

# **LIVE Breaking News – Edinburgh Tram Inquiry Report published today**

**The Edinburgh Tram Inquiry was officially established in June 2014 by The Scottish Government when it was led by Alex Salmond as First Minister**

Now two First Ministers and one tram extension and nine years later the report is finally published today.

The statement from Lord Hardie is set out in full below.

## **LORD HARDIE STATEMENT:**

At the outset I wish to address comments about the time taken by the Inquiry and the costs incurred. The volume of material recovered by the Inquiry and the challenges faced by it are discussed in chapter 2 of the Report.

Following the conclusion of the public hearings I reviewed the evidence in light of the closing submissions and the documentary productions and I undertook investigations concerning the actual cost of the project. I sent out warning letters when the draft Report was completed and sent for editing.

The edited draft Report was adjusted to take account of the

warning letter responses, some of which were substantial and one of which extended to several hundred pages, resulting in further time taken to complete the Report.

On 26 April the Report was sent to the publisher in initial anticipation of its return before the summer Parliamentary recess but on reviewing the length and complexity of the report the publisher confirmed its date of return would be in the Autumn.

The cost of the Inquiry to the end of July was £13,126,725 but the net cost to the public purse was reduced to £8,719,127 by using existing public resources that were not replaced and discounting the public expenditure already incurred relating to these resources. The final accounts will be published when the Inquiry has concluded and the records lodged with National Records of Scotland.

The Report contains criticisms of many companies, organisations and individuals but today I wish to highlight the actions of **tie**, the City of Edinburgh Council and Scottish Ministers whose acts or omissions were principally responsible for the failure to deliver the project on time, within budget and to the extent projected.

## **Background**

In 2002 **tie** was incorporated as a company wholly owned by the City of Edinburgh Council to manage the planned scheme for congestion charging and to use the funds from that scheme to deliver various transportation projects, including a tram network for the city. The advantage of such an arrangement was that receipts from congestion charging would not become part of the Council's receipts and could be used to deliver transportation projects as directed by the Council.

By late summer 2007 the tram project was the sole project in **tie**'s portfolio after Scottish Ministers abandoned the Edinburgh Airport Rail Link and withdrew **tie** from its

management functions in the Stirling -Alloa- Kincardine railway. The abandonment of congestion charging meant that **tie**'s sole source of income was from payments from CEC for the project.

Apart from Mr Kendall, **tie** and its employees had no experience of delivering a tram project and it depended on the use of freelance and contract staff, as a result of which there was significant "management and staff churn"

The project involved the construction of a tram network consisting of at least line 1a (from the Airport to Newhaven) and the purchase of tram vehicles to operate on the network. From reports submitted to them councillors expected line 1a to be completed within the available budget of £545 million and to be open for revenue service by the summer of 2011.

The construction of line 1a was delayed and a restricted line from the Airport to York Place opened for revenue service almost 3 years late in May 2014 and at a reported cost of £776.7 million, which was £231.7 million in excess of the available budget for the entire line 1a.

The reported cost was an understatement because City of Edinburgh Council allocated costs to other budgets that truly related to the project and failed to include the net present value of borrowing £231 million to complete the restricted line. There was also a substantial claim by a landowner of which there had been no awareness at the date of the reported cost. The best estimate of the cost of the restricted line is £835.7 million.

### **Reasons for the increased cost of the project**

The Report considers various aspects of the procurement and management of the project as well as the consequences of the failure to deliver it on time, within budget and to the extent projected. I propose to highlight certain of these issues today.

## **Procurement strategy and failure to implement it**

Following the poor financial performance of several light rail schemes, the advice of the National Audit Office was that better sharing of project risk and alternative contract structures could help to reduce the cost of such projects and encourage private sector investment. **tie** followed that advice in developing the procurement strategy for the tram project. It separated the Infraco contract for the construction of the network from the Tramco contract for the delivery and maintenance of the tram vehicles. This was a sensible approach.

