

Edinburgh Tram Project

1 – 30 November 2005

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Project Name: Edinburgh Tram

Progress Report No. 5: 1 – 30 November 2005

1. Executive Summary

1.1 Costs and Funding

A detailed tabulation of costs to date, commitments not yet spent and the forecast outturn for 05/06 is included at Appendix i.

Implementation

Outturn costs on Tram Implementation activities during the year to March 2006 have been re-estimated at £16.1m (previously £15.0m), the increase being primarily due to a review of the latest SDS providers programme resources and cost profile following award of the contract in September. Further details of this variance are contained in section 1.3 of this Executive Summary.

Implementation funding for the year to March 2006 has been reduced by £1.6m to £16.25m by the transfer of a similar amount to increase funding for parliamentary activities. This is the method by which SE has approved funding for the previously reported increase in Parliamentary costs as explained below.

The incorporation of the latest cost profile for SDS, and other smaller changes in elements of the outturn costs for the year to March 2006, have not resulted in any change in the components of the overall costs to complete the project and are essentially a re-estimate of the timing rather than scope of activities. **However, viewing the year to 05/06 in isolation the overall cost estimate has increased by £1.1m and members asked to note and endorse this transfer from the previously reported Scope / Programme Contingency.**

Parliamentary

Funding for additional Parliamentary costs of £1.6m, comprising the costs of promoting Bill amendments in respect of the realignments at Haymarket and Gyle (£0.5m) and an upper estimate of the additional cost of continuing development activities up to the end of March 2006 (£1.1m) has been approved by SE and effected by a transfer from approved Implementation funding as described above.

1.2 Programme

The parliamentary programme is continuing as planned with major objection withdrawals achieved.

Work has continued on the SDS contract. Parsons Brinkerhoff is approaching the end of the Requirements Definition Phase, scheduled for completion on 23rd December 2005. At this point, the SDS provider will have produced a suite of Functional Requirements Specifications which will be reviewed by tie, and thereafter, will allow the Preliminary Design Phase to commence in the New Year.

MUDFA – Tie received a positive response to the Prequalification submissions with eight candidates moving forward to PQQ review. The review process is due for completion on 16th December with a maximum of four candidates going forward to ITT stage.

Confidentiality agreements have been concluded with all PU companies and progress continues with Heads of Terms agreements.

Infraco & Tram – The Tramco OJEU was issued on 28th November with presentations to take place on 11th January and PQQ return on 27th January.

1.3 Issues that have/will affect Cost or Progress

The SDS provider has been developing the detail of their programme over the past 4 weeks. The outcome of this exercise has been to report that their expected year-end spend will be £7.3m, as opposed to the £4.8m identified and reported in the progress report for October. The higher figure is compatible with achievement of the programme. To achieve the higher level of spend there will need to be a significant deployment of resource and upturn in delivery in January – March 2006. This period marks the commencement of the detailed design phase of the project, so a marked increase should be expected. **tie** has taken the view that the realistically achievable cost profile on the SDS contract to the end of March 2006 is £6.3m. Progress will be monitored closely and the cost profile continually reappraised. Mechanisms exist within the contract to manage the maximum spend to budgeted levels.

1.4 Decisions required re Governance

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 the final presentation of matters to the Tram Project Board. It is now critical with the commencement of SDS that these processes are completed. The position regarding Change Requests is included at Appendix iii.

2. Parliamentary Progress

- **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 15th November 2005.
 - P4 – will not remove objections

A tabulation of the current status of objections under each of the above categories is included at Appendix iv.

- Negotiations are continuing with a number of other significant objectors to secure removal of objections on a prioritised basis.
 1. Objections removed in November include: BRB (Residuary), Kenmore Capital, Land Securities Trillium, FSH, Meadowfield, Servisair, James McNee, USS, Safeway / Morrisons, Clerical & Medical, Norwich Union Linked Life Assurance, & Haymarket Yards.
 2. There are now only seven Priority 1 – 3 Objections left. Work is continuing to resolve these prior to Christmas. These include: BAe Systems (Selex), Secondsite, Stanley Casinos, & SRU.
- The Parliamentary process is now drawing to a close. Both Committees have completed their general evidence taking sessions. Tram Line 1 Committee alone, will be questioning the Minister, Leader of the City of

Edinburgh Council and the Chief Executive of **tie** on the question of funding and expense at a single session on 10th January 2006.

