

Joint Tram Project Board and **tie** Board

6 May 2009

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Agenda

Minutes and Matters Arising	D Mackay
Introduction	R Jeffrey
HSQE	S Bell
Strategic Options – Update & Forward Planning	S Bell
Project Delivery	S Bell
– Infraco progress	
– Utilities – progress	
– Embargos	
– Picardy Place	
Finance	S McGarrity
Risk	S Bell
HR, Comms and Stakeholder	C McLauchlan
AOB	

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Overview

- HSQE – AFR down to 0.29 but still above target AFR of 0.24. Work on service strikes continues.
- Strategic Options –Mediation for DRP1 has been agreed between the parties and is now anticipated on 29 May. Forensic planning work ongoing along with continued preparation for future DRP referrals.
- Infraco Progress – PMP has met 3 times and small successes being achieved. Good outputs in depot excavation & Princes St.
- MUDFA progress – Preferred option to close down Carillion operations by end July and transfer residual utility diversions. This mitigates programme and cost risks. Specific papers refer.
- Programme engagement is priority issue for progressing this period.

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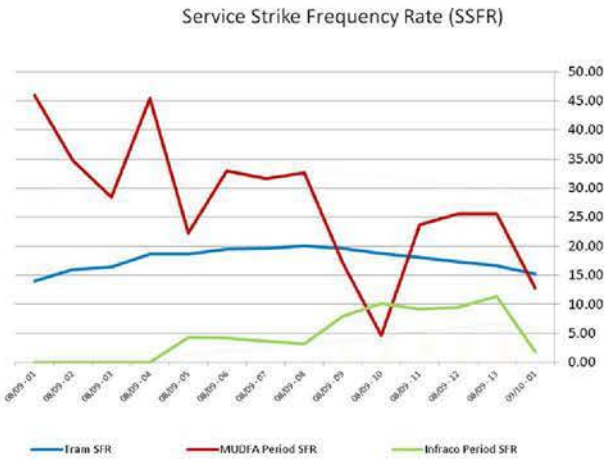
HSQE



- There were no reportable accidents during period and the project 13-period rolling AFR is 0.29 (target 0.24). The frequency of service damages has decreased during the period on the project. The percentage of power cable strikes has decreased during this period.
- Although the score for **tie** health and safety inspections on the contractor fell slightly during period it is still above the 80% compliance level. The number of inspection carried by **tie** PM's was over 100% of those planned. All of the planned safety tours were carried out by **tie** senior management in the period.
- A successful meeting was held between **tie** the Health and Safety Executive, Carillion and BSC to discuss progress and direction in implementing Occupational Health Management.

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Service Strikes Main Preventative Actions



- Power damages classed as avoidable
- Power damages investigated, **tie** and Carillion jointly
- Targeted inspection on buried services
- Specific coaching and questions to workforce
- Specific Tool box Talks, Scottish Power, Safety bus

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Strategic Options – Workstreams to end June

- A. Re-baselined Programme agreed commercially
- B. Key commercial and legal disagreements
- C. DRP/Infracore breach
- D. Settlement of existing changes
- E. Review of risk allowance and outturn cost estimates
- F. Review of other cost uncertainties
- G. Contract and risk management regime and governance
- H. Broader scope and funding options

NB – All in the context of assumed constructive engagement and resolution on an equitable basis between the respective project teams.

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Strategic Options - Progress Since April

- Good progress has been made on Princes Street under the Supplemental Agreement (SA) during the period.
- A Project Management Panel (PMP) has been established and has met 3 times as the forum for the more constructive engagement between **tie** and BSC.
- Some successes being achieved through the PMP, albeit these are significant issues to resolve. Next meeting 8 May.
- Delivery impetus by BSC at some other worksites has improved e.g. Depot excavation.
- Need to continue with next steps which:
 - Deliver cost and programme confidence
 - Balances the imperative of a conciliatory outcome against the need for robust protection of commercial position and VfM.
 - Enhances engagement, particularly on programme.

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Strategic Options – Workstream A : Programme

- Better engagement essential for successful progress.
- Advised that BSC recalibrated programme will be delivered by end May.
- Expected that BSC will provide their view of an entitlement programme in advance of this.
- **tie** have appointed a forensic planning resource to assist with preparation for settlement of programme issues, including:
 - Liability for delays to date
 - Acceleration/EOT measures
 - Commercial settlement of recalibrated programme
- Initial forensic planning analysis suggests our records are robust and work ongoing to get these in an easily retrievable format.
- Programme storyboard produced in the period for use in Stakeholder consultations

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Strategic Options – Workstream B : Key commercial and legal disagreements

- Continuing to try and resolve these issues through PMP if possible.
- 5 key areas of disagreement reported last TPB:
 - Responsibility for design management & evolution
 - Liability for delays to date and risk of future delays
 - Preliminaries
 - Unforeseen ground conditions
 - Failure to provide estimates
- QC opinion sought on key contractual / legal issues.
 - Appointment will be made week commencing 4th May.
 - QC review will be completed within 7 – 10 days following appointment.
- Continued development of commercial cases to address items above.

