

Tie Limited

TRAM PROJECT

OPTIONS TO MITIGATE FUNDING SHORTFALL

1.0 Introduction

- 1.1 This paper sets out the potential options in the event of the Project Estimate update currently being undertaken or bid returns resulting in failure of the affordability test.
- 1.2 Four scenarios have been considered:-
 - A Worst Case - £623m as current estimate (£78m above budget)
 - B Mid Medium/Worst Case - £601m (£56m above budget)
 - C Medium Case - £581m (£36m above budget)
 - D Mid Best/Medium Case - £536m (£9m below budget)
 - E Best Case £491m (£54m below budget)
- 1.3 The split of these figures between Phases 1a and 1b and the assumptions behind the ranges are set out in Appendix A.
- 1.4 This analysis is provided as a draft representing work in progress outlining the mix of possible options for cost reduction and/or increased funding.

2.0 Option Analysis

A) Worst Case £623m

Options to mitigate/proceed are:-

• Drop or defer Phase 1b – Saving £61m
• Seek property developers contribution for developments at Leith Waterfront - potentially realizing £15m
• Take out Newhaven – A saving of approximately £?????
• CEC/TS provide increased Capex funding
• Drop Charette changes
• CEC fund work to roads where outside the limits of deviation

B) Mid Medium/Worst Case £601m

• As for Worst Case
• Reduce number of trams (based on business case for 1a being much stronger, in business case terms) – a possible economic benefit issue and mode benefit issue.

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C) Medium Case - £36m - Two Options to make affordable

Case A1

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|---|
| <ul style="list-style-type: none">• Do 1a only not 1b or |
| <ul style="list-style-type: none">• CEC push for TS contributing more funding |

Case A2

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| <ul style="list-style-type: none">• Drop Newhaven to Ocean Terminal |
| <ul style="list-style-type: none">• CEC borrows on back of development contributions to fund 1b |
| <ul style="list-style-type: none">• Reduce the number of trams |

D) Best / Best Medium and Best Case

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|---|
| <ul style="list-style-type: none">• Do both 1a and 1b |
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3.0 Key Assumptions

- 3.1 Transport Scotland will accept updated Project Estimates at the P90 level within the funding envelope of £545m without adding any further contingency.
- 3.2 Transport Scotland will not reduce available funding by applying the 'Cyril Sweet formula' approach to indexation.
- 3.3 CEC would accept Phase 1a only in preference to abandoning the scheme.