



tie Limited
Project Progress Report

Edinburgh Tram Project

1 – 31 August 2005

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Project Name: Edinburgh Tram

Progress Report No. 3: 1 – 31 August 2005

1. Executive Summary

1.1 Cost Status

Tram Development Line 1:

Actual to end of August: 12% overspend v. original budget (see Section 4.1)

Annual cost forecast: 25% overspend v. original budget (see Section 4.1)

Note: The above figures do not include the costs associated with a change request which will seek additional funding for changes in scope.

Tram Development Line 2:

Actual to end of August: 11% underspend v. original budget (see section 4.2)

Annual cost forecast: 4% overspend v. original budget (see Section 4.2)

Note: The above figures do not include the costs associated with a change request which will seek additional funding for changes in scope.

Tram Implementation:

Actual to end of August: 61% underspend v. original budget (see section 4.3)

Annual cost forecast: 31% underspend v. original budget (see section 4.3)

Note: Tram Implementation budget was re-phased this month due to staged funding.

TL1 & TL2 Development have submitted 2 change requests totalling £512,000 in total value attributable to additional work associated with the promotion of a bill amendment on each line. We will represent the two Change Requests for additional budget prior to the next meeting of the Tram Project Board and engage with discussion with SE regarding funding for these amounts.

Attention is drawn to the fact that the forecast expenditure and funding for TL1 and TL2 Development are predicated on Royal Assent being granted by 31st December 2005. For illustration only at this stage, the cost of continuing development activities up to the end of March 2006 could be in the order of £1.25m combined for TL1 and TL2.

The forecast expenditure on Tram Implementation activities during the year to March 2006 has been re-estimated at £15m (previously £17.8m) the reduction being primarily due to advance utility diversions which we no longer anticipate will take place during the current financial year – see section 4.3.

1.2 Programme

The parliamentary programme is continuing, generally, as planned, with a return to parliament after the summer recess Monday 5th September.

The JRC contract was signed on Tuesday 6th September. The signing of the SDS contract is anticipated during the week beginning 12th September following the anticipated receipt of a parent company guarantee in the form required by tie.

Confidentiality agreements have been concluded with 5 out of the 8 PU companies with the remaining 3 identified to be complete by beginning of September.

The Heads of Terms agreements will be concluded with the PU companies by end of September.

1.3 Issues that have/will affect Cost or Progress

As detailed in section 10.1, in early September SE approved the funding which allows tie to the award of the SDS and JRC contracts. Attention is drawn to sections 4.3 and 5.1 which highlight the consequential impact on forecast expenditure for the current year of the delayed award of these contracts.

1.4 Decisions required re Governance

On 22nd August the tie board approved Delegated Authority Rules (DARs) for the Tram project and the composition and remit of the Tram Project Board. The DARs deal with authority delegated from the tie Board to the Tram Project Board and from the Tram Project Board to the Tram Project Director. These matters require discussion and endorsement by the members of the Tram Project Board at the earliest opportunity.

Significant progress has been made with regard to the design of the processes for dialogue and agreement for the Tram project (between CEC and tie) which will precede presentation of matters to the Tram Project Board. It is now critical with the impending commencement of SDS that these processes are completed and endorsed by the members of the Tram Project Board.

There is a backlog of Change Requests which require to be reviewed and approved. delay.

2. Parliamentary Progress

- Parliamentary Committees have re-commenced.
- Witness statements and Rebuttal statements completed.
- Supplementary Bills lodged with Scottish Parliament, and objections received, as follows:
 1. Tram Line One: Transco plc, Verity Trustees Limited, Haymarket Yards, ICAS, and Kenmore Capital Edinburgh Limited
 2. Tram Line Two: Transco plc, Verity Trustees Limited, O2 (UK) Limited, Hutchison 3G (UK) Limited, Safeway/Morrisons, USS, Haymarket Yards, and ICAS
- tie has prioritised objections based on likelihood of success and the timetable for appearing at the Parliamentary Bills Unit. The prioritisation is as follows:
 - P1 – by 6th September 2005.
 - P2 – by 30th September 2005.
 - P3 – by 31st October 2005.
 - P4 – will not remove objections
- Negotiations are continuing with a number of other significant objectors to secure removal of objections on a prioritised basis.
 1. Objections removed in August are: Land Securities Trillium Ltd, Beauchamp Investments, and Scottish National Heritage.
 2. Objections nearing completion, with the target of removing objections in September, include: Secondsite Property Holding Limited, BAe Systems, ADM Milling Ltd, Stanley Casinos Ltd, Meadowfield, NIL, First Scotrail etc.
- The primary goal is to remove objections by reaching agreement. Where agreement cannot be fully achieved, a Position Statement will be issued

jointly to the objector and the PBU. The objective of the Position Statement is to set-out the original objection, confirm the progress to date, and re-state the points on which partial agreement has been reached. This will demonstrate progress and tie's efforts to achieve resolution, and focus the Committee on the outstanding issues. Beyond that, efforts will continue to achieve full resolution, if this is regarded to still be an option.