The Tramco contract did not contribute to the increased cost of the project, except insofar as the cost of storage of vehicles was added to the cost of the Tramco price because of **tie's** delay in taking delivery of them, as a consequence of the delay in progressing the Infraco contract.

The procurement strategy included various other measures designed to manage risk out of the project. These included: prior to the conclusion of the Infraco contract, providing Infraco with completed designs which had all necessary approvals and consents subject to the population of these designs, with specific systems and components chosen by Infraco; novating the design contract to Infraco at the date of signature of the Infraco contract; and completing the diversion of utilities in advance of the infrastructure work, to enable Infraco to construct the tram line unimpeded by the existence of utilities.

The final Business Case was based upon implementation of that strategy, as were the various reports to councillors, assuring them that the project would be delivered within budget.

Although some witnesses criticised the strategy, I have concluded that it was a sensible one and criticisms of it were intended to divert attention from the fact that the failure to

deliver the project on time and within budget was attributable to **tie**'s mismanagement and its failure to implement the strategy. In particular, prior to the signature of the Infraco contract, **tie** did not complete design to the extent intended, did not obtain all necessary consents and approvals and did not complete the diversion of utilities.

As a result the Infraco contract and the novation of the design contract did not transfer risk to the Infraco contractor to the extent intended in the procurement strategy. This resulted in increased costs of the project.

There was a 5 month delay in **tie**'s award of the design contract but **tie** did not amend the design programme to reflect that delay and it imposed an unrealistic design programme that was incapable of being achieved. **tie** failed to delay signature of the Infraco contract until the necessary design, consents and approvals existed. Moreover, **tie** failed to manage the design contract effectively.

For example, it entered into the design contract before the conclusion of the proceedings in the Scottish Parliament to scrutinise the private legislation required for the project; it failed to advise Parsons Brinckerhoff for several months that changes had been made to the scheme by the Scottish Parliament, with the result that design had proceeded from the wrong baseline; it failed to engage with Council officials to ascertain the wishes of the planning and roads authority and to manage the expectations of third parties whose approval was required for design that affected their land;

it failed to co-ordinate instructions to Parsons Brinckerhoff resulting in different people within **tie** issuing competing design instructions and in the reconsideration of design issues that had already been rejected; it failed to advise Parsons Brinckerhoff that changes had been made to the employers' requirements to reflect negotiations with Infraco bidders, resulting in a mismatch between these requirements

and the SDS design; and it failed to provide instructions to Parsons Brinckerhoff on critical issues to enable them to progress design.

**tie** also failed to ensure that before signature of the Infraco contract the diversion of utilities was completed in sections of the route where such diversion was part of the procurement strategy. Delays in the diversion of utilities were caused by the failure of some utility companies to comply with timescales for the provision of information about the location of their assets under the proposed route of the trams. **tie** failed to manage such delays with the result that commencement of diversion work was delayed. The time allowed for completion of the diversion work was inadequate and failed to take into account the time taken to divert utilities in other tram projects in the United Kingdom and the likelihood of the inaccuracy of records of utility companies and of the existence of redundant apparatus and other underground obstructions.

Moreover **tie** failed to manage the diversion of utilities to ensure that the procurement strategy of providing Infraco with a cleared route was achieved. For example, areas that were supposed to have been cleared still had utilities in place when the infraco contract was signed.

Their existence and the failure to give Infraco exclusive access to sites impeded its ability to work efficiently and contributed to the increased cost of the project.

### **Business Case**

**tie** was also responsible for the preparation of the Business Case.

Although officials in Transport Scotland reviewed and commented upon early versions of the Business Case, they were prevented by Scottish Ministers from considering or commenting upon both versions of the Final Business Case produced for the

October and December meetings of the Full Council in 2007 for its consideration and approval. Both versions were in similar terms and were misleading.

The capital cost for Phase 1a was forecast at £498 million "based on firm rates and prices received from the bidders for system construction, vehicle supply and maintenance".

