
From: Ramsay J (John)
Sent: 30 July 2009 11:01
To: Reeve W (Bill)
Cc: Middleton DF (David); Morrissey J (Jerry)
Subject: RE: Tram Update - Commercial In Confidence

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Bill / David

this is very much what I gleaned from my discussions with the Council, yesterday and Tuesday. The only difference being that they appeared to be less willing to discuss costs following yesterday morning's Tram Project Board! It is clear however that CEC are struggling with how best to advise their full council of tie's revised costs range of £561m, through £582m to £601m when the public figure is currently £512m.

On the additional finance raising issue, I have been asked to raise the possibility of a meeting between Transport Scotland and Donald McGougan to discuss easing some of the "constraints" that we have covered off in the current grant Financial Agreement. I understand that this is intended to focus on at least 2 key areas, both of which currently make income generation difficult for the Council;

- a) vehicle leasing; and,
- b) supplementary public grant receipts

It is clear that the Council are very much taking for granted that leasing will be a reality but I'm not so confident. Even if ministers were to be persuaded, we know that there is a clear presumption against this in the finance manual.

Meantime as recommended I am working with the Minister's office regarding a suitable date (s) for a meet with Richard Jeffrey. He is out of the office for the next few days but I shall update you as soon as I hear..

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

From: Reeve W (Bill)
Sent: 30 July 2009 08:26
To: Middleton DF (David); Morrissey J (Jerry); Ramsay J (John)
Subject: Tram Update - Commercial In Confidence

I had a useful meeting with Richard Jeffrey yesterday evening.

He is preparing for the CEC Council Meeting on 20 August. Papers for this will be issued on 13 August, and it is to be anticipated that press interest will follow this. I understand some briefing of selected individuals has already taken place, and it is

noteworthy that today's Scotsman contains a revised forecast for project completion of July 2012.

The tie Board endorsed the commercial approach to management of the infrastructure contract with BBS. The plan is to secure a similar endorsement from the Council meeting. The commercial approach entails full use of the Dispute Resolution Procedure, and selective instruction of individual work packages which will require BBS to deliver work or risk breach of contract.

It is clear that tie learnt much from the recent intensive contract mediation session. There is now a revised risk profile and a range of project cost scenarios between a low of £561m, through a central figure of £582m and a upper figure of £601m. These figures are all above the £545m total over which CEC must finance all cost increases. These numbers are commercially confidential. However, the Council discussions will have to raise the possibility of raising additional finance on a contingency basis.

Plans to achieve the integration of tram and Lothian bus operations are progressing, and the business plan for the combined operation will be an important part of the financial forecasts.

Richard has offered to call/meet Stewart Stevenson in advance of 13/8. I consider this would be useful.

John - please contact the Minister's office this morning to suggest a discussion with Richard, and revert to Richard's office as soon as practicable. I wish him to understand it is helpful for us to be involved in such discussions.

Please also incorporate this information in the Ministerial brief you are preparing.

Regards,

Brief
Bill Reeve

Director, Rail Delivery
Transport Scotland