

**Edinburgh tram Gateway 2 Review  
Follow Up Report**

**Date of issue to Transport Scotland Head of Major Projects: 22 November 2006**

**Review dates: 21 Nov – 22 Nov 2006**

**Follow Up Review Team Leader: Malcolm Hutchinson**

**Follow Up Review Team Member:  
Sian Dunstan**

## **Background**

### **The aims of the Project:**

The objective of the tram network is to help to create the transport infrastructure necessary to promote and support a growing local economy and create a healthy, safe and sustainable environment.

Substantial road traffic growth across the Edinburgh area combined with forecast population and employment increases will lead to significant growth in road congestion. Sustainable growth can only take place with a step change in public transport. Road space must be created by modal shift away from cars, to enable economic growth to take place without aggravating congestion. A tram system will enable new development and continued growth of existing development in a sustainable way. Without it, growing traffic congestion and lack of access to development sites will curb future growth and threaten the economic prosperity of the city as the capital.

### **The driving force for the Project:**

The tram Project is being promoted by City of Edinburgh Council ("CEC") and supported by the Scottish Executive. Capital funding is expected to be provided by CEC and Scottish Executive through Transport Scotland ("TS").

### **The procurement status:**

Our understanding of the position is as follows:

- Operator designate appointed as a consultant to tie;
- Designer appointed with preliminary designs completed and detailed design ongoing;
- Technical Support Services contractors appointed and design validation in hand;
- Tramco vehicle supply and maintenance tenders returned in October 2006;
- Infraco bidders pre-qualified with ITN documents issued to two bidders in October 2006 and tender returns expected 9<sup>th</sup> January 2006;
- MUDFA contractor appointed;
- Draft Final Business Case is close to finalisation with submission to CEC and Transport Scotland required by 21st December 2006.

### **Current position regarding Review Programme:**

A full review team undertook a readiness review in May 2006. A further review, aligned with the criteria for a Scottish Executive OGC Gateway 2 review, was undertaken in September 2006. This follow up review for Transport Scotland is to check progress that has been made against the recommendations from the Gateway 2 Review and to comment on the robustness of the Project going forward.

## **Conduct of the Follow Up Review**

This follow up Review was carried out on 21st and 22nd November 2006 at tie offices in Edinburgh. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

A number of documents were made available to the review team but these were not all comprehensively reviewed.

The review team would like to thank the **tie**, TS and TEL teams and advisers for their support and openness which contributed to the review team's understanding of the Project and the outcome of this review.

## **Conclusion**

The Review Team finds that:

- All of the recommendations from the Gateway 2 review have been fully or substantially achieved.
- The improvements in communications and joint working between TEL, **tie** and TS noted in the Gateway Review have continued and there have also been improvements in respect of communications at working levels. This has enhanced progress and delivery and facilitated pragmatic resolution of issues.
- The **tie** Project Director will leave towards the end of December. Prompt replacement of at this critical stage in development is essential. Any possibility of retaining the services of the current Project Director on a part time basis to ensure continuity should continue to be explored.
- There is a challenging timetable to the submission of the Draft Final Business Case ("DBFC") to CEC and TS for approval on 21 December with one week's slippage already experienced. However progress is good and both sets of approval processes are underway with some (positive) feedback already received. The robustness of the cost estimates contained within the DFBC will be improved when the first stage bids are in on 9 January and thereafter during the negotiation processes.
- The period until end March 2007 is critical for the Project with key deliverables including completion of Project estimates, initial evaluation of Tramco and Infraco returns, approval of DFBC and funding, and commencement of works under the MUDFA contract.
- A detailed tender evaluation and negotiation process for both Tramco and Infraco tenders has now been prepared. We believe that there should be a review of the levels of experienced negotiating resource within **tie** to maximise the chances of the ambitious timetable of selection of preferred bidder and appointment of Infraco and Tramco to be met.
- We understand that SDS are being better managed and have delivered as requested in respect of the Infraco ITN and are now engaging in a practical way to optimise the deliverability of the Traffic management orders and planning approvals. However this contract will continue to need active management by **tie**.

