
From: Graeme Bissett <graeme.bissett@[REDACTED]>
Sent: 02 March 2006 09:48
To: Fitchie, Andrew
Subject: Tram structure
Attachments: TEL Governance 2006 v1e Board 27.2.06.doc; Governance letters 2.06 v1.doc; TEL governance tax structure proposal2 Clean.doc

Andrew, the reason for the call yesterday was to follow up on recent emails on the proposed structure for TEL etc. This note is essentially a formal request for advice, now that we have a better handle on the issues. The attached three documents are :

1. Summary of proposed governance model
2. Draft letters from Andrew Holmes to embed aspects of the governance structure
3. Summary of corporate and tax structure proposal.

The governance paper and the draft letters are the same as those sent to you yesterday – this note somewhat duplicates yesterday's but I'm trying to bring all the dimensions into one place.

The corporate structure paper is the basis for the tax advice we are receiving from PwC. I don't think this is at odds with the papers you have seen, but perhaps you would have a look and if anything jumps out we can discuss. Again, the spirit of this is to have a fully coordinated set of papers and advice. I'm happy to share their report with you, final draft due early next week.

My understanding of the legal dimensions on which we hope to receive the DLA report are as follows. Please correct any omissions etc :

1. Procurement regulations
2. Implications for contract structure
3. Competition law, OFT implications
4. Transport legislation
5. State aid

In addition, we have discussed a couple of related areas and other parties have raised certain queries :

1. Ability to transfer people from one Council owned entity to another in a manner which protects both employee and employer rights, including in the event of a future reverse transfer. This is to facilitate the deployment of the right skills and resource in the right entity.
2. Does the related nature of the various parties create a risk that the activities or structures established may be "looked through" by relevant authorities thereby creating difficulty ?
3. Is there any risk that TEL Directors, in their role as members of the TEL Board overseeing and taking decisions on aspects of the tram project under the proposed governance structure, could be construed as shadow directors of tie ? If so, what are mitigations and implications ?
4. TEL and tie Board directors considerations under the Enterprise Act.

Perhaps you'd give me a call to discuss, including timing.

Thanks

Regards
Graeme

Graeme Bissett

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