Reference to £498 million in that context was misleading. It was an aspirational figure selected by Mr Gallagher when it would have been more appropriate to report a range of possible figures to reflect the likelihood of cost increases because of delays in design and the diversion of utilities.

Although provision for risk had been included in the estimated cost of the project, the allowance for risk had not been assessed in accordance with guidance available at that time, to adjust the risk allowance to include an uplift for optimism bias. Accordingly the risk allowance, and consequently, the cost in the Business Case was underestimated. No account was taken of the fact that it was apparent by this time that it had not been possible to adhere to the procurement strategy, which had formed the basis on which it was assumed that risks would be mitigated.

### **Contract negotiations**

**tie's** conduct of negotiations with BBS about price was also inept. In December 2007 Mr Gallagher threatened BBS that he would advise CEC to authorise **tie** to withdraw from negotiations unless a target price of £219 million was achieved.

At Wiesbaden in December there was a private meeting involving Mr Gallagher and senior representatives of Bilfinger and Siemens, following which it was claimed that agreement on price had been reached. No minutes of that meeting were provided to the Inquiry. As a result of that meeting an additional £8.2 million was payable for transferring

provisional sums to the firm contract price.

The subsequent written agreement following Wiesbaden did not transfer the design risk to BBS as Mr Gallagher had hoped. On 18 March 2008 **tie** issued the Notice of Intention to Award ("NIA") the contract to BBS when negotiations were incomplete. The purpose of an NIA is to allow parties a short period to reflect upon the negotiated terms of a contract before formally committing to it.

It was contrary to normal procurement management practice for the procuring party to issue an NIA when the parties were still in negotiation over central contractual documentation, including the pricing schedule. **tie's** actions in issuing the NIA prematurely, strengthened BBS's negotiating position.

Furthermore, in each of the Rutland Square Agreement, the Citypoint Agreement and the Kingdom Agreement, dated 7 February, 7 March and 14 May 2008 respectively, **tie** agreed to pay BBS increases in the price. The Rutland Square Agreement contained a clause in terms of which BBS could lose preferred bidder status if it did not adhere to its terms, including the requirement that there be no further claims for additional payment.

**tie** neither used nor threatened to use this sanction when the increased prices were sought and obtained by BBS in the later Citypoint and Kingdom Agreements.

**tie's** failures in this regard indicated to BBS **tie's** desire to award the Infraco contract to BBS irrespective of repeated price increases and, as with the premature issue of the NIA, represented a divergence of interests between **tie** and CEC.

**tie's** conduct was a sign of its weak negotiating position, which BBS was able to use to its advantage.

## **The Infraco contract**



The pricing schedule to the Infraco contract, referred to as SP4, was not finalised until mid-April 2008. It contained an Appendix showing a "Lump Sum Firm and Fixed price" of £231.8 million, with deductions totalling in excess of £12 million for value engineering resulting in a price of £219.2 million excluding provisional sums, giving the impression that **tie** had achieved its objective as far as price was concerned. Nothing could have been further from reality.

The value engineering savings were properly described as financial engineering. They were unachievable, not least because they would have required design changes for which no provision had been made.

There can be little doubt that **tie**'s mismanagement played a significant role in the failure to deliver the project on time and within budget and to the extent projected.

However, the principal cause of these failures was the Infraco contract itself, the terms of which resulted in disputes about its interpretation and the cessation of work at particular locations until the disputes were resolved.

The disputes centred principally on two provisions in the Infraco contract. The first of these is the provision in the pricing schedule relating to entitlement to additional payments where there were changes to the pricing assumptions in that schedule, some of which assumptions were acknowledged to be inconsistent with the actual facts and circumstances that applied at the date of signature of the contract. Such changes were deemed to be mandatory **tie** changes.

The second provision is clause 80 containing provisions as to what should happen in relation to the execution of the works when it was considered that a change was being made to those works.

