
From: Mike Connelly
Sent: 24 October 2007 17:26
To: Duncan Fraser - CEC; Mike Connelly; Colin McLauchlan
Cc: Wendy Bailey - CEC; Andy Conway - CEC
Subject: RE: Tram Business Case

Duncan,

This requires a holding letter to be sent to Mrs Bourne stating that we will respond in due course.

With the best will in the world it is not possible for me to provide answers to these questions prior to 9am tomorrow.

Mike

-----Original Message-----

From: "Duncan Fraser" <Duncan.Fraser@edinburgh.gov.uk>
To: "mike.connelly@tie.ltd.uk" <mike.connelly@tie.ltd.uk>
Cc: "Wendy Bailey" <Wendy.Bailey@edinburgh.gov.uk>; "Andy Conway" <Andy.Conway@edinburgh.gov.uk>
Sent: 24/10/07 16:29
Subject: FW: Tram Business Case

Can you please draft a response to meet this tight deadline.

From: John Jenkins
Sent: 24 October 2007 12:53
To: Jim Grieve; Duncan Fraser; Andy Conway
Cc: Andrew Holmes
Subject: FW: Tram Business Case
Importance: High

All,

The email from Alison Bourne (see below) has been copied to Phil Wheeler & Jenny Dawe.

Cllr Dawe has asked for a briefing note covering each of the points raised at time for tomorrow's Council meeting. Needless to say, Andrew will need a copy too.

JJ

From: Andy Nichol
Sent: 24 October 2007 12:39
To: John Jenkins
Subject: FW: Tram Business Case
Importance: High

TIE00145002_0001

From: RASM Bourne [REDACTED]
Sent: 24 October 2007 00:10
To: Tim McKay
Cc: Phil Wheeler ; Jenny Dawe; Margaret Smith
Subject: Tram Business Case
Importance: High

Dear Councillor McKay

I understand that the Final Business Case for the tram scheme will be considered by the Council on 25 October. With that in mind, I would make the following comments in relation to the document:

1. There is, again, no detailed breakdown of costs contained within the Final Business Case. Without this, it is not possible to ascertain whether realistic allowances have been made and whether all likely items of expenditure have been properly included. I would have expected a Final Business Case to contain a very detailed breakdown of costs and have little doubt that no major financial institution would consider a final business case in the absence of such information. Clearly, the accuracy of costs affects the benefit:cost ratio of the scheme.

2. Once again, the entire financial "benefits" are assumed to arise from "public transport user benefits" and "other road user benefits". However, the traffic management system and impacts upon the rest of the public transport and road user system do not appear to have yet been accurately quantified, ie, the entire benefits of the scheme are not proven. Indeed, on the basis of the very sketchy details which the FBC does contain, eg, at Haymarket, there is little evidence to suggest that the traffic management scheme would not result in increased journey times for most vehicles (including buses) which would not only reduce the "benefits" figure, but actually count as a "cost". In my view, this alone renders the FBC wholly unrobust. (I recall the findings of the NAO on light rail in England and Wales, ie, that several schemes had failed to achieve the anticipated benefits and, therefore, represented poor value for money).

3. 79% of the anticipated patronage is expected to come from existing public transport users - what are the impacts on Lothian Buses' services and revenue as a result?

4. Para 4.45 states that the remaining 21% will be "new public transport patronage", but Table 4.3 shows that the 21% is from "cars and new generated trips". As the maximum anticipated mode shift is 1.6%, it would seem that very few of the 21% will have been car drivers.

5. There appears to be no provision for lifecycle renewal costs. Therefore, at the end of 10/15/20/30 years, etc, funding will have to be found to renew infrastructure, etc, which is likely to be very expensive.

6. The public sector is to bear the farebox revenue risk.

7. The public sector is (in whole or in part) to bear the detailed design risk, including I assume any changes between now and whenever a final design is approved. This could add significantly to the costs, as was the case with the Holyrood Building.

8. The public sector is (in whole or in part) to bear the risk of cost overruns in utilities diversions.

9. The run time of Phase 1a is stated at 44.5 minutes which seems high. During the Parliamentary stage, TIE were at pains to emphasise the importance of minimising journey time (to attract patronage) by segregating the tram from other traffic but, in fact, it seems that in significant areas, this will not be possible.

