

Stewart Stevenson MSP
The Scottish Executive
St Andrew's House
Regent Road
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Our Ref: WG/JPT

28th June 2007

John Swinney rang me last night to advise me on the decisions you had reached on tram and on EARL following yesterday's Holyrood debate.

As you will see from the enclosed letter, I have taken immediate action to achieve manpower, cost and risk reductions in line with my discussions with you and with John.

I have made it clear to my staff that we are now embarked on a restructuring and reorganisation programme reflecting the outcome of yesterday's debate in Parliament and John's public comments that EARL is "dead"

I also indicated that, with hindsight, it had been wrong of us to have become involved in the SAK project at a time when serious weaknesses in the original management structure were evident and the original cost estimates were clearly unachievable.

Phase 1(a) is clearly deliverable within our total £545 budget. I am hoping that we might be able, through a combination of savings and some innovative funding mechanism, to reduce the present funding gap between £545 and the total costs of £592 for 1(a) plus 1(b).

I also am suggesting that it would be useful for you or John or both to visit Dublin and see for yourselves how much the city has benefited from Luas and how the recently announced £400 million extension is being funded.

Since I am taking forward clear restructuring and cost and risk reducing proposals to my board on 10th July, I think it might be worthwhile for us to meet before or soon after that date, subject of course to your availability.

I also think it might send out the right signals were you to pay an official visit to tie and meet my Board colleagues and senior staff at our Board meeting on 27th August. What do you think?

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I hope you will be reassured by the actions I have taken to demonstrate our commitment to trams and our determination to work with you and John and your officials to vindicate your decision to go ahead with this exciting and worthwhile project.

Yours sincerely

Willie Gallagher
Executive Chairman