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**From:** Julie Thompson  
**Sent:** 03 December 2009 11:26  
**To:** 'david\_mackay@[REDACTED]'; Steven Bell; Stewart McGarrity; Graeme Bissett (external contact); Alastair Richards  
**Cc:** Richard Jeffrey  
**Subject:** Context for this afternoon's meeting/conf call STRICTLY PRIVATE & CONFIDENTIAL AND FOISA EXEMPT - sent on behalf of Richard Jeffrey

**Importance:** High  
**Sensitivity:** Confidential

Dear all,

Just some thoughts to set the context for this afternoon's meeting.

We again find ourselves in a situation where, if we don't sign another amendment to the contract in the next few days work will not start on street, this feels exactly like where we were in February, although we are in more control of the circumstances now compared to then.

Throughout this contract BB have been commercially very aggressive, and prepared to use lack of progress as a negotiating weapon, and despite the positive words of David Darcy this looks set to continue.

BB's approach is to not proactively manage the construction resulting in slow progress and inconsistent quality.

We have only limited evidence of them providing the info/support to satisfy us that we are building a safe system.

Our main weapon to fight this commercially aggressive behaviour is the contract, and so far the effectiveness of that seems to be at best uncertain, at worst, ineffectual.

We have now completed Princes Street, but at vast expense, and way over budget. (do we know how much?)

We do not have certainty on final cost, programme, or the effectiveness of the contract, indeed the only real test to date has suggested that the contract is weak. We also know will have a real struggle to reach and agreed acceptable programme.

We have completed 11% in 18 months, 0.6% per month, (although Steven tells me that over the last 4 months it has been more like 1.5% per month) to complete this project by mid 2012 we will have to average 3% per month, roughly 6 times the rate so far.

We have shareholders who are wobbly, and will soon be getting impatient for information and certainty, and I will not be able to resist this much longer, (Alan Coyle's note on the December meeting is helpful here, as was a comment made by Marshall at the meeting yesterday)

I believe we have an opportunity at present, before we sign any new SA, or start any more on-street works to review the project so far and decide if carrying on in the current form is in fact the best way forward.

I feel that there have been several occasions in the history of this project where, with hindsight, it might have been better to stop and change direction. This is the first such occasion on my watch I feel I cannot let it pass without thoroughly exploring all the options, which I think are limited.

Option 1, carry on as we are, fighting each battle as best we can, with all the attendant uncertainty. If we are to progress down this route then I feel we need make the board and CEC aware of the the worst case scenario in terms of cost and programme BEFORE we sign any new SA. There will be a point at which funding becomes a consideration.

Option 2, negotiate an exit (or partial exit) from the current contract and effectively start again on a new basis with a new contractor (there are many variations on this theme, and of course we would not necessarily be starting from scratch, we would have to recognise where we are and examine each element). Clearly this route also holds much uncertainty.

I can't think of any other options, only variations on one of the above two themes

Clearly both options are full of risk and uncertainty, which I don't intend to list here.

I don't expect to make a decision today, but I think we do need to set a timetable for a decision (this will be driven by when a new SA would be ready for signature) and we need to agree what work needs to be done around each option.

Regards

Richard

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