From:	Ailie Wilson
Sent:	31 August 2009 14:48
To:	Marshall Poulton
Cc:	Alan Coyle
Subject:	FW: Private & Confidential
Attachments:	InfracoOptionsAnalysis080309 - Scope.doc
Importance:	High

Marshall,

Regarding the email below in response to Dave's letter to Richard Jeffrey requesting further information on scope truncation options, are you happy with tie's proposal to report back on Fri 11th September? I think Donald would be looking to raise the issue at FCL this afternoon if this timescale was unacceptable to you.

Regards,
Ailie

From: Donald McGougan
Sent: 27 August 2009 16:01
To: Ailie Wilson
Subject: FW: Private & Confidential

From: Stewart McGarrity [mailto:Stewart.McGarrity@tie.ltd.uk]
Sent: 27 August 2009 15:41
To: Dave Anderson
Cc: Donald McGougan; Andy Conway; Richard Jeffrey; Steven Bell
Subject: Private & Confidential

Private & Confidential

Dear Dave,

Regarding you letter to Richard of 21st August regarding a report on truncation options and costings thereof and our best estimate of the cost of termination. We need to allocate some resources and management time to revisit and provide more granular estimates than we did previously and, having discussed with Steven, would like to propose reporting back to you on **Friday 11th September**. Please can you let me know whether that timescale is acceptable.

In terms of truncation (or more accurately phasing) options, we would look at the three options to terminate at each of Ocean Terminal, Foot of the Walk (or Bernard St) and York Place (or Picardy Place) as described in our Scope Options paper from March. I'll speak to Andy to make sure there are no gaps in expectations.

In the meantime..... I have attached a copy of our March Scope Options paper for you reference. Also as a heads up in advance of the full preparation of the termination estimate, we've been giving this some thought and it is not without the bound of possibility it could come to £100m or more on top of the £271m we have spent to date. Elements of this would include:

- Outcome of loss of profits and demobilisation claims from Bilfinger, Siemens and CAF
- Material purchases commitments / liabilities already incurred – by Siemens and CAF in particular
- Disposal of tram vehicles insofar as they are constructed
- Completion of utility diversions underway
- Demolition and/or restatement costs depending on determination of what was required in respect of eg:
    - Tram infrastructure already on Princes St

- Gogar Depot site/A8 underpass
- Structures partially complete incl Haymarket Viaduct, Edinburgh Park Bridge and Gogarburn Bridge

- Project management and other resources eg legal fees required to settle the matters above (likely over an extended period of time) and close down **tie.**

The bulk of the sunk costs of over £300m would have little value in the absence of an operating tram and the quantitative (hundreds of millions of pounds) and qualitative benefits described in the Business Case would also be lost as would those of the Gogar intermodal station. It's also worth considering that cancellation, as well damaging the reputations of the contractors, would probably mean collateral damage to the reputation of Edinburgh and Scotland in public procurement terms and maybe beyond.

Regards,
Stewart

Stewart McGarrity
Finance Director
tie Limited
[redacted]