10. 30% of forecast demand between Leith and Haymarket is anticipated from new development, with 50% of forecast demand between Haymarket and Airport coming from new development. These are massive assumptions.

11. There is no indication of potential scheme "costs". For example, what is the impact of reducing footways on Princes Street to accommodate the tram? Will this result in further loss of trade/impact on tourism, etc - if so, how much?

It should be borne in mind that it does not matter how big the Waterfront Development (or any other) is as:

- (a) only people living within a reasonable walking distance of the tram stop would use it;
- (b) if connecting buses are provided, this would add journey time (particularly if passengers require to change to a connecting bus at the other end);
- (c) we have been told that the Waterfront residents are the type who are unlikely to use buses and yet the majority would, if connecting buses are provided, be anticipated to use them (!);
- (d) the tram has a limited capacity. Assuming that every peak hour tram is full, then the number of passengers would still account for only a fraction of the total number of Waterfront residents;
- (e) the vast majority of the patronage arising from the Waterfront is likely to come in the peak period, resulting in much lower patronage for the remaining hours of the day.

There is, again, no indication of the margin of error of the computer model. It was previously +/-30% and the wording of the FBC suggests that that has not altered. I can find no indication of the consequences of patronage failing to achieve anticipated levels (either at 30% or any other level) and would, in the interest of prudence, think that the implications of this "worst possible case scenario" should be explored. The accuracy of a computer model is only as good as the accuracy of the information fed into it. Professor Flyvbjerg (Department for Transport advisor) recently published a paper on this subject and suggested that many very expensive publicly financed projects (particularly rail-based) had been approved on the basis of anticipated high patronage but had subsequently failed to achieve such levels. He further suggests that consideration should be given to introducing measures whereby those companies undertaking the modelling work should be penalised in the event of their forecasts being inaccurate, eg, financial penalty/professional disciplinary action. Bearing in mind that the public is to bear the farebox risk and in order to test the robustness of the patronage modelling of the tram project, the company concerned should be asked what penalty they would be prepared to accept in the event that patronage levels do not turn out as forecast.

The role of the Council as both tram promoter and planning authority is a concern. We are now entering the realms of borrowing large sums of money against future developer contributions, which may result in the Planning Section being compromised by the need to maximise contributions

and I would suggest that such a borrowing commitment may hold serious implications for the public's perception of the integrity of the Planning Section.

In relation to the TROs, pages 127/128 suggest CEC may be advertising draft Orders and considering them, whilst the tram scheme is being constructed! This clearly implies that all objections to TROs will be dismissed and has implications for the public's perception of due statutory process. It is further stated that Senior Counsel opinion is that work can commence under a TTRO and then be enforced by the TRO. This appears to be contrary to the opinion stated in the Draft FBC wherein it was suggested that CEC would be unwilling to proceed on this basis, as the TROs would not have been through due statutory process, possibly giving rise to legal challenge. I would have liked to see documentation/evidence to explain why CEC no longer believes that this new procedure would not result in legal challenge. As you are probably aware, Transport Scotland is looking at changing the legislation in relation to TROs required as a result of already-passed Private Bills, but the outcome of the consultation is not yet known (however, I think we can assume the legislation will go through as TIE are considerably behind with the TRO process and further delay to the scheme would be costly).

Finally (or perhaps it should be firstly), I see that my copy of the FBC (which I obtained direct from TIE) is marked "Version 1". Assuming your copy is the same, this suggests there may be other versions coming.

The tram scheme would have very long-lasting consequences for the city, its infrastructure and its financial position. It seems quite bizarre that the Final Business Case can be considered whilst matters such as TRO procedure, scale of utilities diversions, completion of the detailed design/modelling of network impacts and the traffic management scheme, impact upon bus services, etc, remain unresolved and, again, I have little doubt that few financial institutions would give approval to the Business Case in the absence of such information and robust supporting evidence.

Yours faithfully

Mrs Alison Bourne



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