- Tram Line 2 Committee has completed its report on the evidence heard. The report was positive and imposed no additional burdens on the promoter.
- Tram Line 2 Committee has now started its “clause by clause” consideration of the Bill aided by frequent inputs from **tie** and its legal team.
- Tram Line 1 Committee are about 6 weeks behind Tram Line 2 Committee.

3. Public Relations & Media

Trams Positive

Tram Press

The November edition of Outlook, out 27/11 featured a full page spread on trams covering the costs and the benefits, specifically looking at integration and the tram V's buses debate.

A large article focusing on trams has been published in EuroTransport.

Attendance on the 16 November at the FirstGroup Streetcar event helped us to plan for the obvious media attention and comparison that followed.

Press releases have been issued on the Wire Free decision and further withdrawals.

Press coverage on the Tram Line 2 Committee report has been prepared for and statements from **tie** and CEC are prepared.

E-Newsletter

The new monthly tramtime e-newsletter has been sent to all interested parties and stakeholders. This will now happen monthly.

Strategy

Work on the strategy for communications post Royal Assent started on 19 October. Deliverables are a Stakeholder Strategy (delivered), Royal Assent Strategy (due first week) in December and Tram Communications Strategy (in January 2006). The Tram Communications Strategy will include the detailed communications needed for the Public Utility work and construction.

Stakeholder Strategy

A draft strategy for Primary, Secondary and Political Stakeholders has been delivered. Work to identify ‘owners’ and arrange meetings is taking place. Regular reporting will take place to ensure all parties are kept informed as to progress.

Tram fact sheets (modules) are being prepared to answer many of the questions being asked. These will support the Stakeholder work that is ongoing.

Dublin Visit

A visit to Dublin took place on 1 December. Attending were John Mclellan, evening News Editor, Geoff Ball representing the Business Assembly, Graham Bell representing the Chamber of Commerce and Leanne Maberley. A positive

experience the information imparted has opened up conversation and a vision to how trams will benefit Edinburgh.

Meeting with Chamber of Commerce

A further meeting was held on 6 December with the Chamber to discuss plans. A productive meeting resulted in key actions to work with the Chamber on plans for compensation, meet key influencers in the Chamber and attend their January Transport Group meeting.

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

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

A tabulation of the costs, commitments and forecasts for both Implementation and Parliamentary activities is included at Appendix i.

4.1 Line 1 Parliamentary

- The TL1 Development estimate has been revised to take account of the approved change request associated with the 'Bill Amendment', additional funding relating to delayed Royal Assent, and the re-allocation of costs between TL1 and TL2.
- The Forecast spend to year end is £2,925k.
- The successful removal of objections to the Parliamentary Bill over recent weeks will undoubtedly result in a downturn in the amount of technical support required on this aspect of the project. This will be assessed over the next few weeks, together with the requirement to resource the parliamentary committee hearings, and presented in next month's report, but it is expected that there will be a reduction in anticipated spend until year end.

Appendix ii shows a graphical representation of actual spend against the forecast.

4.2 Line 2 Parliamentary

- The TL2 Development budget has been revised to take account of the approved change request associated with the 'Bill Amendment', additional funding relating to delayed Royal Assent, and the re-allocation of costs between TL1 and TL2.
- The Forecast spend to year end is £1,981k.
- The successful removal of objections to the Parliamentary Bill over recent weeks will undoubtedly result in a downturn in the amount of advisor support required on this aspect of the project. Moreover, TL2 has now completed the parliamentary hearing process. The budget implications will be assessed over the next few weeks, and presented in next month's report, but it is expected that the forecast spend to year end will be reduced.

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

4.3 Tram Implementation

- Costs to end November amount to £5.02m compared to the forecast costs to November in the original budget of £12.1m. The underspend being mainly due to the delayed award of SDS and JRC (planned for end of May when the

budget was prepared) together with the consequential rephrasing of related activities.