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Strategic Options – Workstream C/D DRP/Breach & Changes

- Dispute Resolution Process 1 (DRP 1) mediation agreed and now planned for 27 May – 1 June.
- 4 potential further DRPs under preparation should the PMP route prove to be unsuccessful.
- Focus on trying to resolve changes

Position at end of P1	P13	P1
INTC's received from BSC	334	341
INTC's with estimates outstanding	241	242
Change orders issues by tie	24	27
Change orders pending agreement on preliminaries	3	15
Disputed in principle	5	5

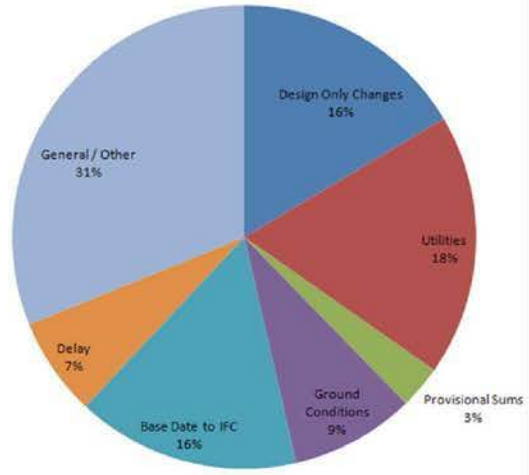
INTC – Infraco Notice of **tie** Change

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Total Number of Changes

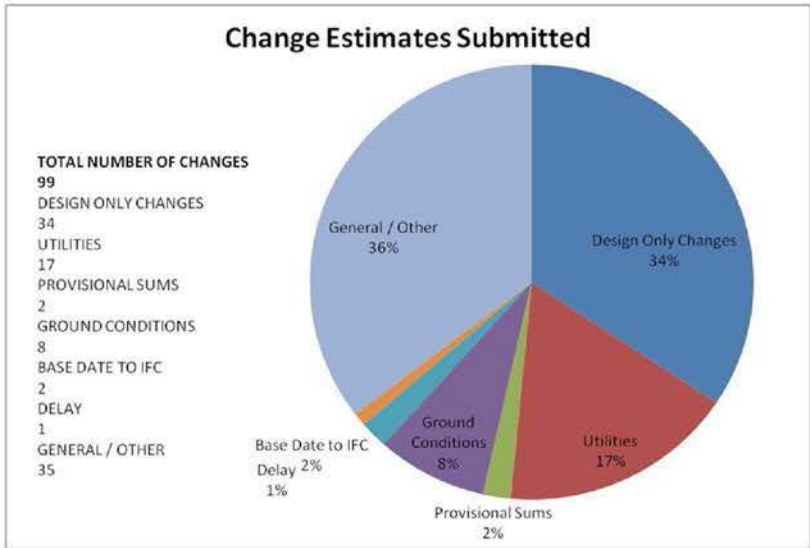
TOTAL NUMBER OF CHANGES	334
DESIGN ONLY CHANGES	55
UTILITIES	61
PROVISIONAL SUMS	10
GROUND CONDITIONS	29
BASE DATE TO IFC	52
DELAY	23
GENERAL / OTHER	104



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Change Estimates Submitted

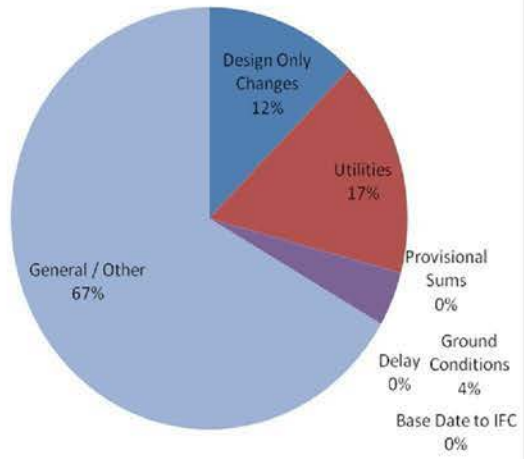


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Change Estimates Agreed

TOTAL NUMBER OF CHANGES	24
DESIGN ONLY CHANGES	3
UTILITIES	4
PROVISIONAL SUMS	0
GROUND CONDITIONS	1
BASE DATE TO IFC	0
DELAY	0
GENERAL / OTHER	16



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Strategic Options – Workstream G : contract & risk management regime

- **tie**'s approach to contract/risk management updated to reflect behaviours & tactics deployed by BSC and Carillion.
- Approach to date has been robust but contract management requires change in organisational approach and use of independent specialists to support and validate the **tie** effort.
- Additional in-house resource currently envisaged to be 2 x commercial and 1 x short term planner.
- External commercial resources also being utilised along with legal expertise and technical specialists in relation to ground conditions.
- This approach remains coherent with the effort to achieve resolution through the Project Management Panel.