Clause 80 had been drafted before the pricing schedule and was intended to prevent work starting on a change requested

by **tie** until the cost of such a change was agreed or determined, following a reference to the dispute resolution procedure.

Once the cost of change was known, **tie** had the option to decide not to proceed with the change, or to issue a Change Notice to carry out the work at the agreed price.

That option did not apply where there was deemed to be a mandatory **tie** change. Mandatory **tie** changes arose from the terms of the contract whenever there was a notified departure from the pricing assumptions. In mandatory **tie** changes, the provisions of clause 80 preventing work from proceeding prior to agreement of the cost of the work were inappropriate and led to the cessation of work whenever BBS considered that there had been such a change.

In the course of contract negotiations Mr Laing, Bilfinger's solicitor, alerted **tie** to the inappropriateness of applying clause 80 to mandatory **tie** changes, but his comments were dismissed by **tie** officials as an attempt to renegotiate the change provisions generally. Mr Laing's fears were justified.

The practical effect of clause 80 was that work on the project stopped whenever there were notified departures from the pricing assumptions, for example, when Bilfinger encountered un-diverted utilities or other obstructions that ought to have been removed by others in advance of Bilfinger taking occupation of the work site.

Work could not recommence until the cost of the mandatory change had been agreed, unless **tie** instructed Bilfinger to proceed with the work in advance of agreement or determination of the cost, in which case, **tie** had to pay the demonstrable cost of the work until such agreement was reached or determination made.

The number and frequency of notified departures meant that work under the contract could not progress and at times ceased

altogether. Although **tie** was aware of the likelihood that there would be notified departures immediately after the signature of the contract, it failed to make any assessment of the probable number of such departures, or to make any risk allowance for such departures.

**tie** also failed to make CEC officials aware of this probability, despite the fact that it was aware that securing a firm price within the available budget for the project was a matter of considerable importance to CEC.

The impracticality of clause 80 was recognised at mediation, where a variation to the contract was agreed and was reflected in MoV 5, as a result of which a fixed price was agreed for off street works between the Airport and Haymarket. The fixed price was not supported by detailed financial calculations.

It was the result of an offer made by Dame Sue Bruce, the Chief Executive of CEC, that one of the advisers thought would achieve a settlement. It was described as a "horse trade" and resulted in a significant increase in the cost of the project.

### **City of Edinburgh Council**

Although I have concluded that **tie's** failures were the principal cause of the failure to deliver the project on time, within budget and to the extent projected, I have also criticised the City of Edinburgh Council. That criticism is directed at officials, as opposed to councillors, because officials were responsible for implementing the decision of councillors to deliver the project within budget and it was their acts or omissions that contributed to the failures in the delivery of the project.

Officials provided councillors with misleading reports from which councillors understood that the cost of line 1a would be within the budget of £545 million. Although many of these reports contained sections that had been written or revised by **tie**, the signatories of the reports bear responsibility for

their inaccuracies. For example, following the apparent conclusion of negotiations, the Chief Executive's report to councillors on 1 May 2008 contained factual errors of significance.

It advised councillors that 95 per cent of the combined Infraco and Tramco costs were "fixed", with the remainder being provisional sums. That was untrue. It also stated erroneously that the utility diversion works along the tram route were "progressing to programme and budget".

Mr Laing, the solicitor acting for Bilfinger, was so concerned about these inaccuracies, that he telephoned Mr Fitchie but was told that CEC had its own legal advisers.

The provision of inaccurate information to councillors continued after the contract was signed. In reports to councillors in June and October 2010 Mr N Smith had revised the draft reports to include a statement that the outcome of the disputes between **tie** and Infraco that had been referred to adjudication was finely balanced "in terms of legal principles". That was untrue. Although he was not the signatory of either report, Mr Smith's interpretation of the outcome in terms of legal principles was relied upon by the signatories of the reports because he was a solicitor.

