



From: Alan Coyle
 To: John Ramsay
Tram Project Briefing – 15th December 2008

1 Introduction

1.1 This paper is intended to give you an update on the main issues/workstreams associated with the tram project and issues arising from the tram Project Directors (PD) review meeting.

2 Funding Agreement with Transport Scotland (TS)

2.1 TS have now contributed £218.9m to the project to facilitate spending to the end of period 11 (period ending 31st January 2009). The latest cash application to TS is for £15.4m with the Council contributing £1.4m. The large application amount is mainly due to a large Tramco milestone being achieved.

3 MUDFA

3.1 Spend currently stands at £48.7m excluding risk against a budget of £49.9m which represents 98% spend on the budget. The anticipated final costs (AFC) for MUDFA are currently forecast at £53.1m which includes a transfer from the risk allowance to settle claims. The MUDFA risk allowance now stands at £3.2m.

3.2 There is ongoing testing of areas of the MUDFA site where BO materials supplied by Proficio have been used for road reinstatement. Problems with this material have resulted in these materials being dug out with further reinstatement of the road surface being required, a cost which is being incurred by the contractor, Carillion.

3.3 The table below highlights MUDFA progress in period 9 and cumulative to date.

	Period 9 (10.11.08 - 07.12.08)			Overall Performance to Date		
	Planned	Actual	Variance	Planned	Actual	Variance
On Street	8.9%	3.5%	-5.4%	80.3%	56.1%	-24.2%
Off Street	6.8%	2.2%	-4.6%	75.7%	63.6%	-12.1%
Full Phase 1a	8.4%	3.2%	-5.2%	79.3%	57.6%	-21.7%

4.0 Infraco

- 4.1 Slow mobilisation of Infraco continues in period 9. Progress against the 4 week look ahead table has been 20% against planned progress mainly due to continued delays with design, lack of procurement of specialist contractors and failure to mobilise specifically within their own management structure. There is optimism that package contractors will be more easily engaged given the downturn in construction currently being experienced as a result of the global economic climate.
- 4.2 There are currently 33 design issues relating to track works. Further risks have emerged in relation to additional costs of design changes from Nov 07 to the present period. This risk could be in the region of £6.082m. Also a risk of £2.3m has emerged as a result of potentially having to reconstruct roads to full depth which were previously thought to only require reconstruction to half depth. These risks have been added to the risk allowance, therefore increasing the cost of the project.
- 4.3 The four prime Infraco risks identified by tie this period are:
- MUDFA do not finish diversion works prior to commencement of Infraco
 - Lack of visibility of design changes between from Nov 08 – current period
 - Lack of effective engagement from BSC towards tie and third parties such as Forth Ports, Network Rail and BAA.
 - Failure of BSC to effectively resource up for the project
- 4.4 7 construction milestones have now been certified. 144 failed milestones have now accrued to the value of £18.63m. These failed milestones relate to 88 Structures (£9m), 8 Immunisation (£330k), 30 Track (£7.5m) and 18 Highways (£1.8m). It should be noted that there is sufficient dynamics within the way track works can be programmed to make significant recovery of slippage in this area, though this would come at a cost, the costs of prolongation would be greater. Actual spend in period 9 was £2.169m against a forecast of £2.488m.
- 4.5 The outturn for 2008/09 has now increased from £48.6m to £50.2m, an increase of £1.4m. This increase results from a movement of £6.6m in variations to be paid by the year end offset by a £5m reduction due to unachieved contract milestones in the current year. £2.5m of changes have to be paid based on programme changes from Financial Close (V26) to the current programme(V31).
- 4.6 As stated above, £2.5m is expected to be settled in 2008/09, with a further £6.6m to be paid by the year end. The Infraco contract is entering a critical period with the closure of Princes St and commencement of major milestones at Gogar Depot early in the New Year.

