Karen Gillon MSP
Committee Convener
The Scottish Parliament
Education and Sport Committee
George IV Bridge
Edinburgh
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Dear Ms. Gillon,

Thank you for your letter of the 6th April. I apologise for the delay in responding. As I explained to Mr. Reid, I returned from abroad on the 23rd April, which was the day that you had expected a response.

I have considered your questions and set out to the best of my memory, answers that I hope will assist your Committee in their final deliberations.

Monitoring and Provision of Information

When I joined the Board of National Stadium plc the project was in place, the Design Team and Contractor were appointed and the method of managing the project was in operation. This involved monthly reports for the Cost Consultants and the Contractors. These were delivered in full to the Millennium Commission, together with an accompanying report from the Chief Executive, Austin Reilly. Austin Reilly’s report would take information from Professional Reports and highlight areas of relevant interest. The cost consultants monthly report drew comparisons between actual tenders and previously allocated budgets for the various work packages. It is my understanding that from the commencement of work the project had a projected shortfall, which I believe was initially estimated at £1.5 million. Due to the style of the work procurement, it was likely that this figure would vary. The work was being tendered and instructed progressively on a package basis. In the initial period “tender uplift” (the benefit of competitively tendered work being less than the Quantity Surveyor’s estimate) provided comfort that the shortfall may be bridged by savings. I can clearly recall a discussion suggesting that there may be other items later in the project that would erode this position. There is also less scope later in the project for savings of this type to be made. Later in the job the definition of work becomes much clearer. It tends to relate to less obscure items and work packages that are smaller in value. (An example is the difference between piling and carpeting. When you drive a
pile into the ground you do not know when it will stop. When you lay a carpet, you have an accurate area and product cost per square metre.

At TNS it was made clear that this information was being communicated to the Millennium Commission on a monthly basis.

The comment made by Mr O'Conor of the Millennium Commission avoids the fact that very few people know the final cost of a project of this size until some months after its completion. It is fair to report that TNS reported concerns re the shortfall early in 1999, as they had from the outset. They expressed serious reservations about the ability to meet this shortfall. The amount of work produced on site increased dramatically in the Spring of 1999, concluding for the hosting of the Scottish Cup Final, with a completed project in May 1999. It is not at all surprising that the final cost of the project wasn't known until the second half of 1999. The Contractor would be in the process of submitting claims to the Quantity Surveyors, who would, no doubt, refute them in the first instance and evaluate them ultimately on an equitable basis. This is perfectly common in a contract of this type. Similarly, the escalation of costs at the end of the job is not uncommon. The fundamental problem that the project suffered from was the absence of cash at the end to meet the Contractor's last interim Certificate. This precipitated a variety of actions that largely took the matter out with the control of QPFC, since they simply couldn't meet the cash demands of the Contractor. I believe the management contractor would have been under pressure from his package-contractors for payment and thus took legal action against the employer. The Board were not aware, until towards the end of the project, that the funding gap had escalated.

Meeting of 20th January 1999

The meeting with Lord Dalkeith and Mr O’Conor was generally a review meeting, including a site visit to provide them with an update in progress. Concerns were expressed quite clearly that the project still had a funding gap that had not been bridged despite a range of measures in place to source funds. I can clearly recall the phrase being used "we will not allow the project to fail". It was however clear that the "official line" from the Millennium Commission was that further funds may not be available. There was also significant dialogue that went along the line "we have a great many projects where funds are allocated, that patiently will not take up these funds, since they have little or no chance of proceeding in view of the remaining time scale. This we hope will bring further funds to the Millennium Commission that may be redistributed."

In your question, you ask for comment on the provision of this assurance in the Board Minutes. From the dialogue that took place, it was my understanding that a reassurance had been given, rather than an assurance. From the meeting, I felt that the Board felt sufficiently confident to continue, knowing that they would have to investigate all avenues for funding, but nevertheless took some comfort from the meeting from the Millennium Commission.
When the Board received the letters, serious discussion took place to stop the project. The dialogue with the Millennium Commission, as I understand it, increased quite dramatically. The Board were concerned that if there was "a queue" for funding, then Hampden should not be omitted.

**Meeting of 30th August 1999**

My recollection on this matter relates to concerns that the Board had, over the efficacy of the information provided to them by the Executive.

The report was instigated to evaluate the quality of the information given to the Non-Executive Directors and the action of the Executive/Company in dealing with its affairs. Without reiterating the content of the report, which I believe is confidential, it indicated that TNS had continued this large project using only a minimal staff.