Officials also failed to protect the interests of the Council. On 18 March 2008 in exercising his delegated power to authorise **tie** to issue the Notice of Intention to Award the Infraco contract to BBS, the Chief Executive exceeded his delegated authority. His authority was subject to price and terms being consistent with the Final Business Case and subject to his being satisfied that all remaining due diligence was resolved to his satisfaction. The Notice was issued prematurely when negotiations about price were continuing and it was not possible to say that the price was consistent with the Final Business Case. The premature issue of the Notice was detrimental to the interests of the Council.

Similarly, on 13 May 2008, his authorisation to **tie** to sign the Infraco contract exceeded his delegated authority, because the price and terms were not consistent with the Final Business Case, as refreshed by the recent price increases.

In April 2008 officials, including Mr C MacKenzie and Mr N Smith, solicitors in the project team, received a copy of the draft pricing schedule. Mr Smith stated to the Inquiry that he did not read it before the contract was signed and that if he had read it, he would have raised his concerns about it with Mr MacKenzie, Ms Lindsay and DLA.

Mr MacKenzie did read it and was concerned about its terms, but failed to raise his concerns with the Council Solicitor or anyone else, or to take any other action before going on holiday. By their respective actions each of them failed to protect the interests of CEC.

CEC must also share principal responsibility with **tie** for the delays in design. As the local authority exercising the statutory powers relating to planning and roads and transport, its officials ought to have liaised with the prospective designers of the project, and thereafter with Parsons Brinckerhoff, when it was appointed to undertake the SDS contract, to clarify CEC's design requirements at the earliest opportunity.

CEC ought to have provided adequate guidance at the earliest opportunity to assist designers in developing the details of the Prior Approval Designs and Technical Approvals, that would be acceptable to it as planning and roads and transport authority. The Tram Design Manual, produced around December 2005, only gave guidance on design principles of a very general nature and the delivery of a draft Tram Public Realm Design Workbook in April 2008, which gave more detailed guidance on matters such as surfacing, materials and construction details, was too late because it arrived only one month before contract close.

CEC officials failed to work in a collaborative manner to resolve design issues swiftly and with clarity or to provide a focus on enabling the project to proceed smoothly. The lateness and sheer volume of the comments on design from different officials within CEC, including the reconsideration of issues that had been rejected at an earlier stage in the design process, were bound to cause delay and expense.

It is very surprising that such a disorganised and uncoordinated response was allowed to continue unchecked. CEC could, and should, have taken steps to reduce the delays in granting consents and approvals without affecting the proper performance of its statutory duties.

As design progressed before and after contract close, CEC ought to have co-ordinated the various comments and objections to design from within CEC and ought to have managed the expectations of third parties whose consent was also required. Instead it commented with a number of voices rather than a single, considered voice.

The change that came about in consents and approvals after the Mar Hall mediation is striking. There is no suggestion that CEC ignored, or in any way compromised its obligations in that period, and yet it dealt with matters in a wholly different and much more efficient way.

As the owner and ultimate funder of the project CEC ought to have ensured that its interests were protected, particularly as it had no effective remedy against **tie** for any acts or omissions by **tie** resulting in loss to CEC. It failed to do so. It adopted a "one family" approach that resulted in its failure to scrutinise the actions of **tie**. **tie** did not reciprocate that approach and resented any scrutiny of its actions by CEC's officials.

I have already referred to the mediation settlement in the context of clause 80. In the Report I express concerns about

the manner in which the settlement was implemented. Pending councillors' approval of MoV5 an interim settlement was agreed and incorporated into MoV4 which provided for payments to be made to Infraco in exchange for materials and priority works. It also preserved the rights of Infraco and Tramco to compensation in the event that councillors did not agree to proceed with the project in accordance with the mediation settlement.

The effect of implementing MoV4 was that the limit of £546 million imposed by councillors as authorised expenditure on the project would be exceeded if councillors decided not to proceed with the project. Councillors' authority to increase the limit was required but was not sought.

