



John Swinney MSP
Cabinet Secretary
Finance and Sustainable Growth
The Scottish Executive
c/o St Andrew House
Regent Road
Edinburgh
EH1 3DG

Our Ref: WG/JPT

24th September 2008

Dear *John,*

We are making good progress with the implementation of the tramline from the Airport to Leith. We are dealing with early bedding-in issues following contract close 4 months ago and we remain confident of revenue service for July 2011 with a target delivery date before May 2011 within the cost budget.

I am grateful to you for the opportunity to meet with you shortly on a confidential basis. We have previously touched on some key decisions on public transport provision in the Edinburgh City-region in which tie, the Council and the Scottish Government all have a close interest. It is these matters I would wish to explore more fully. Our sister company, Transport Edinburgh Limited, will operate the integrated tram and bus system in due course. As you are aware, David Mackay chairs the company and I would plan for David to accompany me.

Events of the last week underline that nothing can be taken for granted in planning for the future prosperity of Edinburgh and Scotland. I appreciate that there will be many calls on your time currently and would suggest a discussion around the following matters to ensure we have a productive meeting:

- While appropriate caution is natural in these uncertain times, the public transport requirements of the City must continue to be assessed over the medium to long term on an assumption that, with careful planning, the factors which have supported economic growth in recent years can be sustained over time. The development of an efficient and affordable city-wide tram network is central to this long term view once the core Airport / Leith line is in place.
- In the immediate short-term, the planned extension from Haymarket to the Granton Waterfront regeneration area does require caution. We have some thoughts on how the attributes of this tramline can be realised without imposing an excessive debt burden on the system. We believe the answer lies in timing and the approach to extracting private sector contributions.

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- The strong potential economic benefit of a tramline connecting the South and East of the City has been demonstrated in the past. The importance of a sectorally-balanced local economy was underlined by last week's events and I believe that it is timely to assess how the benefits of this tramline can be realised, including the connection with the Royal infirmary, the BioQuarter and a number of Edinburgh University locations. We would like to explore how this might be achieved without undue dependence on Scottish Government funding and in sympathy with other calls on Government capital budgets.
- We have also identified a potentially attractive option involving the integration of the existing South Suburban railway which may lead to a substantial cost reduction while improving connectivity across the South and East of the city.
- We have noted the proposals to implement the Waverley Railway and would like to discuss how the objectives of this project could be supported by a wider tram network.

I hope this is a useful agenda for our meeting. We would of course be happy to address any matters which you may wish to raise with us.

With kindest personal regards

Yours sincerely



Willie Gallagher
Executive Chairman