

Private & Confidential

Report of Edinburgh Trams: 6th Quarterly Review 29 June 2010

Attendees-			
Dave Anderson	City of Edinburgh Council	Bill Reeve	Transport Scotland
Donald McGougan	City of Edinburgh Council	Jerry Morrissey	Transport Scotland
Andy Conway	City of Edinburgh Council	John Ramsay	Transport Scotland
Alan Coyle	City of Edinburgh Council		
Richard Jeffrey	Tie.Ltd		
Steven Bell	Tie.Ltd		
Apologies-			

Item	Notes
Purpose of meeting	<p>The Quarterly Reviews of the Edinburgh Tram project are held under the terms of the formal Financial Agreement between City of Edinburgh Council and Transport Scotland</p> <p>The specific focus of this meeting was to review progress with negotiations towards a conclusion of the contractual disputes with BSC and assess the continuing impact of these on the project.</p>
2: Minute of Previous Meeting	The minute of the previous meeting held on 4 March 2010 was agreed
3: Actions Arising	<p>Transport Scotland advised that Ministers had been briefed on the Council's letter of 10 June and the full Council report of 24 June 2010 which advised that the Council recognised the "reasonable expectation" that it could not complete Phase 1a within the agreed affordability of £545m and nor by June 2012. Given this there was a need to consider the continuing basis of the Scottish Government grant particularly as the next meeting with the Cabinet Secretary was scheduled for 28 July.</p> <p>In response, the Council requested more information from Transport Scotland regarding how Transport Scotland would react to differing scenarios in respect of continuing grant before the meeting. Transport Scotland advised that as a minimum, the Cabinet Secretary would expect Gogar to be included in any scenario.</p>

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Progress to Date	
<p>(a): Utility Diversions</p> <p>Action Point 1:</p>	<p>Tie.Ltd reported that there was one additional piece of work nearly ready to go out to tender but overall, all MUDFA work in progress was now 97% complete. However, tie.Ltd needed to ensure completion of works for end of July before Festival. Overall, Tie.Ltd confirmed that;</p> <ul style="list-style-type: none"> • whilst some work was planned for completion by October 2010 on the Airport to Haymarket section at Bankhead Drive, this was not an issue for further delay from Infraco. • Haymarket to York Place section was now available for physical commencement but with final telecoms cable diversion work completed before embargo. <p>On the basis of tie.Ltd's reassurances Transport Scotland summarised the position as;</p> <ul style="list-style-type: none"> • with one exception the Airport to Haymarket sections were now OK • but there was a question mark over Haymarket to York Place sections. <p>Tie.Ltd agreed to provide Transport Scotland with a Utility Status report scheduling remaining work requirements and completion dates</p>
(b): Tramco:	<p>Tie.Ltd reported that in addition to the 12 completed vehicles, work had commenced on all of the remaining fleet. All, apart from the first of which was already in Edinburgh, are in storage in Spain awaiting infrastructure completion of the Gogar Depot. Factory testing is in accord with original programme:</p> <p>It was also confirmed that whilst there had been some contingency discussion with TfL to lease some trams, there were no plans to any of the rolling stock elsewhere. The intent was to receive the trams at the depot later this year and ballast laying for tracks would begin within the month.</p>
(c): Infraco:	<p>Transport Scotland were advised that further communications with Bilfinger and Siemens remained slow with no great breakthrough. The current completion date, based on the original programme was now September 2012. However Bilfinger Berger were now reporting completion to St Andrews Square as September 2012.</p>
5: Anticipated Completion	
(a) Phasing:	<p>Tie.Ltd advised that while Project Carlisle was naturally broken down as Airport to St Andrews Square by 2012, the Airport to Haymarket sections would be more "doable" within that timescale. However, there was continued uncertainty around simultaneous / multiple on-street work for which modelling had not yet been completed. The simultaneous street opening would be a judgement for the Tram Project Board when tie.Ltd had more clarity. There were also cash flow issues around certainty of funding simultaneous street opening.</p> <p>In response to Transport Scotland's enquiry on whether a deal was possible by end of July? tie.Ltd thought that unlikely with perhaps just Heads of Terms and price and programme more likely available, not a full signed agreement. Any agreement, would however, speed up completion of design</p>

