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Transport Scotland Monthly Progress Report – To Period 5
 (Note – Cost relate to end of July 06)

Safety

No safety incidents to report

The principal activities to improve safety performance are:-

- Commencement of tie Corporate Safety Management system
- Development of Safety & Quality Interface Document for issue to contractors

Programme And Progress

Status of key project milestones to achieve project funding are:-

- Preliminary design – package delivered by SDS and is currently being reviewed
- TRAMCo tender issued on 7th July
- MUDFA tender evaluation concluded and recommendation submitted for award in early October.
- INFRACo tender issue brought forward to 3rd of October
- Update of Project Estimate based on Preliminary designs underway and is scheduled to be completed on 16th October
- OGC2 Review – To be undertaken in stages from mid September. Details to be agreed with Damien Sharp of Transport Scotland.

Programme for delivery into service of Tram.

- The current forecast completion date is June 2011 based on outline productivity factors and assumed working constraints. The programme is being reassessed based on the measured quantities derived from the preliminary design.

Key Issues And Concerns

Current key issues and concerns arising in the period are:-

- Delay in completing detailed design. The original procurement strategy expected completion of detailed design with design proven to meet Tram system performance requirements by modelling before tender of Infraco. This would avoid the Infraco tenderers needing to price for these and effect risk transfer to the Infraco. An updated procurement strategy is being developed to address this risk and, as far as is practicable, maintain the principles of the original strategy.
- Early commitment to advance works to assist mitigation of current overall programme delays.
- Infraco bidders final commitment to participate. This is required in early September to maintain the tender date and enable the early release of documentation to assist bidders understanding (e.g. release of the TRAMCo tender documents). This will be obtained with



agreement to bid bonds and TS commitment to capped refund bidders costs in the event of the project not proceeding.

Decisions required from Transport Scotland

- Approval to proposal for increased spend (£51m) to enable commitments to be initiated to achieve the increased spend.

Decisions required from City Of Edinburgh Council

- Confirmation that no further resources to be provided via tie (TSS contract) beyond the current deployment of a Structural Engineer and Traffic Signal Engineer.

Risks And Opportunities

The headline risks are:-

Stakeholder Risks

- Uncertainty about parameters and criteria for obtaining CEC and TS approval for Draft Final Business Case 1 and 2 leading to the business case not being acceptable, approvals being delayed and slipping into purdah period. There is ongoing and regular engagement with stakeholders and progressive development of the draft business case.
- Benefit Cost Ratio is less than TS will endorse and patronage/revenue projections are insufficient for TEL to make surplus. Therefore JRC model fails to support the Business Case and consequently it is not approved and there is time delay and resultant cost caused by redesign and remodelling. There is ongoing engagement with TS, CEC and TEL in the development and delivery of patronage, revenue and BCR projections and approval for tram to be given priority at junctions during operation is encouraged.
- Agreements on funding delivery not reached due to Business Case and profile requirements not being finalised/developed. This could result in delay and an increase in out-turn cost that may affect affordability – a possible showstopper. Interaction between CEC and TS to establish funding delivery confidence and agreement is ongoing. Risk review currently ongoing to ensure confidence in contingency figures.

Project Risks

- Procurement strategy compromised by delays in detailed design. This could lead to a delay to Infraco contract award and whole project process and an increased in out-turn cost as a result of inflation and delay. A potential showstopper due to cost and loss of political will. A risk workshop is being undertaken to set the detailed design and consent priorities to minimise tenderers risk pricing.
- Unacceptable or inaccurate assumptions are used during JRC modelling and SDS design is based on the model. This may result in the Business Case not being approved due to doubts over the model and a consequent delay during remodelling and redesign. There are ongoing progress meetings with JRC and close interaction and monitoring through the Assumptions Approvals process.
- Infraco tenderers seek extensions of time during tender period. As a result there would be a delay to market pricing and confirmation of Business Case capex requirements. There has been early engagement with potential bidders to ensure they understand programme



constraints and earliest agreement with bidders will be sought that extensions of time will not be granted.

- Procurement strategy has too high a level of risk transfer to contractors resulting in a failure to sustain suitable interest. This could result in an increased price of bids and withdrawal of bidders during the bid process. Risk allocation will be made clear to bidders within tender documentation, negotiation of risk allocation will be allowed and tie to consider the retention of some risks.
- tie fails to secure sufficient resource to manage all relevant processes resulting in failure to advance processes at required rate with consequent programme delays and missing of milestones. A resource implementation programme is being actioned and a flexible approach to resourcing undertaken.
- Building fixing owner consent is denied or delayed resulting in a delay to the overall programme. Close interaction with relevant owners of buildings where fixings are to be attached is being sought.

Maintenance of the Infrastructure Design Register is currently an SDS responsibility. tie's Project Commercial Team will undertake management of the Project Risk Register as from the end of next month after a migration exercise.

Principal Opportunities are:-

Value Engineering has identified the potential for the following significant cost reductions:

- Potential relocation of depot to Leith;
- A change in the design of tram stop shelters from bespoke to off-the-shelf; and
- Use of ballasted track where possible.

The following key opportunities have also been identified:

- Revisit of project procurement strategy to maintain the original objective of risk transfer to private sector;
- To maintain the procurement programme for INFRACo the procurement will need to be conducted as an ongoing negotiation. This will focus the bidders' attention on providing queries for resolution and interim submissions to the Project for evaluation and encourage delivery of final bids to the Project programme. Tenderers' progress will be monitored at regular reviews throughout the tender period.
- Emerging INFRACo tender documentation is to be shared with Transport Scotland commencing the first week of September.

Financial And Change Control Position

Financial Status

The current reported forecast spend to Dec 06 is £23m and up to £51m to March 06 if approval is granted by Transport Scotland to the spend opportunities proposed by the Project. These proposals were submitted to Transport Scotland on 24 August.

Details of the Project's Current Year Forecasts and overall Project forecasts are included in Appendix A.