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Strategic Options – Critical Success Factors

- Respectful and productive relationships at senior **tie**/CEC/BSC level
- Knowing when middle ground is best VfM - empowered decision making by BSC team is vital
- Constructive engagement around the PMP process and its relationship to current and future DRP action
- Completion of utility diversions and design
- Reinforcement of the **tie** team with experienced and savvy people
- Project governance re-aligned, the family speak with one supportive voice
- External communications treated as a critical part of the plan
- Clarity around the tie/TEL and CEC working and reporting interfaces such that CEC has full visibility of progress and issues

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Strategic Options - Timetable

3rd June Board – informed by:

- Outcome of mediation from DRP1
- Outputs from the technical and legal reviews of liability for delays and other commercial uncertainties
- Further updated cost estimate and risk allowance to reflect these outputs
- Report of progress with BSC engagement, recalibration or contractual programme and physical progress with the works including Princes St

8th July Board:

- Consolidated review of outputs from this 3mth engagement
- Formal consideration of recommendations regarding scope truncation, incremental funding sources and stop/go decision on project.

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Strategic Options - Timetable (cont'd)

Regular stakeholder engagement rhythms:

- TMO – CEC team engagement – Weekly meeting
- CEC integrated into workstreams as they progress
- Financial Commercial and Legal committee – every 4 wks
- Transport Scotland engagement – 4 weekly meeting

Other key engagements:

- Dinner for BSC/CEC Principals to be arranged
- 29 May – 1 June – Mediation
- 19 May – TS meeting with **tie**
- Early June - Peer Review – Contract Management Regime

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Project Delivery Princes Street and Depot

- Princes Street
 - Concrete all excavated from west and east sections.
 - Rail deliveries planned for end May
 - Works have now commenced on drainage ducts.
 - Revised programme received from BSC and review session held yesterday to agree.
 - Logistics team have moved over 32,000 deliveries so far.
- Good progress at:
 - Spoil removal commenced at depot on 6th April
 - 43240m³ vs plan of 22800m³
 - 15 bridge beams lifted into position at Edinburgh Park
 - Verity House access Road completion due 5/6 May
 - Tram modules progress 2 months ahead of schedule
- Continued slow progress at:
 - Carricknowe Bridge
 - Haymarket viaduct (contractor not yet mobilised)

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Project Delivery Utilities Works

- Overall 73.1% of all diversions complete.
- Sections 5a, 5b, 5 c and 6 complete and BT cabling now commenced.
- SGN connections commence week commencing 13/4 and progressing well.
- Mound diversions progressing well and completion expected by 14th June.
- Process for dealing with Carillion delay & disruption application likely to be challenging due to their poor records to substantiate such claims.
- Strategy developed to close down MUDFA contract by end July and transfer remaining diversions.

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Project Delivery Other Issues

- Picardy Place – design ongoing but traffic flow issues that remain to be resolved.
- Embargos – report to Council Policy & Strategy on 12th May seeking endorsement to work through the festival embargo on Princes St & potentially Haymarket.
- TRO – comments from internal consultation being recycled into final designs.
- Building fixings – only 9 outstanding fixings where referral to the Sherriff Court is likely.
- Fastlink road modifications almost complete – one objection to the TRO and report went to CEC on 5 May.
- Murrayfield pitch relocation – final account settled.
- Hearts War memorial removal commenced on 4/5.

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Finance

- As before we currently forecast expenditure **£150m** in FY0910 (**£22m** in the first qtr) on Phase 1a. Following Council decision to postpone Phase 1b we will have an additional liability to pay BSC **£3.2m** in the second qtr.
- As before cost profile reported is based up the “Re-baselined” programme to commence revenue services in Feb 2012.
- We are reporting an as yet unapproved outturn estimate for Phase 1a of **£527.1m** which includes a risk allowance of **£35.7m** for Infraco and is based upon the rebaselined opening date of Feb 2012.
- After allowing for the costs of Phase 1b postponement of **£6.2m** (includes £3m spend on Ph1b design in previous years) there is headroom of **£11.7m** against the total approved funding of **£545m**. Cost outturn confidence will build with Strategic Options Workstreams.
- Period 1 expenditure was £9.1m - £3.6m greater than the budget for P1 due to a reappraisal of the timing of accrued expenditure related to changes under the Infraco contract.

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HR and Comms

- Tram mock up located Constitution Street / Foot of Leith Walk.
 - 1200 visitors in week one
 - Positive reception from majority of visitors

Sponsorship of Cockburn Association “Open Doors Day” September 2009

- 80,000 visitors in 2008
 - 70 plus locations throughout World Heritage area
- Tram website recorded 12,000 visits in April
 - 101 media enquiries and 18 FOISA enquiries
 - 457 customer service contacts
 - May Fact Sheet – 5,000 copies
 - Phase 2 of Schools Programme starts w/c 11th May

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END

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