
From: McLaughlin AC (Ainslie)
Sent: 08 April 2011 17:21
To: Cabinet Secretary for Finance and Sustainable Growth; Minister for Transport and Infrastructure
Cc: Permanent Secretary; DG Enterprise & Environment; PS/Transport Scotland; Middleton DF (David); Fairweather S (Sharon); Johnstone RR (Raymund) (TRANS); Docherty C (Campbell)
Subject: 8Apr11-Edinburgh Tram - Mediation Exercise

Paul/Katherine

This is to provide Ministers with a brief update on the progress being made towards resolving the contractual dispute on Edinburgh Tram following on from the mediation last month; and to alert them to possible announcements that the City of Edinburgh Council (CEC) may make over the next week or so.

I attended a follow up meeting today with the principal parties to the contract. Sue Bruce was there for CEC and Vic Emery for TIE. Dr Jochen Keysberg led for the contractor. The purpose of the meeting was to agree final terms for getting priority work underway between now and the end of August as an interim measure until a final funding package is secured which would allow the renegotiated contract agreed at the mediation to proceed. The deadline for the necessary funding package to be in place to allow the deal to go through is 1 September. If funding cannot be secured then the expectation is that the contract will be terminated by mutual agreement and subject to a final settlement on any outstanding contractual claims.

The two sides have made good progress since last month and an upturn in work rate is expected to start at the beginning of May. The contractor is expected to be back on Princes Street from mid May to repair defective work and there will be a lot more visible activity on the site between Gogar and Haymarket. This pick up in work will come with an associated increase in demand for grant payments. Between May and August, CEC estimate that they will be looking for something in the region of £45m to £50m in grant support. If agreement is reached on a final funding deal by the end of August then we can probably expect the cash demand for 2011/12 to reach at least £120m (i.e. what's left of the Scottish Government's commitment to contribute up to £500m).

Sue Bruce will be briefing Council leaders next week. She also expects to have to call a special meeting of the Council the following week to get approval to the variation to the terms of the current tram contract to cover the interim works planned over the summer. That will obviously become public although no mention will be made of the full renegotiated price as the works over the summer are still within the existing funding envelope.

Sue Bruce will also be seeking approval to take forward a revised governance structure for the project (copy attached). CEC are proposing a new structure with Transport Scotland taking a more active involvement through a new Joint Project Forum and Project Audit Committee. It will be made clear that this is no more than a proposal at this stage and will have to be put to Scottish Government for their consideration. CEC remain responsible for delivering the project. The biggest change is that TIE will be scrapped in its present form and a number of personnel changes at senior level are likely to flow from that.

It is expected that CEC will seek an early meeting with the new Administration to try to secure extra funding. CEC are keen, if at all possible, to get things wrapped up to enable them to go to full Council on 2 June to get approval to the final deal to complete the tram from the Airport to St Andrew's Square for the renegotiated price.

Ainslie