

Order of magnitude impact of Options A to E above on programme and outturn costs

In Jan 2008 we presented a range of cost outcomes to the joint tie Board / Tram Project Board which put the outturn costs of Ph1a in the range £521.6m to £539.8m. This range was predicted inter-alia upon there being no further significant delays in mobilisation a significant improvement in commercial engagement and impetus with Infraco and programme acceleration to maintain a summer 2011 opening date. In the context of the current uncertainties we have prepared order of magnitude cost and programme outturn scenarios for each of the options examined above:

Option	A	B	C	D	E
Delay to July 2011 ops commencement	9 m	6 m	6 m	12 m	6m
Outturn Costs (£m)					
High side estimate per Jan 09 Board	539.8	539.8	539.8	539.8	539.8
New Infraco /civils partner:					
Mobilisation	10.0	2.0	1.0	-	-
Rates	25.0	25.0	21.4	-	-
Programme	17.0	10.0	5.0	-	-
Inflation	5.9	2.0	2.0	-	-
SDS Costs	2.0	1.5	1.5	-	-
Siemens and CAF additional costs:					
Delay	-	6.0	6.0	-	-
Inflation	-	1.8	1.8	-	-
Settlement disputes and programme:					
Additional direct cost	-	-	-	50.0	25.0
Time related costs	-	-	-	30.7	15.0
Future changes	-	-	-	-	10.0
Additional (prolonged) tie Costs:					
PM costs and other resource costs	5.6	4.7	4.7	7.5	4.7
Legal costs	1.0	0.5	1.0	-	0.5
Opportunities secured @ 80%:					
Base Cost	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Risk allowances	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Infraco risk allowances crystallised:					
Design changes	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
General provision for delay	(5.1)	(5.1)	(5.1)	-	-
Ground conditions	-	-	-	(4.2)	(4.2)
Interface risk	-	-	10.0	-	-
'Order of magnitude' Phase 1a outturn costs	583.2	570.2	571.1	605.8	572.8

- All of the scenarios assume we deliver a significant proportion of the opportunities identified in the January '09 estimate ranges
- Option A assumes a very streamlined retendering process and market interest in the absence of which the additional time would be considerably longer than 9 months
- Option B assumes a significant premium for a new civils partner which might be mitigated if BB are retained and/or Siemens take on the civils role themselves
- Option E assumes all disputes resolved through DRP but we expect Option E to facilitate a faster amicable solution of precipitate Option B
- All options assume implementation of acceleration measures identified by tie.

These scenarios dictate an urgent examination of scope reductions or additional sources of funding to provide “safety valves” - but the current approved funding cap of £545m has not been exceeded yet.