- 4.7 Value Engineering (VE) opportunities of £8.3m have been instructed to date. Total VE opportunities amount to £12.6m in relation to Infracore, tie's view of actual savings is currently around £7.6m. £2.38m of VE savings have now been considered banked.
- 4.8 As agreement is yet to be reached on a revised contract programme, tie have been running a live programme in the background based on their view of current progress which includes design and MUDFA issues. The table below highlights the impact. It should be noted that the Live Forecast takes no account of any re-programming or mitigation.

Section	Description	Contract	BSC Forecast	Live Forecast
Section A	Depot Completion	25/10/2010	17/09/2010	22/10/2010
Section B	Test Track Available	23/04/2010	24/01/2011	13/01/2011
Section C	All Phase 1a Construction Complete	17/01/2011	11/10/2011	05/10/2011
Section D	Open for Revenue Service	16/07/2011	08/04/2012	12/05/2012

5.0 Tramco

- 5.1 Tramco is currently showing no variance on the final AFC. Budget stands at £58.1m, there is no risk allowance for Tramco. Costs are currently in line with budget. The mock up tram has arrived in Edinburgh. This has initially be placed in Lothian Buses Annandale St Depot for work with Stakeholder groups before being moved to Princes St Gardens. Fabrication of the tram vehicles will begin in January 2009 with the first tram programmed to be delivered in March 2010.

6.0 Phase 1b & Tramline 3/South East Tram Line (SETL)

- 6.1 The assessment of the Phase 1b business case and lobbying for support on SETL is on-going.
- 6.2 Progress on both of these proposals will be reported to Council on 18th December 2008.

7.0 SDS (Systems Design Services Contract)

- 7.1 Progress on Issue for Construction (IFC) packages
 Prior/Planning/Technical Approvals are highlighted in the table below.
 The current AFC for SDS is £28.6m which is an adverse variance of £1.775m on budget as a result of £400k of incentivisation costs related to on time delivery of IFC packages which will only be payable if this is achieved. £200k post novation MUDFA design changes, £1.175m of additional design and construction support. Agreement is to be sought regarding the cost of CEC driven design changes, the cost of which will have to be borne by the Council. These changes relate to betterment only.

		Period 9 (10.11.08 - 07.12.08)				Overall Performance to Date			
		Planned	Actual	Variance	Percentage Complete	Planned	Actual	Variance	Percentage Complete
	IFC Packages submitted to tie	3	1	-1	33.33	112	80	-32	71.42
	Prior Approvals/Planning Applications Submitted	0	0	0	n/a	71	67	-4	94.36
	Prior Approvals/Planning Applications Granted	0	0	0	n/a	71	62	-9	87.32
	Design Packages Finished	1	5	5	500.00	318	319	1	100.03
	Technical Approvals Submitted	0	0	0	n/a	95	91	-4	95.79
TOTAL	Technical Approvals Granted	3	0	-3	n/a	93	81	-12	87.09

8 Cashflow/Spend Profile

- 8.1 Transport Scotland funding is capped at £120m for 2008/09 with tie's current spend forecast £126m. The spend forecast for 2009/10 is £160.3m with TS funding capped at £149m. TS have contributed £218.9m funding to date with forecast spending for the next period of £15.4m.
- 8.2 The project AFC reported to Transport Scotland remains at £512m. There is significant work which will re-align programme and costs over the coming weeks. The impact on the AFC associated with these costs is detailed in the table below. The potential change in budget reflects a July 2011 opening. The £512m remains the reportable figure until the new project programme is established.
- 8.3 The following table attempts to quantify some of the sensitivities around the £512m AFC. It should be noted these costs have not yet crystallised and is merely a guide to the sensitivity of the cost estimates.

£m	Description
512.0	Anticipated Final Cost as per Contract Price
6.2	Phase 1b Costs incurred in the event 1b does not proceed
5.0	Shortfall on Infraco Value Engineering
11.0	Claims Settlement Infraco/MUDFA
(11.0)	Drawdown on Risk Allowance to cover claims
6.0	Additional Resources Costs not foreseen at Financial Close
529.2	

9.0 External Interfaces/Risks

- 9.1 Management of key interfaces with other known projects will be key as the project develops. The major projects currently known are:
- Waverley Steps/Roof (Transport Scotland)
 - Gogar Station (Transport Scotland)
 - St James Centre Re-development (CEC/Henderson Global)
 - Haymarket Interchange
 - Haymarket Station Re-furbishment (Network Rail/Scotrail)
 - Haymarket Hotel (Tiger Developments)
 - RBS Tramstop (RBS)
 - National Portrait Gallery.