- Forecast outturn costs for the year to March 2006 have been re-appraised as £16.129m (October £15.000m) including a required contingency of £1.010m (October £1.835m).
- Details of the elements of the outturn forecast that present a significant variance with the elements of the outturn forecast presented at the end of October are as follows:

Bud Ref	Title	Comment	Variance (£k)
1	tie Resources	Co-location for SDS, TSS and relevant members of tie Tram team. Additional costs include fit-out and ITC costs net of SDS contribution.	262
3	Legals	Additional costs allowed in relation to DPOF agreement and in response to Infraco and Tramco market consultations.	123
4	SDS	Executive Summary section 1.3 refers	1,477
5	JRC	Programme acceleration to meet revenue forecasting timescale (proposal).	110
6	TSS	Resource increased to support TIE in approval process to meet SDS deliverables.	269
8	Design. Support	Early resolution of objections has reduced level of design support required for Parliamentary process.	(158)
9	3 rd Party Negotiations	Negotiations with 3 rd parties indicated that allowance not required – especially with regard to Network Rail where SE framework agreement will now be utilised.	(110)
14	Service Integration	Re-phasing of costs to beyond March 06.	(125)
18	Utilities	Additional costs to facilitate efficient-start up of MUDFA e.g. development of cost estimates and scope with PU's. Re phased from period beyond March 06.	150

Appendix ii 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	19 th September 2005	Slippage due to delayed funding and SDS signatories.
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 March 2006	Anticipated to be completed end of Mar '06
TL2: Achievement of Royal Assent	31 st December 2005	31 st March 2006	Anticipated to be completed end of Mar '06
Design Requirements Definition	31 st December 2005	19 th December 2006	Accelerated within SDS contract
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 July 2006	Delay in award of SDS contract – no impact on tender issue for MUDFA, Infraco or Vehicles contract.
Completion of Detailed Design (crucial sections)	31 st March 2006	30 th June 2006 (part 1) 30 th October 2006 (all)	Co-ordinates strategy with Infraco preferred bidder(s) selection
MUDFA Award	31 st December 2005	1 st April 2006	Delay in funding threatens award
Infraco Award	29 th June 2007	29 th June 2007	On target
Vehicles 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:

- SDS provider to issue requirements definition phase documentation on 19th December for tie approval.
- MUDFA Prequalification report complete by 16th December 2005.
- ITT for MUDFA to be issued Jan 2006.

The Master Summary Programme is unchanged from last month and is attached – the scheduled opening date remains at 1st July 2010.

6. Change Control

6.1 Approved Changes this Month

tie's internal change process is continuing. The changes are tabulated at Appendix iii.

There is no material increase in capital cost to report.

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.

- Attended and contributed to risk workshop with SDS/TSS for advance utilities diversion works
- Awaiting updated Risk Management Plan from Parson Brinckerhoff (SDS). It is noted that SDS have commenced in-house training on ActiveRM software to bring inputs from project team
- Review of cost contingencies with Turner Townsend (TSS)
- Continued preparation of the OJ Notice for the Owner Controlled Insurance Programme (OCIP)
- Discounted the option of a combined Tram & EARL OCIP
- Review of MUDFA Pre-Qualifications, Conflict of Interests and Insurances with issue of queries to bidders
- Met with Steer Davis Gleave (JRC) to discuss their risk management approach. From the meeting JRC were asked to prepare their input to the Risk Management Plan to be incorporated by SDS
- Reviewed caveats that are placed in Sheriff Court and Court of Session and updated caveats to include tie

- Safety Audit conducted by Turner & Townsend has been concluded. This has reaffirmed the roll out of the Safety Management System

7.2 Planned Activities

The following key activities are ongoing throughout next month(s).

- Detail the requirements of the risk remit that the successful contractor will have to follow on being awarded the MUDFA Contract.
- Development of detailed procurement plan for Tram and Infraco following market soundings;
- Finalisation of the OJEU Notice for the OCIP & Infraco to be posted within the European Journal
- Initiate the insurance requirements for bidders of the MUDFA Contract, involving detailing the controlled insurances that we shall have in place
- Pass current risk register onto TSS to edit accordingly so that it can be passed on to SDS to be fed into the ActiveRM software
- Resolution of funding for ongoing Parliamentary Committee commitments in 2006 and consequences to date of Royal Assent, commencement of utility diversions and issue of ITT documentation for vehicles, infrastructure contractor and insurances
- Review Risk Management Procedures that SDS have been asked to amend to incorporate **tie** comments. Once these have been reviewed and accepted, pass on instructions to JRC to proceed with required risk approach.
- Turner and Townsend to continue working on risk management issues including allocating specific risks within the risk register to relevant owners

8. Safety Management

The following points provide a summary of the main items being worked:

- Induction process for Tram Project is being developed with first inductions planned for 16/12/05.
- Information for survey works submitted by SDS provider under tie review.
- Application of CDM regs to survey works has been assessed.
- Developing preconstruction health & safety plan for SI works.
- Structure of health & safety file has been developed.