- Priority 4 objections tend to be residential objections, and this makes up the vast majority of the objections. Progress update letters will be issued this month. These will reference the objection, and explain what progress the project has made to provide comfort, e.g., Code Of Construction Practice, Noise and Vibration Policy etc. The objector will be asked if they require further information, or if they would like to withdraw their objection. It is hoped that this approach may secure some further withdrawals.
- Advance purchases: The recommended agreement for the advance purchase of the Caledonian Ale House (CAH), as produced by the Office of the District Valuer, and verified by Colliers CRE, was not acceptable to CEC. Tie was instructed to present an alternative offer to CAH to purchase at £1.5M and to provisionally agree terms to lease back on a short term basis at a market rental. This has been rejected, and instead CAH have made a counter offer. This is for CEC to purchase at £1.675M, without any leaseback to the existing owners. Other terms are that they would like the money as soon as the purchase is agreed, but that they would remain in the business for a further 6 months. The deal includes fixtures and fitting, but NOT tables and chairs. tie is currently awaiting instruction from CEC.

3. Public Relations & Media

Tram Replica Event

The site next to the Scot Monument has been agreed and the tram arrived on site on 6th September at 3am! The tram and exhibition will be open to the public from 8th September – 23rd September. It will be removed on 24th & 25th September. Three evening events are planned on 12th, 14th and 15th September. Three staff will 'man' the stand permanently. Overnight security has been provided.

Naming the tram network

A paper was taken to a special meeting of the Transport Edinburgh Steering Group on 29th August. It proposed a competition to name the Edinburgh Tram Network through a competition held by the Evening News, with a judging panel made up of all relevant parties. A more detailed paper is due for submission to the Steering Group by 16th September.

Tramtime Website

The new tramtime website launched on 5th August, good feedback received to date.

Transport Co-ordinators Lunch

A lunch for key transport coordinators from businesses in Edinburgh was held at tie offices on 12th August. Hosted by Michael Howell and Barry Cross, this event assisted in getting the tram message into businesses in the city. Direct contact with each attendee is now being made to plan staff information through their newsletters, intranets etc.

Newsletter

The content of the next tramtime newsletter has been agreed; this will be issued over the next fortnight to 20,000 houses in Edinburgh and will also be available at the replica tram exhibition.

Press Release/statement

The TSS press release received good coverage in the business sections of press. The Landscape and Habitat Management Plan received good coverage; the NHS withdrawal received modest coverage and the arrival of Tom Coffey, Chief Executive of the Dublin City Business Association, received a full page spread, all in the Evening News.

The Edinburgh Chamber of Commerce Magazine carried a full page article on Tom Coffey's arrival and the positive impact of trams in Edinburgh, with good press coverage since his visit.

WGH received excellent coverage.

Good press coverage of the SNH objection withdrawal over the last week.

The Evening News covered the replica tram on the front page with a two page spread showing the photo montages.

Edinburgh Chamber of Commerce

A breakfast was held on 30th August with Tom Coffey in attendance, speaking positively about his experience of trams in Dublin. The stakeholder meal, hosted by Michael Howell the evening of the 29th received a good turnout with 16 attendees. Individual stakeholder plans are now being developed to ensure that support is gained.

Exhibition

A tram exhibition is going round Edinburgh at the moment. Covering background and area specific information on the Tram network, the exhibition will be placed in shopping centres and key locations throughout the city from August to October.

Outlook

The September edition of Outlook will have a full page spread on trams and has been approved.

Visuals

Work on visuals for Roseburn Corridor, The Gyle, Murrayfield and the Playhouse have been completed. The visuals received a two page spread in the Evening News on Tuesday 6th September. These visuals have also been sent to David Cooper, in lieu of Aileen Grant at the City of Edinburgh Council.

