
From: Graeme Bissett [graeme.bissett@██████████]
Sent: 13 July 2009 12:27
To: Stewart McGarrity; David Mackay; Richard Jeffrey; Mandy Haeburn-Little; Steven Bell
Subject: RE: Line to Take - Private & Confidential - FOISA Exempt

Stewart, its probably academic now but the reality is that there has been a substantial reinforcement to BSC's intransigence over the last month, manifested most visibly in the mediation outcome and the session Richard had with the two Herrs on Monday last. The PMP process was underway a month ago, but failed. The reasonable expectation into early Summer that a responsible approach would ultimately be taken by BSC now looks optimistic. And in the other direction the risks relating to design and utility delays which are to tie's account have now been quantified more precisely. It might be worth assessing how far this last point takes the number from £512m / £527m but for the rest, events have moved on considerably and adversely. Tie is now wrestling with the consequences of failure to achieve movement in BSC's position and is upping the ante by applying the contract terms more restrictively. I think this message was communicated loud and clear last Wednesday, with unanimous approval, so previous assessments are inevitably superceded.

As I mentioned earlier, there is a reality about the enormous uncertainty surrounding the outturn which is not registering with enough informed people yet, witness calls for updated estimates and refreshed business plans. The challenge is how to communicate the message about uncertainty without implying that matters are wholly out of control. The less uncertain aspects include the timetable for resolution through the contract (4-6 months from now), though with litigation remaining a wild card ; completion of the utility works ; and costing of works which can be expected to continue while the dispute is formally addressed. Continuing to spend money does carry a risk of waste if the whole project could be aborted, but there is a bigger risk of wasted money if tie / CEC simply call a halt. The £545m is not threatened in the next 6 months. The Council cannot be offered certainty on 20th August if it does not reasonably exist and there is an urgent need to explore how the whole matter can be exposed fully to the right elected people but not publically. With the benefit of clarity about the legal strategy, would these fundamental issues be a good agenda for tomorrow's weekly meeting ?

Regards
Graeme

Graeme Bissett

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From: Stewart McGarrity [mailto:Stewart.McGarrity@tie.ltd.uk]
Sent: 13 July 2009 11:52
To: David Mackay; Richard Jeffrey; Graeme Bissett (external contact); Mandy Haeburn-Little; Steven Bell
Subject: FW: Line to Take - Private & Confidential - FOISA Exempt

Private & Confidential - FOISA Exempt

All,

Mandy and Richard will remember that in mid June I was asked by Donald at short notice to help him with a line to take specifically to deal with the question of what the contingency measures would be if costs did go above £545m. I now find myself worrying about the starkness of the highlighted sentence if not read in the context of the uncertainties described thereafter. If I had it to write again.....

I have no idea how this draft statement was used, amended or communicated to others.

S

Stewart McGarrity
Finance Director
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Mobile: [REDACTED]

From: Stewart McGarrity
Sent: 19 June 2009 14:39
To: Donald McGougan
Cc: Alan Coyle (Alan.Coyle@edinburgh.gov.uk); Richard Jeffrey; Mandy Haeburn-Little
Subject: Line to Take - Private & Confidential - FOISA Exempt

Private & Confidential - FOISA Exempt

Donald – as discussed I’ve drafted a line to take on the question of what happens if costs go through £545m – see draft below for your consideration:

We continue to work constructively with BSC and to manage the risks which could impact upon the outturn costs of the project. As it stands there is no reason to believe that the range of outturn costs on the project will not fall within the £545m funding envelope. As with all large projects, there will continue to be residual uncertainties with regard to outturn costs up until the Tram has entered revenue service and the final accounts have been agreed with our contractors – one of our imperatives is to see that range of uncertainty narrow and the confidence with which we can predict the final costs increase as soon as we can..

As might be expected the Council must continue to consider what its funding options would be in the event costs ever did rise above the £545m funding envelope. They do so in the context of the assumptions underpinning the Business case for Phase 1a remaining very robust indeed and having invested c£250m in delivering the project already. The Scottish Government has repeatedly stated it will not provide any additional funding beyond the £500m Grant it has already committed and the Council must conduct its contingency planning accordingly.

Any additional funding requirement would be considered in the context of the overall Council budget with the likely sources remaining capital receipts, developers contributions and the future additional net profits accruing to the Council from an integrated bus and tram business. The Council can expect that despite the short term economic downturn the longer term prognosis for these sources of income remains positive and can consider a prudent level of current expenditure which they will support. There is currently no consideration of paying for any cost overruns through Council Tax or by changing the fares policy which will be applied to the integrated tram and bus business.

Regards,

Stewart

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