

Media coverage myth busters!

25 June 2010

Trams: End of the Line – The removal of a contractor from the project would not mean the end of the tram project. We are still fully committed to completing the tram route in its entirety from Edinburgh Airport to Newhaven, via the city centre.

Costly court battle could ensue – In the event that we dismissed the contractor on the grounds of breach of contract, one outcome may be that it could be settled in court. This would be the worst case scenario however and we would hope to resolve the contractual dispute without going down this road.

Tram project definitely going over budget – We have reported previously to the Council in August 2009 that financial overruns on the project were likely, however at the moment we continue to work within the funding envelope available to us of £545m and to date have spent in the region of £350m

18% of works completed for £350m

This point has been mentioned a lot in the press recently and requires some explanation. The 18% refers to work completed so far on the project's infrastructure (track laying, structures etc.) and does not take into consideration work already completed, including the massive programme of work to divert utilities across the route.

The connection made between the project's budget and the current progress of track laying is misleading. The £350m which has been spent already includes the utility work, procurement of the tram vehicles, design of the project and land acquisition amongst other up-front costs. The 18% of infrastructure work therefore equates to a portion of this overall cost. It is worth noting that these were always anticipated as up-front costs.

Phased construction of the route

The recent Council Report (a link to which can be found under media updates) noted that a phased opening of the route could be one option looked at once the dispute has been resolved with the consortium. A decision has not been made on this yet and we remain fully committed to constructing the entire route from Edinburgh Airport to Newhaven.

Misconception that the project needs an extra £55m and is definitely going over budget

As stated above, we reported to Council last August that financial overruns on the project were likely. The tram project report (presented to the Council on the 24th June) states that it would be prudent for the Council to plan for a 10% contingency fund in addition to the existing budget. This is due to the lack of clarity on programme and cost as a result of the ongoing dispute. It is important to note that Edinburgh Trams is not requesting extra funding at this time. However the Council is looking at funding avenues that could meet a 10% contingency if required.

The impact of a 10% contingency plan on Council front line services

Currently there are two potential funding options being looked at by the Council to raise the 10% contingency. The first of these options would make use of the Council's Long Term Financial plan which would provide £2m per year to cover infrastructure development costs. The second option involves borrowing against the future profits of TEL (Transport Edinburgh Ltd.) the public company who will operate the tram route once it is completed.

There is no plan at present to divert Council funding away from other areas to fund this project and no plans to increase Council tax in future years to meet the Council's funding contribution.

Scrapping of the project – Despite the current contractual difficulties the tram scheme is still necessary for the future growth of the city and we are committed to resolving the dispute and getting trams up-and-running.