reasonable to highlight a risk to the programme.

We will provide further advice in the light of the latest report, once received.

John Ramsay  
Project manager - Edinburgh Trams  
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**From:** Henderson C (Catherine) **On Behalf Of** Cabinet Secretary for Finance and Sustainable Growth  
**Sent:** 30 April 2008 10:26  
**To:** Ramsay J (John); Minister for Transport, Infrastructure and Climate Change; Cabinet Secretary for Finance and Sustainable Growth  
**Cc:** DG Economy; Cabinet Secretariat inbox; PS/Transport Scotland; Reeve W (Bill); Duffy F (Frances); Houston G (Guy); Prentice S (Scott); Milligan S (Steve); Savage N (Nadia); Communications Finance and Sustainable Growth; Press Transport Scotland; Noon S (Stephen); Pringle K (Kevin)  
**Subject:** RE: EDINBURGH TRAMS: Revised Arrangements for Financial Close and Ministerial Acknowledgement on Tram Publicity Material  
**Importance:** High

John

Mr Swinney has seen your note and has asked for some further urgent advice on this. Mr Swinney would like to know why the timescale is slipping and what the impact of this is. He has commented that Ministers need clearer information on what is going on here.

Grateful for further advice on this by 6pm this evening.

Thanks

Cath

Cath Henderson

**DPS/Cabinet Secretary for Finance and Sustainable Growth**

You can view Mr Swinney's preferences at:  
<http://intranet/InExec/AboutUs/MinisterialPrivateOffices/Finance/CabSecFin>

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**From:** Ramsay J (John)

**Sent:** 29 April 2008 15:06

**To:** Minister for Transport, Infrastructure and Climate Change; Cabinet Secretary for Finance and Sustainable Growth

**Cc:** DG Economy; Cabinet Secretariat inbox; PS/Transport Scotland; Reeve W (Bill); Duffy F (Frances); Houston G (Guy); Prentice S (Scott); Milligan S (Steve); Savage N (Nadia); Communications Finance and Sustainable Growth; Press Transport Scotland; Noon S (Stephen); Pringle K (Kevin)

**Subject:** EDINBURGH TRAMS: Revised Arrangements for Financial Close and Ministerial Acknowledgement on Tram Publicity Material

Please see attached

<< File: Continued Progress to FC and Publicity Badging.doc >>

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