10 Key Dates

Table 2 highlights key dates on the project in the current period and into the future.

Table 2 - Robin Goodwin

Milestones	Baseline programme date	Actual / current forecast date
Approval of DFBC by CEC	21 Dec 06A	21 Dec 06A
TRO process commences	14Dec07A	10-Dec-07A
MUDFA – commencement of utility diversions	02 Apr 07A	02 Apr 07A
Approval of FBC by TS – approval and funding for Infraco / Tramco	09 Jan 08	Dec 07A
Tramco / Infraco – award following CEC / TS approval and cooling off period and SDS novation.	28 Jan 08	14 May 08A
Construction commences	14-Apr-08	14-May-08A
Haymarket viaduct commences	08-May-08	01-Sep-08A
Edinburgh Park viaduct commences	06-Aug-08	01-Sep-08A
A8 underpass commences	08-Aug-08	28-Aug-08A
Carricknowe Bridge commences	21-Aug-08	19-Aug-08A
All demolition work complete	22-Aug-08	30-Jan-09
Tram mock-up delivered	Oct 2008	Nov 2008A
First track installation commences – on street	03-Nov-08	27-Feb-09
MUDFA works complete	Nov 2008	Jun 2009
Haymarket viaduct complete	08-Dec-08	27-May-09
Roseburn viaduct commences	20-Jan-09	09-Jul-09
Design assurance complete	20-Jan-09	15-May-09
All Issue for Construction (IFC) drawings delivered	21-Jan-09	22-May-09
Princes Street closed	03-Feb-09	03-Feb-09
Roseburn viaduct complete	20-Apr-10	13-Aug-10
Carricknowe bridge complete	11-May-09	15-Jul-09
All consents and approvals granted	18-May-09	18-May-09
Edinburgh Park viaduct complete	24-May-09	11-Aug-09
A8 underpass complete	14-Jul-09	02-Nov-09
Princes Street re-opened	01-Aug-09	01-Aug-09
NR immunisation complete	Nov 2009	Nov 2009
TRO process complete	01-Dec-09	23-Apr-10
1 st OHL installed (Commence Section 2)	11-Dec-09	07-Dec-09
Commission Section 2 (Haymarket to Roseburn junction)	11-Jan-10	17-Mar-10
Commission Section 6 (depot)	25-Mar-10	26-Apr-10
1 st Tram delivered	09-Apr-10	09-Apr-10
Test track complete	23-Apr-10	02-Dec-10
1 st section (other than depot) complete ready for energisation	25-June-10	17-Mar-10
Commission Section 7 (Gogar to Edinburgh Airport)	25-June-10	19-Nov-10
Driver recruitment commences	July 2010	Oct 2010
Commission Section 5 (Roseburn junction to Gogar)	09-Nov-10	10-Aug-11
Driver training commences (excludes Depot)	Nov 2010	Sep 2011
System testing complete off street	09-Dec-10	09-Sep-11
Final tram delivered	17-Jan-11	17-Jan-11
Construction Line 1a complete	17-Jan-11	26-Sep-11
System testing complete on street	16-Feb-11	14-Oct-11
Commission Section 1 (Newhaven to Haymarket)	11-Mar-11	26-Sep-11
Letter of “no objection” from Independent Competent Person to commence tram running	17-Apr-11	13-Dec-11
Shadow running starts	18-Apr-11	13-Dec-11

Shadow running complete	July 2011	Mar 2012
Letter of "no objection" from Independent Competent Person to commence revenue service	July 2011	Mar 2012
Open for revenue service	July 2011	Mar 2012