**The attitude of the TNS Board towards the Co-founders, proposals involving the SFA**

It should be clear from the outset that every member of the TNS Board had a different perception of the SFA. The writer, along with Mr Walker, was nominated by Football to sit on the TNS Board and that nomination was approved by the Millennium Commission. I do not believe, at any time, there was an outright hostility towards the SFA taking over the project. It should be remembered that, if anything, the SFA were the anchor tenant for the scheme and thus would ultimately have a heavy involvement in the operation of the Stadium by default. I can recall at one meeting a comment being made to the effect that the Scottish Office should give a clear signal that the SFA should take over and the board would resign and orchestrate an orderly transfer.

I can recall supreme frustration in dealing with this matter, where TNS were not allowed to speak directly with those charged with "resolving the problem" or the SFA. TNS were kept at arms length and had to deal through Accountants, Surveyors and Solicitors. This inevitably meant that dialogue went around in circles. Predictably, it took longer. Had TNS been provided with a clear rescue package, I could answer your question on comparisons. I cannot recall, at any time, those charged with providing the rescue package allowing open and clear dialogue that gave such a definitive statement.

I can recall reminding the legal agents involved with TNS that when dealing with the SFA there would be a difficulty simply because the SFA are a democratic institution charged with the well being and promotion of football in Scotland. They are not a corporate entity with a Chief Executive and Board of Directors that can make instant decisions. They have a committee structure that would be extremely concerned about committing the SFA to a project that could totally undermine its finances and its future work in Scotland. It would therefore be difficult to expect the SFA, to simply jump in
and make instant decisions without assurances that they would have adequate safeguards to protect their existing structure and main operations.

**QPFC regain control of the TNS Board**

I was not aware that this was an issue. I didn’t believe that they ever lost control of the TNS Board. For reasons of independence, the TNS Board comprised people who were not all “QPFC.” The board were a broad church coming from many areas of expertise. It is my understanding that the Chief Executive at TNS reported regularly to the Committee at Queens Park. The “control of the TNS Board” is a matter that appears to have occurred after the writer resigned from the Board.

**The Future**

Comments on the future are always blessed with the advantage of hindsight.

Projects of this type are notoriously difficult to fund. We appeared to be dealing with a wide cross-section of funding agencies, who invariably have different agendas. The project appeared to take far too long to get off the ground and it was further delayed at the last moment by items out with the control of Queens Park F.C. I believe it took seven years to get started.

Despite repeated protestations from TNS, no one agency wanted to take responsibility for funding. Everyone indicated that it was a valuable project and very important as a landmark scheme for Scotland, but nevertheless believed that somebody else should ultimately pick up the tab. The arguments for putting in more money to the scheme seemed to be conditioned by what others were prepared to commit. This created a “card game” where the funding agencies seemed (from the outside) to be unwilling to disclose a sum without knowing what the other agencies were doing. The collective responsibility was further frustrated by the lack of clear drive from the Government officials. Perhaps in hindsight we were looking for a clear drive that could not be given due to the convoluted nature of the funding package. I do not believe however industry would have taken as long to achieve a work out. For reasons that were never explained a very circuitous route for negotiations emerged. I am convinced that the matter could have been resolved much quicker, had the parties involved in the problem been allowed to speak to each other. The TNS board were always prepared to put the project first, we had people on the board who were well able to negotiate solutions. I cannot recall any hostility to the board standing down and organising a change in direction. Dealing through legal agents undeniably cost a huge amount of time and, no doubt, expense.

If there is a lesson for the future it would be to have a sole party underwriting the funding package with enough muscle to cut through inter-agency difficulties of funding. The funding of such a large project through a small club was perhaps over ambitious in the first place. Many may consider it a credit to QPFC that the scheme got so far. QPFC are considered by many in football to be an institution as well as a
club. They remain the standard bearers for the Corinthian spirit such as it can exist in the sometimes cynical world of professional football simply by not being a professional club. In the end regardless of the difficulties they have delivered the project at no small cost to themselves.

I remain heartened by the eventual outcome. Hampden Stadium is about to host its third Scottish Cup Final and is now appearing regularly on the events map as a venue. The purpose of the Stadium, to provide a venue for events other than football, is being fulfilled and its purpose as a National building is progressively falling into place. Hampden next year will host the European Champions final. As a venue it enjoys FIFA 5 Star status and allows Scotland to be a serious contender for hosting the FIFA World Club Championships. In terms of true building cost, the project was less than 10% over the initial projection and was completed on time. By any measurable standard, Cardiff, The Dome etc. Hampden is a success. When one considers the current difficulties surrounding Wembley, Scotland should be justifiably proud of its National Stadium and use it to advantage. I conclude by supporting the view expressed by Sam Galbraith MP that it is time to get on and enjoy Hampden and put the past behind it. Unfortunately Scotland seems to live with a climate of self-deprecation and blame culture, which detracts from the benefits of a successfully completed project.

I hope these comments are of benefit to your committee.

Yours sincerely,

[Signature]

JAMES CLYDESDALE