Strategy

Work on the strategy for communications post Royal Assent (or otherwise) will start in October. This draft strategy will include the detailed communications needed for the Public Utility work and construction.

SDS & JRC Contracts

Signing for JRC tool place on 6th September.

Conferences

Work for a presentation by Ian Kendall to the Infrarail Conference on 15th September is underway. These conferences are important and form part of the trade strategy providing a platform to warming up the market place, ensuring that **tie** have the ability in the future to recruit and attract the best contractors and technical people. These conferences also provide the opportunity to show that the project is well managed and importantly, going to happen.

4. Project Spend: Actual Versus Budget & Anticipated Cost to Year End

Note: August month end costs, where applicable, are based on estimates and these will be confirmed upon receipt of invoices.

4.1. Tram Development Line 1

Cumulative Original Budget to Month End: **£1,033,049**
Cumulative Actual Spend to Month End: (current): **£1,155,923**
Difference from current to budget: + **£122,874**

Original Budget to Year End: **£1,786,750**
Last Months Forecast to Year End: **£2,250,000**
This Months Forecast to Year End: **£2,250,000**

Difference from current forecast to original budget: + **£463,250**

- Of the total adverse variance of £463,250, £286,000 can be attributed to scope increase (due to an additional mini Parliamentary Bill). We will represent the Change Requests for additional budget to the next meeting of the Tram Project Board and engage with discussion with SE regarding funding for this amount.
- The remaining adverse variance = £177,250. However TL2 is predicting an underspend of £157,000, and this has been allocated to TL1.
- The outstanding overspend on TL1 of £20,250 will be processed as a reduction in the available TL1 contingency.
- The overspend of £177,250 is directly attributable to a much higher level of technical support for each of the Parliamentary hearings than was originally anticipated.

Appendix I shows a graphical representation of actual spend against the forecast. The spend forecast on the chart includes the projected spend of £286,000 on a change of scope.

4.2 Tram Development Line 2

Cumulative Original Budget to Month End: **£918,640**
Cumulative Actual Spend to Month End: (current): **£813,624**
Difference from current to budget: - **£105,016**

Original Budget to Year End: **£1,577,589**
Last Months Forecast to Year End: **£1,639,432**
Current Forecast to Year End: **£1,639,432**

Difference from current forecast to original budget: +**£61,843**

- The TL2 Development budget is predicting an overspend against budget of £61,843. However, £226,000 can be attributed to scope increase (due to an additional mini Parliamentary Bill). As with TL1, we will represent the Change Request for additional budget to the next meeting of the Tram Project Board and engage with discussion with SE regarding funding for this amount.
- The resulting net underspend of c.£160,000 will be transferred to TL1 as explained above.

Appendix II has a graphical representation of actual spend against the forecast. The spend forecast on the chart includes the projected spend of £226,000 on a change of scope.

4.3 Tram Implementation

Cumulative Original Budget to Month End: **£6,093,515**
 Cumulative Actual Spend to Month End: (current): **£2,352,145**
 Difference from current to budget: - **£3,741,370**

Original Budget to Year End: **£21,872,843**
 Last Months Forecast to Year End: **£17,816,456**
 Current Forecast to Year End: **£15,000,000**

Difference from current forecast to original budget: - **£6,872,843**

The variance between the current forecast and the original budget is primarily due to

- Delayed award of SDS and JRC (planned for end of May when the budget was prepared) together with the consequential rephrasing of related activities.
- Advance utility diversions, included in the original budget at a “placemaker” sum of £2.7m excluding contingency, are no longer anticipated to occur prior to 31 March 2006.

During early September a bottom up review of the forecast for the remainder of the year to March 2006 has been carried out prior to award of JRC and SDS. This exercise has resulted in a repackaging of our budget estimates (eg for activities previously budgeted separately but now included in the scope of the SDS and TSS contracts. The result is that the forecast of £17.8m prepared in June to support our interim funding award for 05/06 has been reduced to £15m, the reduction being substantially due to the removal of the £2.7m estimate for advance utility diversions as explained above.

Appendix III has a graphical representation of actual spend against the forecast.