Instead senior officials of CEC advised **tie** that CEC would take no action against it or its employees for exceeding the expenditure limit and instructed **tie** to sign MoV4 and to make payments in terms of that variation. In doing so these officials exceeded their authority and usurped the role of councillors who alone could authorise an increase in the limit set by them.

Moreover, a payment of £27 million was made under MoV4 and a further payment of £9 million was authorised and may have been paid before MoV4 was signed. This amounted to a serious failure of governance. Several months later councillors approved MoV5 which had the effect of retrospective approval of the unauthorised expenditure under MoV4.

### **Scottish Ministers**

In the Report I have also criticised Scottish Ministers for failing to protect the public purse represented by their grant of £500 million towards the £545 million budgeted cost of the project.

Prior to the election of the SNP as a minority government in 2007, its manifesto contained a commitment to abandon the

project. Scottish Ministers sought to implement that commitment but were defeated on 27 June 2007 by a majority vote in the Scottish Parliament.

Although they were not bound by that decision, Scottish Ministers decided to implement it, fearing that they would be defeated in a vote of confidence if they did not and would lose the power of being in government for the first time in the SNP's history.

Mr Swinney's announcement that the project would proceed but that grant funding would be capped at £500 million with any cost overrun being borne by CEC, did not alter the funding arrangements that had existed prior to June 2007.

Although the financial commitment of Scottish Ministers before and after June 2007 was identical, Mr Swinney's instruction to officials in Transport Scotland to "scale back" their involvement in the project, was a material change of such significance that officials gave serious consideration to their seeking a ministerial direction to obey this instruction.

Ministerial directions are formal instructions from ministers telling their officials to proceed with a spending proposal in a particular manner, despite an objection from the permanent secretary or other senior official in the department. They are extremely rare and have been described as the "nuclear option".

In the event no direction was requested but the involvement of Transport Scotland officials in the project altered significantly and important safeguards designed to protect the grant funds were removed.

In March 2007 the award of the grant was restricted to £60 million to be used for utilities diversions, advance works and continuing development and procurement for phase 1a. The conditions attached to the offer of grant included a number of



“hold points” at which CEC and the Scottish Ministers would review whether the scheme was continuing to meet its objectives and they would determine whether to continue to support scheme development and implementation.

In January 2008 when Scottish Ministers issued the formal offer to pay up to £500 million in instalments as a grant towards the cost of the project, the “hold points” were removed from the conditions of payment.

Prior to the decision to scale back the involvement of Transport Scotland, the provision of funding had also depended upon a final business case justifying the continuation of the project and a Benefit to Cost Ratio (BCR) in excess of 1, which is indicative of achieving value for money. Officials in Transport Scotland specified the matters to be considered in any business case and commented on its contents. When reviewing the various iterations of the Business Case they had used both internal resources of various disciplines and external consultants.

After June 2007 its officials were not involved in the scrutiny of, and commenting on, the versions of the Final Business Case prepared in October and December 2007. They merely relied upon CEC’s approval of these versions. The BCR is a key factor in determining how funds are to be made available for projects, but the effect of this change was that Transport Scotland would carry out no assessment of its own before committing Ministers to pay a total of £500 million.

Instead, it was to be left for evaluation by the recipient of the funds, with no requirement as to how robust the findings had to be, or how sensitive the BCR was to particular inputs.

In his evidence to the Audit Committee of the Scottish Parliament on 27 June 2007, the Auditor General envisaged the continued involvement of Transport Scotland along with the City of Edinburgh Council in the approval of the Final

Business Case. He emphasised the need for careful scrutiny of the Final Business Case by Transport Scotland "because it is concerned with Parliament's interests".

The evidence also disclosed that when Ministers were providing substantial funds towards a transport project, it was the practice of Transport Scotland to instruct solicitors experienced in the preparation and interpretation of construction and engineering contracts to review the draft contract prior to its terms being signed.

The decision of Scottish Ministers to scale back their involvement in the project meant that this safeguard was not undertaken.