9. Decisions Required

As noted in the Tram Project Director's Executive Summary for the Tram Project Board.

10. Business Case and Finance

10.1 Funding

A strategy for the stage-gated funding of the project through 2006 is being presented to the 19 December TPB for endorsement.

10.2 Business Case Documents

Work is now progressing on the Outline Business Case (OBC) to be submitted in February 2006. The paper on stage-gate funding through 2006 referred to above outlines some critical decisions with regard to the content and status of the OBC which must be made now for the delivery of the document to proceed in an efficient and effective manner.

10.3 JRC

As previously reported, the JRC contract is being overseen by a Modelling and Revenue Stakeholders Group (MRSG) comprising representatives of **tie** (and its advisors), TEL, Lothian Buses, Transdev, CEC Transport and SE.

The work of this group is progressing with a focus on delivering information to the contractor on the assumptions they should be making about service integration patterns for bus and trams operating in an integrated manner and the sensitivities around these assumptions we wish to test.

These assumptions are critical to the development of a Final Business case (and TEL Business Plan) in the autumn of 2006 which will be owned by all the stakeholders in the project including CEC, SE and TEL. The Tram Project Board and TEL Board will be kept fully informed of progress and asked to endorse the deliberations of the MRSG.

Discussions are underway with the JRC contract with regard to the possibility of delivering elements of the modelling earlier than programmed to mitigate the risks associated with delivery of the Final Business Case.

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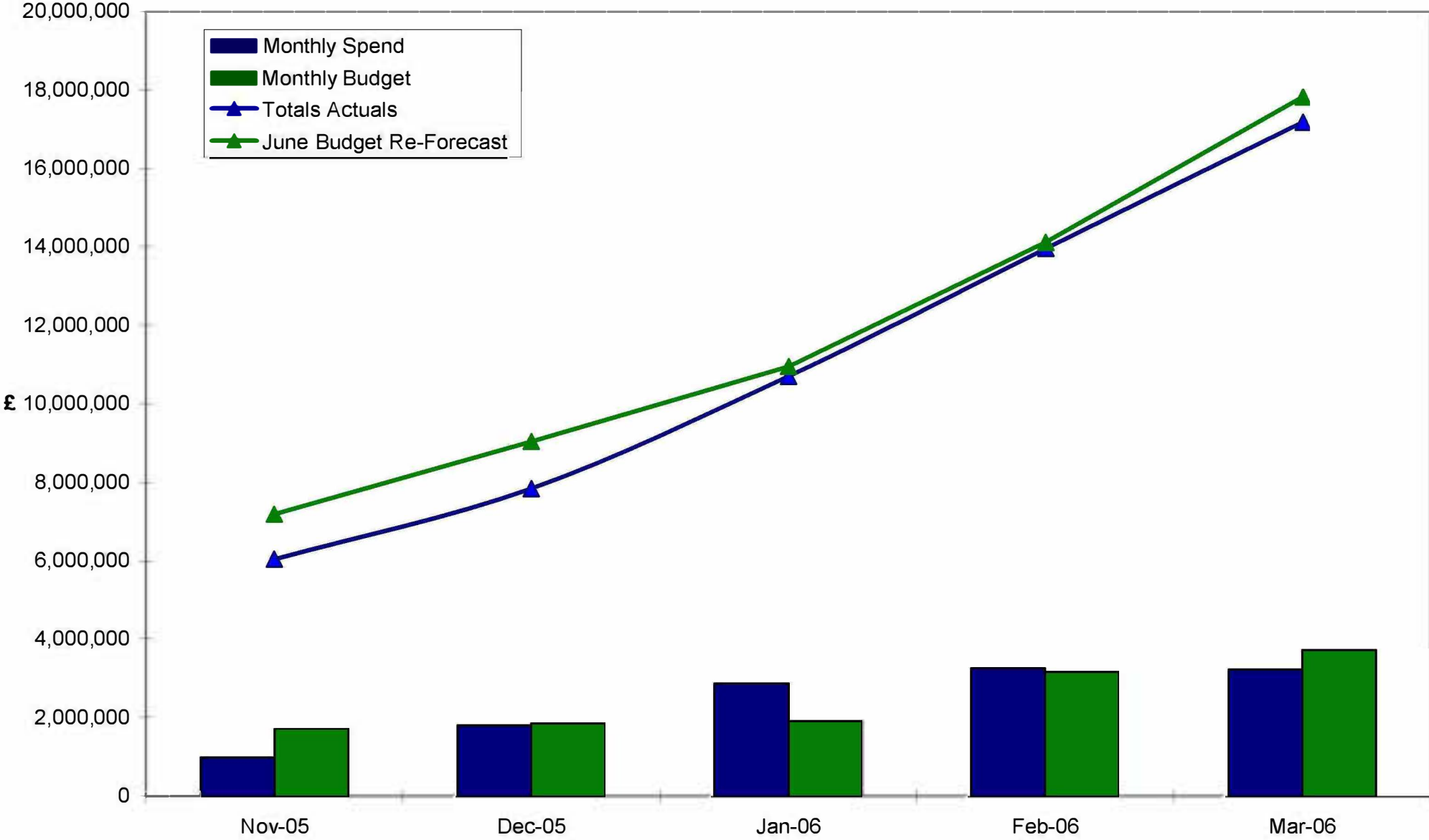
ETN PROJECT PROGRESS REPORT - PROJECT SPEND