5. Programme

5.1 Planned versus Actual

Key Activities / Deliverables	Original Completion Date	Projected completion Date	Status
Appointment of TSS	27 th June 2005	18 th July 2005	Slippage due to delayed funding.
Appointment of SDS	27 th June 2005	Week beginning 12 th September 2005	Slippage due to delayed funding.
Appointment of JRC	27 th June 2005	6 th September 2005	Slippage due to delayed funding.
TL1: Achievement of Royal Assent	31 st December 2005	31 st December 2005	On target
TL2: Achievement of Royal Assent	31 st December 2005	31 st December 2005	On target
Design requirement Definition	31 st December 2005	16 th December 2005	Accelerated within SDS contract

Key Activities / Deliverables	Original Completion Date	Projected completion Date	Status
Submission of Outline Business Case	28 th February 2006	28 th February 2006	On target
Completion of preliminary design (critical sections)	31 st December 2005	31 st March 2006	Change to requirements within SDS contract
Completion of Detailed Design (crucial sections)	31 st March 2006	30 th June 2006 (part 1) 30 th October 2006	Change in strategy with Infraco award
MUDFA Award	31 st December 2005	1 st April 2006	Delay in funding for C4 scopes
INFRACo Award	29 th June 2007	29 th June 2007	On target
TRAMCo Award	29 th June 2007	29 th June 2007	On target

5.2 Programme Summary

The parliamentary programme is continuing as planned.

The implementation programme has been re-phased to account for the delay in the approval of the project budget.

The next key milestones relate to:

- Agreeing the decision making processes for the project.
- Additional funding submission for TL1 and TL2 Development.
- Appointment of SDS Contract
- OJEU Notice for MUDFA
- PIN & OJEU for INFRACo TRAMCo

Primavera P3e is now implemented as the planning tool for the entire project. The overall programme is now baselined and progress is being monitored using P3e. The Master Summary Programme is unchanged from last month and is attached.

6. Change Control

6.1 Approved Changes this Month

tie's internal change process is continuing. There is a backlog of changes which require consideration and decision. With the impending award of the SDS contract, these should have been removed prior to the commencement of SDS.

There is no increase in capital cost to report subject to changes not having being approved by the Tram Project Board.

6.3 Disputes, Claims and Early Warnings

Nil.

7. Risk Management

7.1 Completed Activities

The following key activities have been carried out on risk matters in the past month.

- Development of workstreams and programme for procurement of Project Insurances in conjunction Heath Lambert;
- Commencement of exercise to establish Capex Project Baseline & Contingencies through TSS;
- Modelling assessments to verify the sustainability of both Tram Line 2 and Earl schemes; and
- Workshop held to summarise lessons learnt from procurement of TSS, SDS and JRC.

7.2 Planned Activities

We are currently developing implementing activities to address the following key aspects.

- Preparation of protocols for handling and distribution of information received from existing Technical Advisors as part of briefing new advisors;
- Preparation of risk management activities including Plan, Registers, Software Review, Workshop within one month of appointment of SDS;
- Review of Procurement Policy and Plan for scheme incorporating lessons learnt, emerging Transport & Procurement Regulations and findings of recent Internal Audit in conjunction with DLA Piper.

8. Safety Management

No issues. Planning Supervisor is appointed through the appointment of TSS. A 4-week work-stream will commence to prepare the project safety strategy and plans, as appropriate for the detailed design stage of the project.

9. Decisions Required

- Endorsement of Governance structure and processes for dialog on issues with CEC
- Decision regarding change control procedure recommendations.
- Outstanding change requests

10. Business Case and Finance

10.1 Funding

On 5th September SE issued a further Grant offer to CEC for £12.75m in respect of 05/06 Tram Implementation Activities and specifically providing funding for activities under the JRC and SDS contracts during the period to March 2006. Together with the previous Grant offer of £4.1m dated 29 June 2005 and the funding commitment of £1m from CEC, the total funding approved for 05/06 Tram Implementation stands at £17.85m.

Please refer to section 4.3 above regarding the latest forecast of Tram Implementation expenditure for the year to March 2006.

10.1 Business Case Documents

The delivery Business Cases is a fully integrated element of the Master Programme summarised as an attachment to this report. The milestones will be:

- Outline Business Case (OBC) – To be submitted in February 2006. The approval of the OBC will constitute approval to issue tenders for the Infraco and Vehicle contracts which is programmed for April 2006. The OBC will present a confirmed request for funding for implementation activities covering the period from 1 April 2006 until the programmed award date for Infraco at the end of June 2007. This funding request will include significant sums in respect of key utilities diversions and land acquisitions.
- Final Business Case (FBC) - To be submitted firstly in November 2006 to reflect the initial tender prices received for Infraco/Vehicles and the output from the Integrated Transport model being delivered under the JRC contract. The FBC will be reissued following final negotiation with tenderers in June 2007.

