

Minister for Transport and Veterans
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29 January 2014

Dear Maureen

M8 M73 M74 MOTORWAY IMPROVEMENTS PROJECT

Further to my previous correspondence of 28 March 2012 regarding the above project, I wanted to let the Committee know that, following a comprehensive and robust procurement exercise, I have today announced the Scottish Government's intention to award the contract for the ambitious M8 M73 M74 Motorway Improvements Project to Scot Roads Partnership Project Ltd (SRP).

This project represents a major investment in Scotland's vital trunk road infrastructure, upgrading the core motorway network and boosting the Nation's economy through the improvement of connections between the commercial centres of Glasgow and Edinburgh and beyond. The project will cut congestion, helping to promote sustainable economic growth by improving access to facilities and employment areas throughout Central Scotland. Businesses will also benefit from economic savings, while more generally the project will improve road safety, accessibility and reduce the number of accidents.

Since I last wrote, my officials have been working with a number of world class contractors to drive innovation and deliver best value for the project on behalf of the Scottish taxpayer. Following that process I can confirm that the Net Present Value (NPV) of the contract is around £500m (exc. VAT) - bringing the 30 year revenue costs of SRP's bid back to a common basis. These costs include provision for the construction, operation & maintenance and financing of the project roads.

This represents a construction cost of approximately £310m; significantly below the pre-tender estimate of £415m, which reflects the robustness of the competitive dialogue process, challenging bidders to provide the optimal value-for-money solution. It also demonstrates the very strong competition for this contract and is indicative of the prevailing market conditions in the construction industry more generally.

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Following a significant level of international investor interest, funding from the project will come from the European Investment Bank (EIB) and a group of investors managed by Allianz Global Investors, one of the world's leading integrated financial services providers. This important milestone heralds a strong statement from the international investor community that Scotland's infrastructure is seen as a viable and desirable long-term investment opportunity. This is also very good news for the Aberdeen Western Peripheral Route / Balmedie to Tipperty project, which is currently being tendered and is critical to ensuring continued economic growth in the north east.

The employment benefits of this project will be similar in scale to the M74 Completion, which directly supported around 900 construction jobs at its peak - the large majority of which were filled by workers from the local area - and we expect that the M8 M73 M74 Motorway Improvements Project will deliver similar benefits to the local economy. We will also see considerable community benefits delivered as a result of this project, including opportunities for on the job training for apprentices and local employment.

Delivery of this project will take us another step towards realising our vision of a modern and efficient transport system fit for a 21st Century Scotland, connecting our cities by fast and safe road and rail networks and making Scotland an attractive place to do business both now and in the future. I am delighted to be able to inform you of this key milestone at this time.

Kind regards



KEITH BROWN