Ref	This Month					Last Month	Original Budget		Variances		
	Costs Month	Costs to date	Committed not spent	Not Committed	Forecast 05/06	Forecast 05/06	Costs to date	Budget 05/06	Forecast this month v. last	Actual costs to date v. budget	
	1	2	3	4	5=2+3+4	6	7	8	9=5-6	10=7-2	
IMPLEMENTATION											
1	tie RESOURCES	201	1,737	330	776	2,843	2,581	1,768	2,656	262	31
2	DPOF	35	262	75	70	407	407	384	600	(0)	122
3	LEGALS	42	341	130	326	796	673	771	1,278	123	431
4	SDS	320	872	1,080	4,355	6,307	4,830	4,745	8,000	1,477	3,873
5	JRC	102	326	135	284	745	636	915	1,148	110	589
6	TSS	143	513	360	1,326	2,199	1,930	500	960	269	(13)
7	UTILITIES		16			16	16	396	2,700		380
8	DESIGN SUPPORT	22	259	20	55	334	492			(158)	(259)
9	3RD PARTY NEGOT			20	(20)		110	259	577	(110)	259
10	LAND & PROPERTY	83	334	140	202	676	384	306	450	292	(28)
11	TROs		1			1	294	346	506	(293)	345
12	COMMS / MKTG	6	79	10	8	97	97	32	48		(47)
13	TEL	3	14	5	6	25	25	53	68		38
14	SERVICE INTEGRATION		25	30	45	100	225	317	597	(125)	292
15	PUK	10	62	20	20	102	127	72	109	(25)	10
16	FINANCIAL ADVISORS	1	138	20	106	264	264	220	282		82
17	INSURANCE	3	26			26	46	36	54	(19)	10
18	UTILITIES/INFRACO/TRAM					150				150	
99	OTHER	5	8	10	10	28	28	1	2		(7)
	SPECIFIED CONTINGENCY				1,010	1,010	1,835	972	1,838	(825)	972
	SPECIFIED COSTS	975	5,015	2,385	8,579	16,129	15,000	12,094	21,873	1,129	7,078
	SCOPE / PROGRAMME CONTINGENCY				1,721	121	2,850			(2,729)	
	FUNDED COSTS	975	5,015	2,385	10,300	16,250	17,850	12,094	21,873	(1,600)	7,078