The near term activities in respect of the OBC which will be presented to the Tram Project Board are:

- PPP/PFI Feasibility Study – Being prepared in accordance with the requirements of the Financial Partnerships Unit of SE. This paper, which will conclude as to whether it may be desirable to procure all or part of the Infraco/Vehicles via PFI, will be developed in close consultation with SE and CEC throughout September and early October with a view to presenting it the October Tram Project Board.
- Development Income Position Paper – Which will examine the assumptions made in the IOBC with regard to potential income from property development both in respect of specific sites (with EDI) and in respect of the application of CEC's non-statutory policy re development contributions. Again it is intended to present this paper to the October Tram Project Board.
- Project Control Budget - tie's current cost estimates in respect of the Tram project are those prepared by our Technical Consultants in 2003. An exercise is now underway to prepare a Project Control Budget based upon our adopted procurement strategy and informed by bottom up capital cost estimates being prepared in parallel by the SDS and TSS contractors. The output is expected during October and will, inter-alia, inform the assessment of funding requirements for the period from OBC approval (1 April 2006) to award of Infraco (June 2007).

10.2 Progress Report to CEC / SE / Parliament

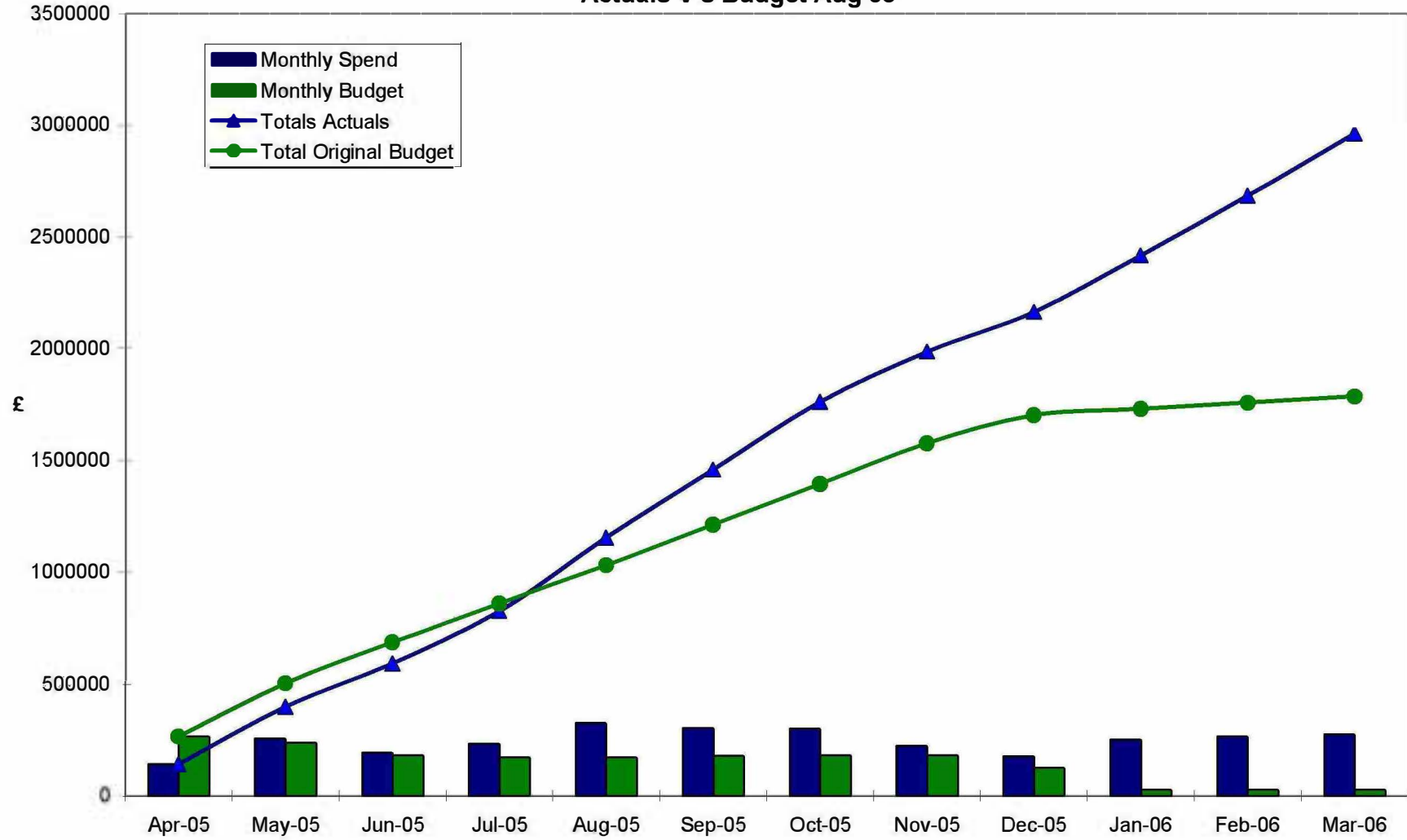
As reported last month, a response is required to be given to Parliament in respect of sources of funding for the Tram project. A draft report has been prepared and provided to CEC which summarises the progress on the tram project generally and in respect of the funding position in particular. It is anticipated this report will in due course be submitted to the full CEC for approval and will thereafter for the basis of presentation to the Bills Committees with respect to the funding position.

