

From: John Ramsay
Rail Delivery, Transport Scotland
15 May 2015

Minister for Transport, Infrastructure and Climate Change

EDINBURGH TRAMS: Update on Current Status and Revised Programme and Cost.

Purpose

1. To advise you, of the revised "Open for Service" date and final cost increase, for the Edinburgh Tram Project.

Timing

2. Normal

Background:

3. The Minister was advised on 23 February 2009 that Tie has been conducting negotiations throughout the past six months with their contractors on the development of a "recovery" programme to mitigate the scale of slippage, since Financial Close last May. Sensitive commercial talks on related claims emerging from slippage have also been underway.
4. The commercial negotiations with one of the main contractors, Bilfinger, broke down in late February when Tie and CEC decided that it would not be commercially prudent to accept their proposed terms. This culminated in formal dispute resolution procedures being initiated by Tie on 19 February when Bilfinger refused to start work on Princes Street on 23 February as programmed.
5. Transport Scotland had been previously advised by CEC on 3 February, that the additional cost claims were capable of being settled within a range of base cost increases at a range between £528m - £546m, and as such remained within overall project affordability. Transport Scotland's view then, was that until the additional claims were settled, this expectation must remain risky

Progress:

6. The dispute between Tie and Bilfinger was settled on 20 March by means of a "supplemental agreement" (at no extraordinary additional cost) to the current contract. Bilfinger commenced work on Princes Street on 24 March and work is progressing well. Prior to this, Tie had hoped that the recovery programme would be agreed and commenced by the end of March.
7. CEC now anticipate that Tie will shortly obtain the Consortium's approval to the recovery programme. However, they have, advised that while they remain confident that the recovery programme will mitigate much of the slippage,

particularly at Gogar, the “open for service” milestone will now slip to February 2012 (previously July 2011) The revised final cost of this will now be £527m.

8. While Transport Scotland’s view is that this is a more realistic view of overall progress across the project, we do not share CEC’s optimism about the revised final cost of the recovery programme at £527m. Given what we have seen of Bilfinger’s recent behaviour, and their propensity for additional cost claims, Transport Scotland believes that the final cost could still exceed £546m

Recommendations:

The Minister is invited to note that;

- The Princes Street dispute has been settled by means of a supplemental agreement to the current contract. Bilfinger has now commenced work on Princes Street and Tie has resumed negotiations with the Consortium on their recovery programme.
- CEC remain confident that Tie can obtain agreement on the recovery programme and reverse programme slippage in some key areas (particularly Gogar) However, the “open for service” milestone has slipped to February 2012.
- While CEC also remain confident that overall project cost increase can be contained at £527m, Transport Scotland remains of the view that this is a risky assumption, given Bilfinger’s behaviour and outstanding commercial agreements, and could exceed £546m.
- Transport Scotland will continue to monitor progress and developments and advise Ministers, of key developments.

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Ext: [REDACTED]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Minister, for Transport, Infrastructure and Climate Change			X		
Cabinet Secretary for Finance and Sustainable Growth					X

Comment [A1]: Annex D of the Guidance on Preparation of Minutes to Ministers provides advice on the construction of copy lists – including a flow chart which provides an easy-to-use mechanism for applying the guidance. For Ministers, mark the relevant box (or boxes) with an ‘X’ to indicate why the Minister is being copied in. Where a paper contains details of Financial Implications, the Minister for Finance and Public Services must be included on the copy list – and the Portfolio Interest box should be marked with an ‘X’. Delete any unused rows or insert additional rows if required. For officials, include details of their Department and Division. Only use group names in copy lists if there is a relevant e-mail distribution list.

Comment [A2]: Click in the field below and then click on Option(s) from the toolbar to select a pre-set copy list. Note that you may choose any combination of Options. However, since Options 2 and 3 are subsets of Option 1 you should NOT select Options 2 or 3 if you have already selected Option 1. **OPTION 1: Ministers:** Select this option if the minute relates to a matter which is, or may become, the subject of significant media interest. **OPTION 2: Ministers:** Select this option if the minute conveys advice on a significant or sensitive policy issue and you have not already selected Option 1. **OPTION 3:** Select this option if there are significant or sensitive presentational issues and you have not already selected Option 1. **OPTION 4:** Select this option if there are significant financial implications. Once you have selected the relevant options, you will need to complete any variable fields within the pre-set lists (eg ‘Relevant Press Office Desk’). If you select more than one option, please re-order the names appropriately and check for duplicates. Remember that ALL minutes to Ministers should ALSO be copied to other Ministers with an interest, PS/Relevant Departments, Relevant Group Heads, Relevant officials in other areas and relevant Special Advisers. More detailed guidance on the construction of copy lists is set out in Section 5 of the Guidance on Preparation of Minutes to Ministers.

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