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**From:** Sharp DP (Damian)  
**Sent:** 19 February 2007 10:08  
**To:** MacDonald TR (Tom)  
**Cc:** Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John); Patel DR (David); Park A (Andy)  
**Subject:** RE: Edinburgh Trams - draft papers for collective consideration

Tom

Thanks for these comments and for the very quick turnaround.

I have accepted many of your changes – see below for commentary against each. However, the main sticking point is around the suggested requirement for more greenways and parking restraint to maintain patronage increases. My problem is that I do not have evidence to support that – indeed I have evidence that with the introduction of tram such measures are not necessary. That evidence has been independently verified. It is indeed possible that further car restraint, beyond the substantial traffic regulation orders proposed in the tram scheme, could be required to secure patronage but it is also possible that they would not be and we have no evidence either way. Nor can I think of any means of getting such evidence. Since the introduction of the last major set of greenways Lothian Buses has continued to see growth in patronage despite an observed but unquantified increase in violations of the greenways.

We have given significant warnings about the marginal nature of the business case and of the key dependencies but all of these have been based on the evidence we have available. I consider that a reference to possible additional car restraint measures goes beyond that evidence base.

In preparing this paper for the Minister to send to his colleagues and the advice and analysis contained in the annexes I have had to be very mindful of our position when giving advice on other schemes in the past and future. The last time I had to present advice on the business case for a controversial transport scheme Ministers made it very clear that we had to be very clear about the evidence we reported and that we must not move the goalposts for scheme success. I consider that the papers prepared for the tram scheme are consistent in quality, approach and use of the evidence base to that of other schemes.

I would be extremely reluctant to make inclusions based on what we suspect may be the case but where we cannot back that up with some objective evidence.

I have therefore accepted your points on the management action but feel unable to include the points on additional car restraint.

See comments from me in red on each of your comments below to explain what I have done with each of your points. For anyone reading on Blackberry my comments are prefaced with my initials also.

Damian

-----Original Message-----

**From:** MacDonald TR (Tom)  
**Sent:** 16 February 2007 13:46  
**To:** Sharp DP (Damian); Patel DR (David); Park A (Andy)  
**Cc:** Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)  
**Subject:** RE: Edinburgh Trams - draft papers for collective consideration

Damian

Thanks for your email. I note – and am grateful – that you have made a number of changes to reflect previous comments. I attach the two documents with tracked changes. They should be read with the following comments which in part pick up on the points made in David Patel’s email of 23 January to build on the changes you have made.

Paper from Tavish Scott to Finance Minister, FM, DFM

**Scheme information**, para 5: tracked change – suggest qualification to the commitment.

DPS – change accepted.

**Financial viability test**: page 4: 1<sup>st</sup> bullet: tracked changes to complete the balance on forecasts of passenger growth.

DPS – text now reads “Continued growth will require further management action to make bus and tram services more attractive. Profitability is very sensitive to the forecasts being achieved.” I have accepted most of your point but not car restraint for reasons set out in the main body of my e-mail.

**Financial viability test**: page 4: 3<sup>rd</sup> bullet: I note the new intention to offset extra concessionary travel costs against reduced Bus Service Operators Grant. My first comment is of principle: the two expenditure lines are distinct so there is no automatic link. Second, to say that ‘To a large extent the concessionary fares pressure from the tram itself could be offset by reduction in Bus Service Operators Grant’ is an exaggeration. This is because we estimate that bus mileage in the former Lothian Region would have to decline by 33% for an increase in Concessionary Travel expenditure of £3m to be fully offset by reductions in BSOG. Third, given that the business case is built on increased bus patronage, there must be an assumption that bus mileage will increase in those parts of the network not served by the tram. I think the references to BSOG in the bullet should be deleted.

DPS – reference to BSOG removed as further research reinforces your point that the 2 sums are unlikely to balance out. The reduction in BSOG is likely to be only in the order of £220k per annum. This is not significant in comparison with the £2-3m pressure on concessionary fares.

Annex A

Financial viability

Para 4: again tracked changes to complete the balance on forecasts of passenger growth.

DPS – I have retained “appears” rather than “is” ambitious. I have included the first of your 2 additional sentences to qualify the achievement of Lothian Buses over the last 8 years. I have not included the sentence on car restraint for the reasons set out in the main body of my e-mail.

Annex B

**Concessionary fares**: again, tracked change to delete reference to BSOG.

DPS – reference removed in line with earlier description.

Annex C

**Tram facts**: page 14: tracked change to include that part of tram capacity which will be standing passengers – crucial to the acceptability/viability of the tram.

DPS – you make a good point here and I will fill in the number of standing passengers once back in the office.

**Planned bus service alterations:** page 15: Foot of Leith Walk to St Andrew Square: I note the statement that passengers from various directions will have a less-frequent through service. Things may have changed since the draft Business Case which was copied to me but that was not the case then. The only through service from Leith Walk along Princes Street was to be the 16. The other through services shown in the draft (7, 14, 49) do not serve Princes Street. It is essential that the papers are clear on the downside to passengers as well as the upside. The accuracy of the paragraph should be reviewed in light of my comments.

DPS – this paragraph is entirely consistent with the TEL Business Plan submitted and circulated with the draft Final Business Case. That business plan refers to reduced frequencies on the 10, 12, 16, 22 and 25 to serve those (such as people with mobility impairment) who cannot readily interchange with tram and/or cannot walk the extra distance from tram stops to their destination on Princes Street. The business plan proposes the choice described and I have therefore not made any change to the paragraph.