It is now critical that a dialogue takes place involving CEC and SE as to the final format and content of the paper as regards funding of the Tram project.

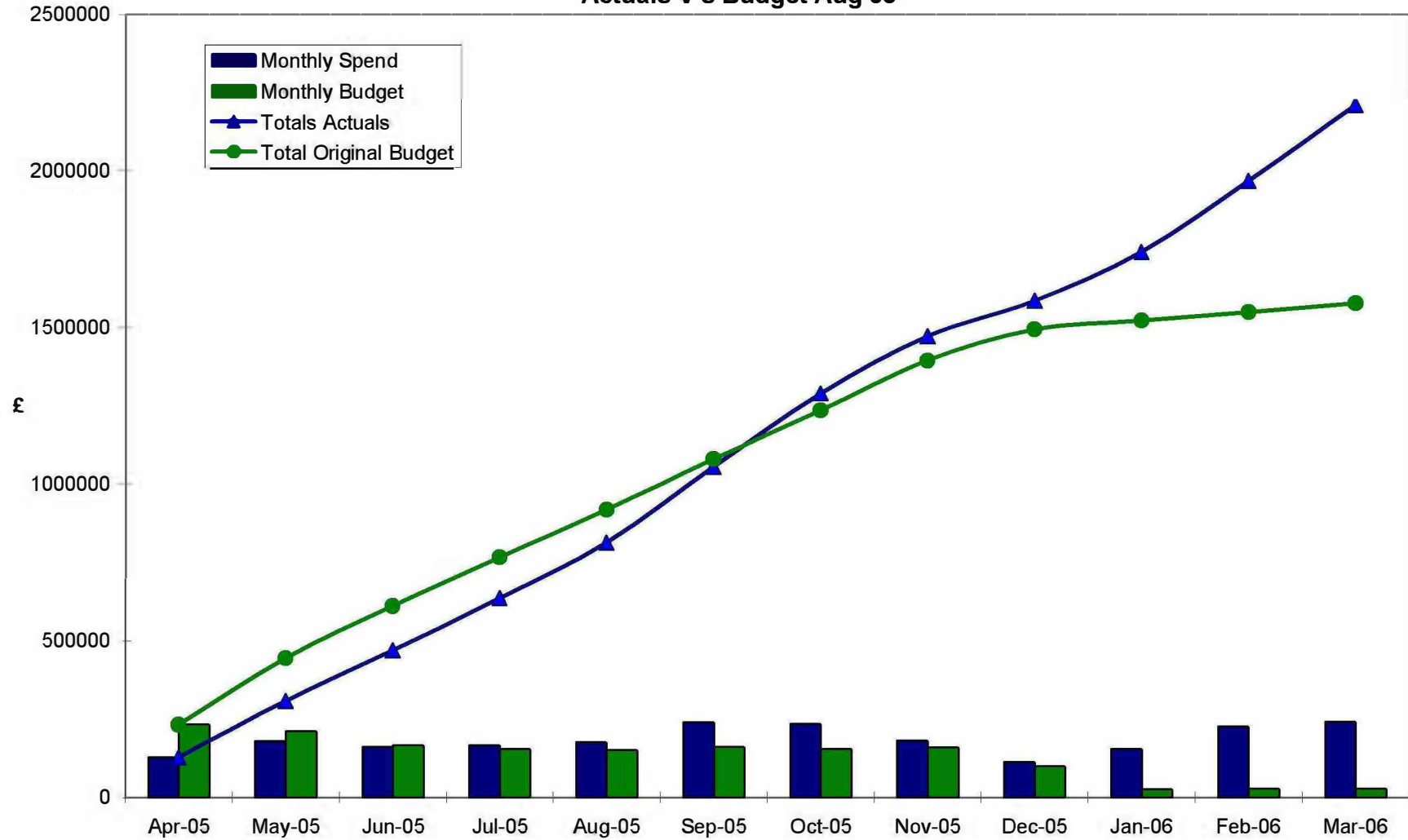
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Appendix i

