John Carson puts the Tram question to councillors

John Carson stood last Thursday as a candidate for election to the City of Edinburgh Council, but was beaten by the SNP's Alasdair Rankin. This week, in advance of the council meeting when trams are again on the agenda, he has put several questions to the incumbent council to make them think before the decision they are about to make to continue with the tram project.

Here are the questions he has raised with them:-

- *What is the precise level of confidence that Concessionary Fares, so vital to the original Business Plan, can be applied on the Trams?*
- *This issue was previously presented as 'done deal', but is now known not to be so; given that it requires legislation and there is enormous scope for 'me-too' demands from other under- pressure Authorities and wider 'Rail' transport, are Concessionary Fares now more likely to be denied than allowed?.*
- *The budget has gone from £695M to £742M while the 'Risk and contingency' has dropped from £77M to £34M in just 6 weeks. At this rate the contingency will be completely used up by the end of next month!*
- *For experienced project managers these are invariably signs of a project running totally out of control, In the light of that what basis do councillors have for feeling that these are not the signs of a project totally out of all financial control?*

- *The original £545M amount, described as fixed price at the time, also had a £95M contingency amount within it. This has totally disappeared as well, where did it go?*
- ***A key question:*** *Council officers were told categorically prior to 30th June they had a solid 'walk away' price of less than £600M by the senior UK Executive of Billfinger Berger, Richard Walker. The Conservative leader explicitly asked the Senior Officers on 30th June if they had a mutually agreed figure from Billfinger Berger and they were told NO!*

That figure of £740M, only produced after every single worst case scenario had been included, this 'Doomsday' scenario, which suited the purposes of inflating one of the other options, was already overtaken by the far lower 'walk away' offer. However this inflated price was nevertheless upheld in the presentation to councillors in the City Chambers on the 30th June and was instrumental producing the vote. We find now that the £740M 'cancellation/walk away' figure has already dropped, just a few weeks later, by £80M. We are told it will drop further as officers and executives strive to clean up the figures before yet another vote.

- *Finally, in light of the above 3 paragraphs, the question is; did officers in the report as presented, deliberately mislead. Or were they so far out of their out their depth and competence that they made an error approaching £100M, and soon to be even more –* ***was it deliberate malfeasance, careless negligence or gross incompetence?***

- *Having made much of the 'complete repair of Princes Street at the Consortium's expense', and noting that CEC have recently advertised widely for contractors to do 'remedial works' to the services, can Senior Officers give a categorical and unconditional assurance* *to Councillors that there is no other work to be done in Princes Street beyond that which is to be 'put right at their own expense' by Bilfinger Berger, and that the total cost of all work in Princes Street will indeed be borne by Bilfinger Berger and the Consortium?*

- *In respect of the 'unknown, unknowns' in Shandwick Place largely revolving around 155 'mission critical" fibre optic cables and the enormous practical problems these present,* ***Can the Council Officers state precisely, and unambiguously, why they have REDUCED their contingency fund from £77m to £34M, quoting trial hole and radar surveys?***

Bearing in mind that based upon identical techniques for risk evaluation tie previously predicted the similar Utility contract at £40M, which, far from falling in reality, eventually exceeded £100M.

- *In addition to giving CEC a walk away price considerably less than the one in the report presented to the June 30th meeting (below £600M rather than the £740M stated), Richard Walker of Bilfinger Berger also gave CEC a 'target Price' of £720M to reach St Andrew Square. This was not a fixed price (unlike the ones for Haymarket and 'walk away/cancellation' which were fixed because the risks of both these options ARE all known) for two reasons:-**The first** was that amazingly he had not been clearly told, when presenting it ,whether CEC wanted to end the tram at St Andrew Square, by the Harvey Nichols store, or down the hill and round the corner in the centre of York Place!!*

***The second** was that he retained grave reservations about the potential costs of diverting utilities in City Centre streets which house major commercial and financial companies, following the well publicised problems on many less sensitive streets.*

The target price at £720M was specifically provisional primarily because of the above two risks, and therefore far more likely to rise, than remain at that level.

Making York Place the end point, something inexplicably fudged in CEC statements earlier this year, could involve raising that street by anything up to a metre to make sure the giant carriage trains can negotiate the combined curved turn and drop into York Place from St Andrew Square.

The effect of this and the other work needed is to immediately raise the quotes target price by another £60M. The other service diversions are roughly estimated at between £20M and £40M.

The CEC already know that these considerations will take the target price towards, or beyond, £900M, requiring not £230M borrowing but £355M of borrowing to meet the gap from the original £545M.

The interest on £355M over the life of the loan will make the 'all-up' price of taking the tram to York Place somewhere in the region, not of the £1B now being mentioned, but £1.225Billion.

- *So, can council officers categorically tell councillors that the 'fixed prices' for Haymarket and the 'walk away' options have never been mentioned and offered?*
- *Can Council Officers give councillors a categorical assurance that the St Andrew Square/York Place was only ever a target price' specifically without guarantee?*
- *Further can Officers explain why the option was previously labelled St Andrew Square prior to 30th June, but is now labelled York Place, with a minimum extra known cost of at least £60M? Was this in reality an attempt to produce an artificially lower price for an option that Council Officers wished to present in the*

best possible light?

- *Was the absence of the correct naming of the York Place option done to be able to present a lower cost than would have otherwise be necessary, or is 'York Place 'a completely new requirement after the vote held on the 30th of June?*
- *If the reduction in the amount to cover contingency and risk, coupled with the rise in predicted costs, is related to the tie staff leaving the project; who in the CEC actually has the experience and knowledge to assess these risks in any meaningful way?*
- *In the report to Councillors on the 30th of June it states Inverleith Capital were consulted in respect of funding alternatives. Leaving aside the history of cost over run, management problems, and the real risk profile recognised only too clearly by Richard Walker of Billfinger Berger and his colleagues, what was the actual conclusion of Inverleith Capital as to the possibilities of finding funding in terms of cost of interest, and also in the case of any Bond, the probable rating level likely to be ascribed to it by a ratings Agency, such as Moody's, Fitch or Standard & Poors?*
- *Is it the case that there are scenarios in which borrowing may have to rise by £451M, including interest, and this represents both 32% of the entire annual budget and this will take borrowing past £1.5B and towards £2.0B?*
- *Can CEC Officers and executives give assurances that the Statement of Compliance signed by the Director of Finance of the City of Edinburgh and the Audit signed by the Chief Internal Auditor are still active? If not can the Officers and executives detail what if any signed instruments have taken their place?*

- *If they are still in force can the councillors give an unreserved assurance that the works are in no risk of breaching the conditions in terms of over spending and lateness of delivery?*
- *Further questions about the assets being leased to TEL, when the original objective was to run trams and Lothian Buses together require urgent answers. Concerning the possibility of leasing the trams, given that Edinburgh is compared to Sheffield in the report and Sheffield's ill-fated tram system had trams the third largest in Europe at 34.8m long, while Edinburgh's are the longest and heaviest in the world at 42.8m, and incapable of being decoupled, what possible basis was there for believing any tram operator in the world could have actually run the trams?*
- *If there was no viable prospect then why was the possibility even raised in such a report?*
- *Finally, concerning the announcement of the appointment of Turner & Townsend to take over functions from the tie company, now to be wound up, does this comply with EU procurement Law and UK guidelines? Was it advertised openly? Was it competitively tendered? How many alternative contractors were interviewed?*

The Council meet today to discuss the financing of the trams.