Tom

-----Original Message-----

**From:** Sharp DP (Damian)

**Sent:** 16 February 2007 08:59

**To:** MacDonald TR (Tom); Patel DR (David); Park A (Andy)

**Cc:** Reeve W (Bill); Spence M (Matthew); Davis L (Lorna); PS/Transport Scotland; Ewing JA (John)

**Subject:** FW: Edinburgh Trams - draft papers for collective consideration

**Importance:** High

Tom

David

Andy

To see revised papers to reflect consideration of comments and latest information from the following initial analysis of the Infraco bids. There are still a couple of numbers to plug in.

I am sorry to ask for comments so urgently but we only got final material from the following this week. I would very much appreciate final comments **by 2.00 pm today**.

I will be in meetings for much of the day but am happy to be dragged out to talk to you if need be to resolve any outstanding issues.

I have made a variety of drafting/tidying up changes but key changes to earlier versions you have seen are:

Paper from Tavish Scott to Finance Minister, DFM, FM

- Revised capital cost table at para 13 – consequential amendment to first & second bullets of affordability section at para 14
- para 14 bullet points have been re-ordered and re-structured to reflect the 3 tests (economic viability, financial viability, affordability)
- Financial viability bullets – new bullet point pointing out reliance on TEL business plan on passenger growth and RPI+1 fares increases – goes on to point out Lothian Buses has achieved greater annual growth rates over last 8 years than forecast in business case

- Financial viability – concessionary fares pressure – initial estimate of potential pressure of £2-3m per annum identified but offset against reduction in Bus Service Operators Grant identified – is this right?
- Affordability – section substantially revised in light of Infraco bids and additional tie responses on risk
- bullet point on potential quality of Infraco bids removed now that we have received them

#### Annexes

- Annex C has been completed to cover scheme facts and a description of the proposed bus service alterations – this description is drawn up from the TEL business plan and is therefore the up-to-date position
- Annex A – new para 4 to cover patronage growth & new paras 6-8 to cover commentary on tie's cost estimates especially in relation to risk
- Annex B – general updates to risk matrix plus significant change to entries on affordability and contingency in line with main submission

Damian  


-----Original Message-----

**From:** Sharp DP (Damian)

**Sent:** 22 January 2007 10:21

**To:** Minister for Transport

**Cc:** PS/Transport Scotland; PS/Perm Sec; PS/ETLLD; Ewing JA (John); Reeve W (Bill); Duffy F (Frances); Patel DR (David); Ramsay J (John); Davis L (Lorna); Press Transport Scotland; Ghibaldan S (Sam); Colwell A (Adrian); Tattersall J (Jessica); Communications Transport; Spence M (Matthew); Adamson L (Lucy); Spencer FM (Fiona); Dow DM (David); MacDonald TR (Tom)

**Subject:** Edinburgh Trams - draft papers for collective consideration

**Importance:** High

Minister

Following feedback that the trams project will not need to go to full Cabinet and discussions with Finance Officials I attach an updated version of the paper. This is very much still in the style of paper that Cabinet would require given the collective Ministerial discussion that will follow.

There are some bits of the paper where details need to be checked and factual information added. This is ongoing but I thought it better to provide you with a substantially complete draft paper now while we complete all the details before circulating it formally for others Ministers' agreement.

The papers include an additional Annex which includes further information about the scheme and summarises development up until the previous collective Ministerial consideration in January 2006.

You may wish to let the Minister for Finance have a copy of these updated papers before you meet him on Wednesday.

I am working on a revised covering minute.

Damian  


-----Original Message-----

**From:** Brown F (Fee) **On Behalf Of** Spencer FM (Fiona)

**Sent:** 05 January 2007 16:03

**To:** Minister for Transport

**Cc:** PS/Transport Scotland; PS/Perm Sec; PS/ETLLD; Reeve W (Bill); Duffy F (Frances); Patel DR (David); Sharp DP (Damian); Ramsay J (John); Davis L (Lorna); Press Transport Scotland; Ghibaldan S (Sam); Colwell A (Adrian); Tattersall J (Jessica); Communications Transport; Spence M (Matthew); Adamson L (Lucy); Spencer FM (Fiona)

**Subject:** Proposed Cabinet Memorandum: Edinburgh Trams: Pre-Digest Minute: January 2007

Minister

I attach for your consideration a draft pre-digest minute together with the Cabinet Memorandum on the Edinburgh Trams and the associated Annexes. Cabinet Secretariat advise that, for the paper to be considered on 21<sup>st</sup> February it needs to go into pre-digest by 5 February at the latest, with responses required from other Ministers by 13 February so that comments can be addressed and the Memorandum put forward to FM and DFM on the 14<sup>th</sup> of February.

If the paper enters pre-digest earlier then it would allow time, if you wish, for a meeting with the Minister for Finance during the pre-digest period. It would be worth considering this as it would help to ensure that we are able to address fully any points he may wish to raise. We have arranged to meet Finance officials next Thursday (12<sup>th</sup>) for a preliminary discussion so that officials are properly prepared should you wish a discussion with their Minister.

<< File: Cabinet Paper\_ Edinburgh3.doc >> << File: Trams - final draft Cabinet Paper.doc >>  
<< File: Trams - Annexes1.doc >>

*Fiona*

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