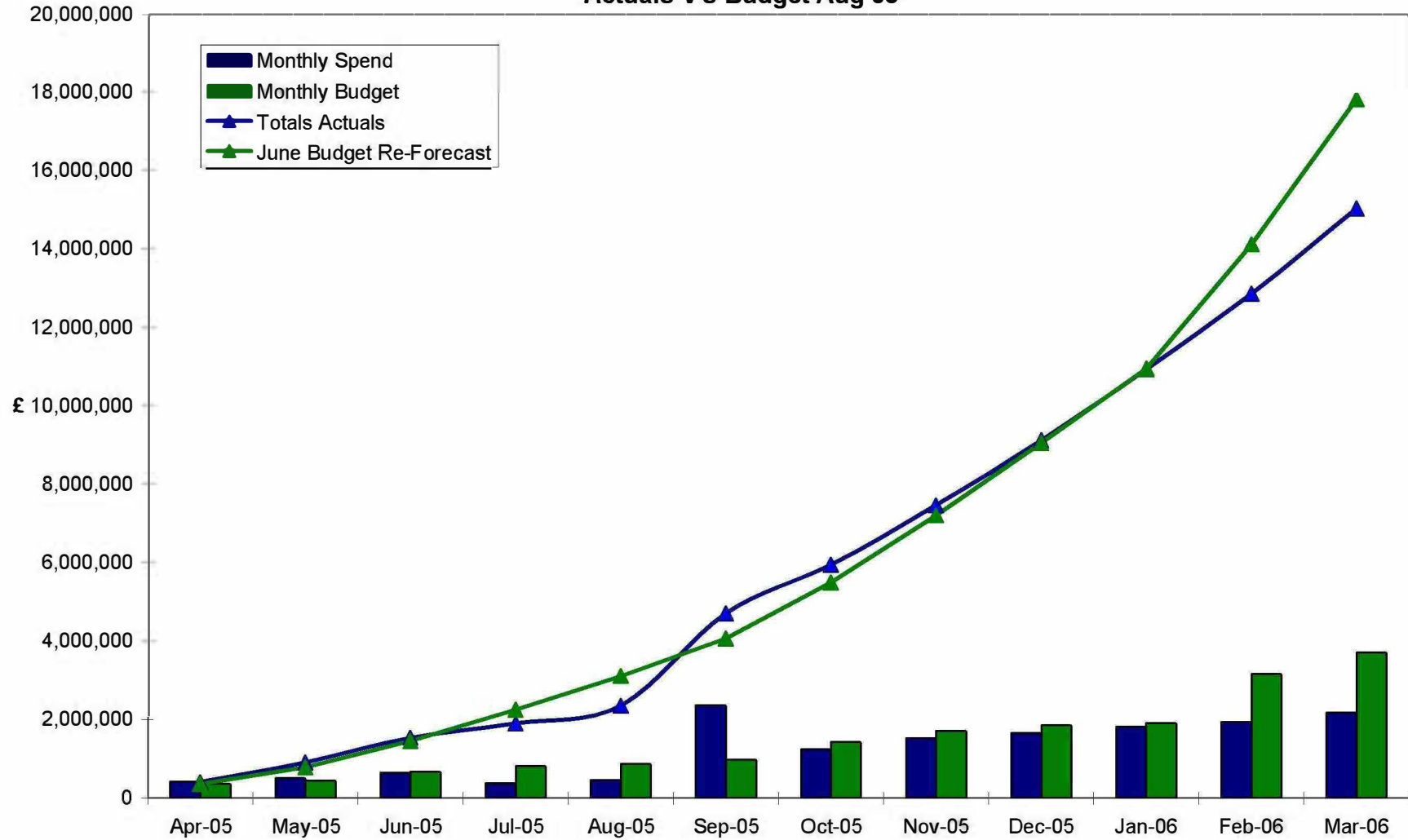
Tram Line 1
Actuals V's Budget Aug'05

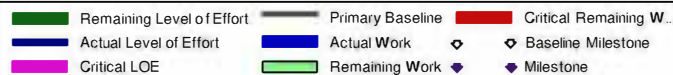
