
From: Ware, Julian [Julian.Ware@KPMG.co.uk]
Sent: 12 January 2007 12:16
To: Ramsay J (John); Ruane, Nick
Cc: Davis L (Lorna); Savage N (Nadia); Braun V (Volker); McQuade G (Gerard); Malcolm, Craig; Cameron, Uilleam; Barlex, Ian
Subject: RE: Cost breakdown - Phase 1a / 1b

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John,

Thank you for this, which we discussed on the phone.

1st point – it would be useful to see the answer as made by the Minister in due course. We also noted in preparing the background note that **tie** had placed a considerable amount of information in the public domain.

2nd and 3rd points – A lower cost for Phase 1a is good news for us, but we should look carefully at the detail of what **tie** are suggesting. We need to make sure that the cost quoted for 1a is the cost for which 1a could be build alone – and that there are portions of fixed costs in 1b.

4th and 5th points – these are key for the next stage of the work. We obviously want to get information from the bids as soon as it can be reasonably digested by **tie**. And, depending on what we then see, there may be a headroom issue with a 20% OB allowance. A preliminary discussion with **tie** would be helpful.

My suggestion to you was a meeting in the week beginning 22 January, first with TS and then with TS and **tie**. But I think you may be on leave that week.

Julian Ware



From: John.Ramsay@transportscotland.gsi.gov.uk [mailto:John.Ramsay@transportscotland.gsi.gov.uk]
Sent: 12 January 2007 11:22
To: Ruane, Nick; Ware, Julian
Cc: Lorna.Davis@transportscotland.gsi.gov.uk; Nadia.Savage@transportscotland.gsi.gov.uk; Volker.Braun@transportscotland.gsi.gov.uk; Gerard.McQuade@transportscotland.gsi.gov.uk
Subject: RE: Cost breakdown - Phase 1a / 1b

Folks

Julian / Nick

1st: thanks for the table etc, most useful.

2nd: At Wednesday's 4 weekly progress report meeting, tie confirmed that their official cost split between Phases 1a and 1b was that used in the DFBC, respectively £500m and £92m - regardless of other previous cost splits - so we should effectively use these as the base for all our considerations.

3rd: Tie also promised to provide a disaggregated breakdown table and programme on this basis by middle of next week but the respective risk elements might take longer.

4th: This should allow also allow tie to update the overall affordability position following receipt of the 1st pass Infraco bids to be opened today, and ourselves to review our headroom analysis.

Finally: You might wish to note that there is a degree of residual sensitivity within tie regarding our preference for a higher level of OB at this stage (20% at least) I emphasised that this only remained acceptable so long as tie pursues a robust approach to risk management levels - something that Cyril Sweett are keen to pursue and to which tie indicated a willingness to assist with over the next few weeks.

John Ramsay
Project manager - Edinburgh Trams
Rail Directorate
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-----Original Message-----

From: Ruane, Nick [mailto:Nick.Ruane@KPMG.co.uk]
Sent: 09 January 2007 17:28
To: Ramsay J (John); Davis L (Lorna)
Cc: Ware, Julian
Subject: Cost breakdown - Phase 1a / 1b

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John / Lorna

Following discussions with Julian, please find attached attached an amended cost breakdown table, which agrees with Stewart's figures of £512m (although here £513m due to rounding).

Our figure of £522m was derived by taking £512m as a starting point, to which we added £9.3m. This was because we were advised by Geoff Gilbert at our clarification meeting on 27 November that £9.3m of costs were being shifted from 1b to 1a - we noted at the time that this would have a detrimental effect on 1a's BCR, but not overall affordability of 1a within a £545m envelope. Our minutes reflected this as follows -

"Costs being moved from 1b to 1a

JW stated that moving costs from 1a to 1b would have a detrimental effect on 1a's BCR, which may cause problems for the scheme. GG confirmed that £9.3m of costs were being moved from 1b to 1a - £2m related to the completion of detailed design for 1b, the remaining £7.3m to diversion / utilities works costs being incurred concurrently for 1b."

We were not subsequently advised that this £9.3m had been reinstated from 1a to 1b.

I hope this helps, but please give me a call if you wish to discuss.

regards

Nick Ruane

Associate

Corporate Finance

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<<Cost breakdown for parliamentary question v2 - £513m.doc>>

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