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	<p>Tie.Ltd were also asked to confirm whether their intention was yet clear about the preferred option of Project Carlisle or Notice. In reply it was confirmed that Carlisle was currently only 50%.and any judgement on Termination should continue to be viewed against the context of court and with injunctions.</p> <p>Tie.Ltd advised that the question was actually around how much time was necessary to allow Carlisle to deliver and Transport Scotland were advised that negotiations on Carlisle had not yet broken down. If and when this became the position, the consequent choice / decision could then be more readily reached.</p> <p>Accordingly the nature of the discussions meant that tie.Ltd required another 3 months until Parliament returned in the Autumn, when "all gloves were off": Leith was likely to be a key test but tie.Ltd don't yet know what decision would be made or by when. Whilst the judgement call would be around the % chance of success, tie.Ltd made clear that if a recommendation to terminate was made but not supported by Ministers, they then became responsible for the project!</p> <p>Transport Scotland confirmed that there was no official view on the termination option and Ministers awaited the Council's recommendation and supporting argument.</p>
(b) Gogar	<p>Transport Scotland advised that a meeting was due within next few weeks. Transport Scotland continued to work on the assumptions that the current plans and discussions retained the support of City of Edinburgh Council. In response to this, the Council confirmed that it would ensure that when it came to matters of detail they would work hard to ensure that planning was not an issue</p> <p>Transport Scotland also advised that whilst Ministers' final decision was still unknown, Gogar would continue to be part of their expectations with opening no later than the Trams – June / September 2012 for Gogar completion in March 2013</p> <p>Tie.Ltd enquired how this timeline linked into the rest of the EGIP programme if Gogar were to be completed. Transport Scotland confirmed it was a necessary building block for the overall EGIP programme however tie.Ltd was also reminded that the issue of EARL featured in the whole 2007 election so there would likely be an equal focus on Gogar in 2011</p> <p>Transport Scotland were advised that a June 2012 programme for trams had no float for input on tram by Gogar and Phase 1a completion would require a different scope from now if it included Gogar. Transport Scotland were also advised that the Council remained concerned that a recent meeting of legal principals regarding timeline for legal requirements needed a little "hurrying up"</p>
6: Anticipated Funding Requirements & Grant Agreement:	<p>Transport Scotland reminded the Council that there was no longer any agreed funding profile and in the context of current spending requirements it was no longer tenable that Transport Scotland could hold onto £100m project in any year that couldn't be used. There were inevitably other cash implications of either option over next 2 years and these would also have to be better understood as soon as possible together with any issues around CEC's progress with its pro-rata funding.</p> <p>This was confirmed by the Council adding that their next accounts would require a 10% contingent liability. Accordingly, the next full Council meeting at end of September was a very</p>

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<p>Action Point 2:</p>	<p>important deadline. Meantime, the Council reminded Transport Scotland that whilst Airport to York Place was their current focus, the inability of delivering to Ocean Terminal would be a real blow so Project Carlisle would still require additional work to complete to Newhaven even if BB agreed to an earlier exit. However, until there was an agreed price for Project Carlisle it wouldn't be possible to currently confirm the full costs to Newhaven.</p> <p>It was confirmed that the next Funders Group meeting was about to be asked to consider a fresh set of funding profiles. The Council also acknowledged that it could and would borrow to cover their pro-rata funding responsibilities and had always based these on longer term receipts from developers etc. Acknowledging this, Transport Scotland considered that it was important to ensure proper presentation – so it was clear that CEC were contributing their share.</p> <p>The issue of future cash requirements was also discussed in the context of curtailed scope. In the context, for example, that a tram system that terminated at Haymarket would not be as cash positive as the full Phase 1a. tie.Ltd confirmed that they were still working on this, emphasising that although a system based on the Airport to St Andrews Square would by year 4, become cash positive, by comparison a system from Airport to Haymarket by year 4 while also still cash positive would almost certainly be less than TEL profits, so such an operation would necessarily have to be considered against the combined TEL operations. There were also other considerations in play, such as any reduced scope requirements would mean reduced vehicle needs and consequent sale receipts. Tie.Ltd concluded by confirming that the necessary work on the revised Business Case options would be fully developed by end of September, in time for the next Council meeting</p> <p>Transport Scotland summarised by confirming the need for a refreshed Business Case and concluded that the Council would have to set out any fresh proposals including the full cash position for Ministers' approval, particularly where there were sale or leasing issues.</p>
<p>Actions required before the next Review Meeting:</p>	<p>It was agreed that Tie would provide Transport Scotland with;</p> <ol style="list-style-type: none"> 1. Full report on the status of the Utility Diversion work across the city; and 2. Revised funding profiles and options.

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