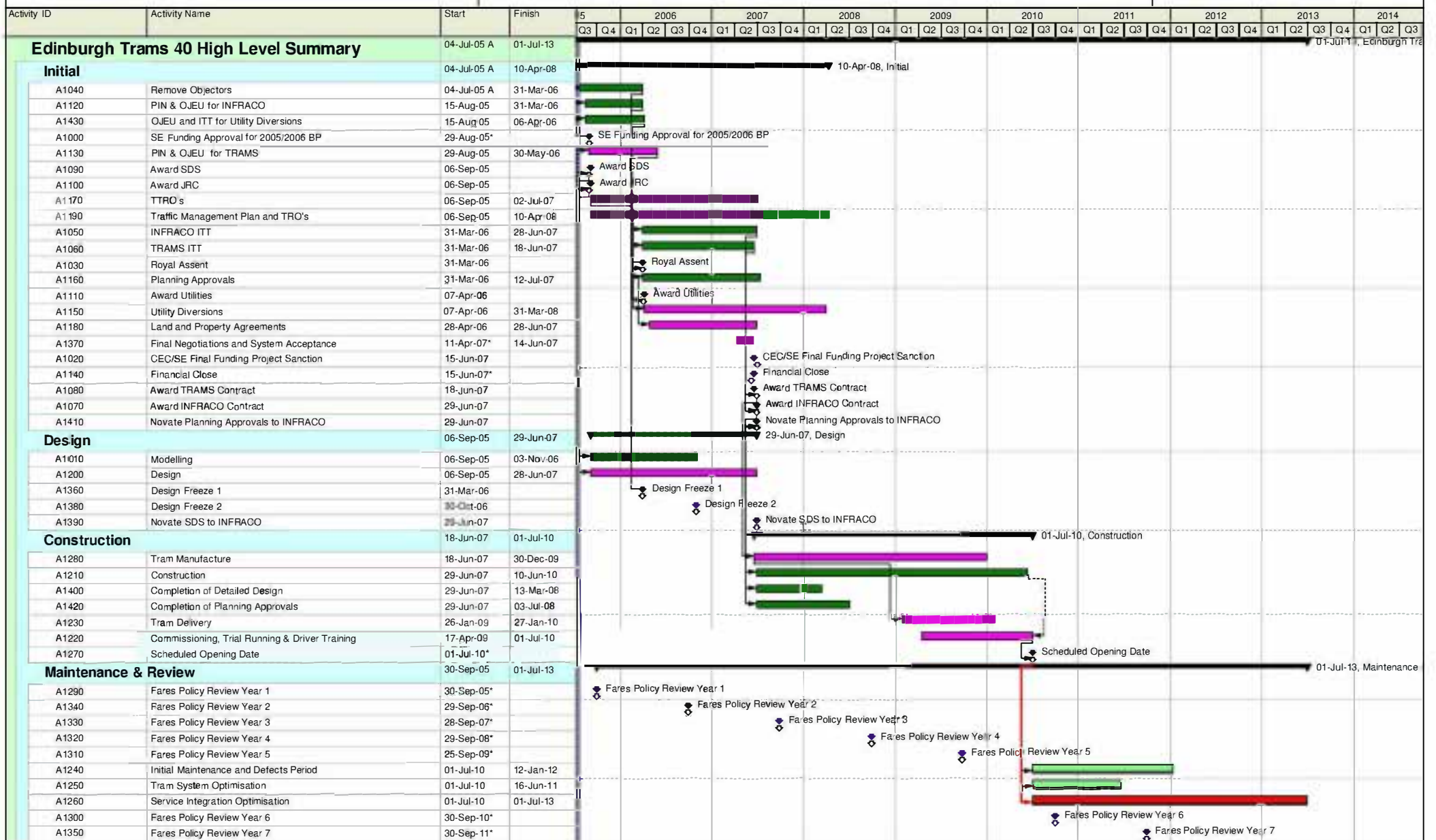


Tram Line 2
Actuals V's Budget Aug'05



Implementation
Actuals V's Budget Aug'05





High Level Summary Schedule