If it had been, it is likely that they would have become aware that there was not price certainty and that there was a real risk that the project could not be delivered within budget. This should have resulted in their reconsideration of the justification for the continuation of the project.

Such reconsideration might have resulted in the curtailment or the abandonment of the project and might have resulted in saving public funds.

The Scottish Ministers did not advance any good reason for withdrawing the safeguards that existed to protect the public purse when grant payments were being made. There was no risk of confusion as to who was delivering the project.

Although the Auditor General expected the continued involvement of Transport Scotland as the principal funder of the project, there was no doubt that ultimate responsibility for delivery of the project rested with the City of Edinburgh Council and its arms' length external organisation, **tie**.

It appears that Mr Swinney may have realised the fundamental error and unreasonableness of the Ministerial decision to scale back officials' involvement in the project when problems arose with it after the Infraco contract was signed. He became

directly involved in it. During the course of the Princes Street dispute he told Mr Mackay, the chairman of **tie**, "to get it sorted". His explanation that he meant **tie** to follow the dispute resolution procedure does not bear scrutiny.

He clearly intended that **tie** should respond as it did, by paying for work on Princes Street on a demonstrable cost basis to secure the resumption of work there, resulting in increased expenditure on the project. He held various meetings with representatives of **tie**, the City of Edinburgh Council, and the contractors, Bilfinger Berger Siemens. No minutes of these meetings were produced to the Inquiry. In November 2010 he told representatives of the Council that they "were going to mediation".

He offered the services of Mr McLaughlin, a senior official in Transport Scotland, to attend the mediation and to provide assistance to the City of Edinburgh Council. Mr McLaughlin participated in the mediation as a negotiator although the final decision concerning any settlement remained with Dame Sue Bruce as Chief Executive of CEC. Before the final settlement was offered to Infracore Mr McLaughlin telephoned Mr Swinney. There was no credible explanation for that call at that stage in the mediation. After mediation, Scottish Ministers were represented at all levels of the project until its completion.

Following the emergence of the difficulties with the project, it can be seen that Scottish Ministers, represented by Mr Swinney, not only recognised their mistake in withdrawing the oversight of Transport Scotland officials designed to protect the public purse but became more involved in issuing directions to the local authority and **tie** about actions to be taken by them.

Such intervention would not have been necessary had Scottish Ministers allowed officials to undertake their normal role in major transport projects that were in receipt of substantial

grant funding. Their role was intended to protect public funds represented by the grant funding but such protection was removed as a result of the actions of Scottish Ministers.

## **Consequences**

In chapter 24 of the Report I consider the consequences of the failure to deliver the project within budget, on time and to the extent projected. These include:

- the financial consequences for City of Edinburgh Council
- the impact on the public generally
- the impact on residents
- the impact on businesses generally
- the impact on businesses on Leith Walk
- the impact on businesses in the west end
- unnecessary costs
- unrealised benefits
- reputational damage to the city

## **Recommendations**

Chapters 2 and 25 of the Report contain 24 recommendations for the consideration of Scottish Ministers. For ease of reference these are included at the beginning of the Report.

## **The terms of reference were:**

**The Inquiry aims to establish why the Edinburgh Tram project incurred delays, cost more than originally budgeted and through reductions in scope delivered significantly less than projected. The official terms of reference for the Inquiry are to:**

- Inquire into the delivery of the Edinburgh Tram project ('the project'), from proposals for the project emerging to its completion, including the procurement and

contract preparation, its governance, project management and delivery structures, and oversight of the relevant contracts, in order to establish why the project incurred delays, cost considerably more than originally budgeted for and delivered significantly less than was projected through reductions in scope.

- Examine the consequences of the failure to deliver the project in the time, within the budget and to the extent projected.
- Review the circumstances surrounding the project as necessary, in order to report to the Scottish Ministers making recommendations as to how major tram and light rail infrastructure projects of a similar nature might avoid such failures in future.