## **Findings**

### **A. Report on the progress made against the recommendations of the Gateway 2 report:**

**1. Implement in full those recommendations from the readiness review that have been indicated as “partially achieved”;**

- a. *The ITN documentation must enable the implications of variations to the novation approach to be properly evaluated in respect of cost, time, quality, and risk allocation. Achieved. Evidence – Board paper 23<sup>rd</sup> October.*
- b. *The tram Project Director develops a negotiation strategy for discussion on a confidential basis at chief executive level Achieved. Evidence – draft paper and interview.*
- c. *A revised programme is developed and agreed by all stakeholders. Achieved Evidence – Copy of programme provided. Stakeholder interviewees recognised dates and are all working to deadlines.*
- d. *A baseline scope together with a change protocol is confirmed by the board and all stakeholders as a matter of priority. Achieved. Evidence – Change control procedure provided, latest draft functional specification provided.*

**2. Ensure that key milestone dates for TS approvals decision making are included in the master timetable for the Project.**

Achieved – See 1.c above

**3. Ensure that detailed framework and resource plans for evaluation of the Tramco and Infraco bids are put in place. The Tramco one should be in place before the tender returns and the Infraco prior to the end of November. These should build on the principles of evaluation approved by the Project board and the lessons learned from the MUDFA .**

Ongoing. We have seen the draft documentation and discussed this interviewees. The plan for the Tramco evaluation was in place before the tender returns were opened. There is still work underway on the detailed strategy and we would suggest that this includes a review of the levels of experienced negotiation resources and engineering leadership available to the tram team within tie.

**4. Ensure that a process for reaching agreement on key assumptions for DBFC is put in place as a matter of urgency.**

Achieved. Evidence – DFBC document and interviews with tie and stakeholders.

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5. **Ensure that all stakeholders accept the procurement plan and are bound by the procurement timetable.**

Achieved. See 1.c above

6. **Ensure that the health and safety officer is appointed as a matter of priority and that this person should be able to respond to the requirements of delivering the safety case for the tram.**

Achieved. Evidence – we have interviewed the recently appointed HSQE Officer and been reassured that tie is ensuring that TEL and the operator fully understand their responsibilities. Details provided in summary document from tie.

7. **The Infraco ITN documentation should make the responsibilities of the Infraco supplier in respect of communications with third parties, including residents, clear and this requirement should be incorporated explicitly within the evaluation criteria. CEC must be given the opportunity to confirm that they are content with the requirements and evaluation.**

Achieved. Evidence – ITN sections provided. Code of Construction Practice incorporates requirements. Workshop with CEC held by tie.

8. **The Infraco ITN documentation should make agreed sustainability requirements clear.**

Achieved. Evidence – Tram Environmental and Sustainability Policy document included within Infraco ITN together with requirements upon contractor to cascade obligations down to subcontractors.

**B. Comment on the robustness of the Project going forward:**

- We have observed a further improvement in the capability of and communication levels within the tie team and the stakeholder community. There have been significant achievements in the development of, for example, the DBFC, the functional specification, the evaluation frameworks and periodic reporting. We understand that land purchase will commence very soon and the TRO process is advancing. Consequently we believe that the Project is more robust than at the Gateway 2 review.
- There is a challenging timetable to the submission of the Draft Final Business Case (“DBFC”) to CEC and TS for approval on 21 December with one week’s slippage already experienced. However progress is good and both sets of approval processes are underway with some feedback already received. The robustness of the cost estimates contained within the DFBC will be improved when the first stage bids are received on 9 January and thereafter during the negotiation processes.
- A number of interviewees have expressed concern that the SDS performance to date could undermine bidder confidence. We understand that the SDS contract performance is now being actively and effectively managed by tie but that additional engagement and engineering leadership could prove beneficial.

- IT has been reported by a number of interviewees that the alignment of the various contracts may not be fully consistent and that we understand that is under review.
- We have been advised that the Interim Project Director will leave the full-time role on the Project on 22 December and that the possibility of part time working is being explored. The search for a full time replacement is in hand but we are concerned at the loss of continuity and possible loss of momentum during the critical early months of 2007.
- From discussions with interviewees, we believe that **tie** will need to enhance its experienced negotiation resources in order to maximise the opportunity to deliver the integrated contract structure within the planned timetable at best value.
- We understand that resources available to the Project at Transport Scotland have little spare capacity to deal with the inevitable peaks of activity leading up to contract selection and award.
- The timetable to Infraco contract award is challenging and cannot absorb any significant changes in requirements without potential cost and time slippage. All stakeholders need to recognise this and ensure that when decisions are made there cannot be any late changes to requirements.

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**APPENDIX A****Terms of Reference (draft provided by Transport Scotland 18 October 2006)****SCOTTISH EXECUTIVE FOLLOW UP TO GATEWAY 2 ASSESSMENT FOR THE EDINBURGH TRAMS: OCTOBER 2006****Introduction**

The Chief Executive of Transport Scotland requires a follow up of the independent Gateway 2 assessment of the Edinburgh Trams Project. The work will be complete by 19 November 2006, and is provisionally scheduled to be carried out on 9 and 10 November 2006.

**Purpose of the Work**

This follow up of the Gateway 2 Assessment will assess progress to date against the recommendations from the Gateway 2 Review (set out below) and provide an updated conclusion as to the relative robustness of the project.

No.	Recommendation
1.	Implement in full those recommendations from the readiness review that have been indicated as "partially achieved"
2.	Ensure that key milestone dates for TS approvals decision making are included in the master timetable for the project.
3.	Ensure that detailed framework and resource plans for evaluation of the Tramco and Infraco bids are put in place. The Tramco one should be in place before the tender returns and the Infraco prior to the end of November. These should build on the principles of evaluation approved by the project board and the lessons learned from the MUDFA .
4.	Ensure that a process for reaching agreement on key assumptions for DBFC is put in place as a matter of urgency.
5.	Ensure that all stakeholders accept the procurement plan and are bound by the procurement timetable.
6.	Ensure that the health and safety officer is appointed as a matter of priority and that this person should be able to respond to the requirements of delivering the safety case for the tram.
7.	The Infraco ITN documentation should make the responsibilities of the Infraco supplier in respect of communications with third parties, including residents, clear and this requirement should be incorporated explicitly within the evaluation criteria. CEC must be given the opportunity to confirm that they are content with the requirements and evaluation.
8.	The Infraco ITN documentation should make agreed

sustainability requirements clear.
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## Report

A report of the assessment of progress against the recommendations of the Gateway 2 Review will be presented to Damian Sharp of Transport Scotland. The basis of the assessment will be clearly specified in the report.

## Timetable and Approach to the Work

The review team will review relevant papers and conduct interviews with a list of key personnel (likely to be a subset of those interviewed for the Gateway 2 Review). [The list of Interviewees will be agreed between Transport Scotland, TIE and the Chair of the Review Team.] [Papers will include a summary document prepared by TIE detailing progress against the recommendations. Any other papers for review will need to be agreed between Transport Scotland, TIE and the Chair of the Review Team.]

Provisional dates for interviews: 9 and 10 November 2006. Report to be presented to Damian Sharp, Head of Major Projects, Rail Delivery Directorate, Transport Scotland no later than 19 November 2006.

## Review Team

Malcolm Hutchinson (Chair)  
Sian Dunstan/Willie Gillan

Rail Delivery Directorate  
Transport Scotland  
18 October 2006



## **APPENDIX B**

### **Interviewees**

<b>NAME</b>	<b>ROLE</b>
Willie Gallagher	Chief Executive, <b>(tie)</b>
Andie Harper	Project Director <b>(tie)</b>
David Mackay	Chairman (TEL)
Geoff Gilbert	Commercial Director <b>(tie)</b>
Damian Sharp	Head of Major Projects (TS)
Neil Renilson	Chief Executive (TEL)
Tom Condie	HSQE Executive, <b>(tie)</b>
Susan Clark	Delivery Director <b>(tie)</b>
Stewart McGarrity	Finance and Performance Director <b>(tie)</b>
John Ramsay	Project Manager (TS)
Trudie Craggs	Project Development and Approvals Director <b>(tie)</b>
Andrew Holmes	Development (CEC)