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ETN PROJECT PROGRESS REPORT - PROJECT SPEND

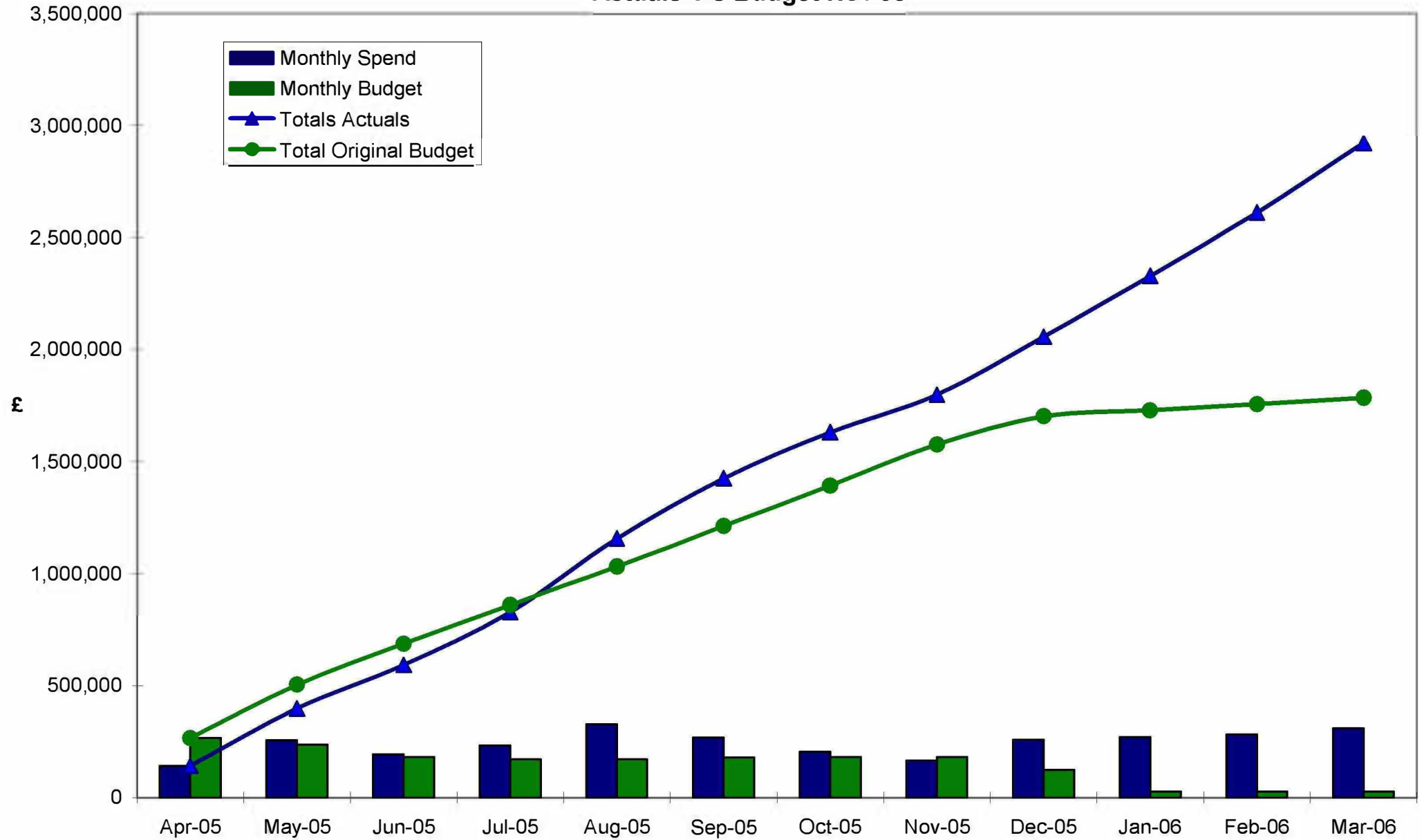
Ref	This Month					Last Month	Original Budget		Variances		
	Costs	Costs to date	Committed not spent	Not Committed	Forecast 05/06	Forecast 05/06	Costs to date	Budget 05/06	Forecast this month v. last 9=5-6	Actual costs to date v. budget 10=7-2	
	1	2	3	4	5=2+3+4	6	7	8	9=5-6	10=7-2	
PARLIAMENTARY - TL1											
1	tie RESOURCES	15	125	54	17	196	196	134	203		9
2	TECHNICAL ADVISORS	108	1,165	300	373	1,839	1,393	751	855	446	(414)
3	LEGAL	45	505	110	150	764	589	592	618	175	88
99	OTHER SPECIFIED CONTINGENCY		5		120	125	50	101	110	75	96
	SPECIFIED COSTS	168	1,800	464	661	2,925	2,229	1,577	1,787	696	(222)
PARLIAMENTARY - TL2											
1	tie RESOURCES	18	125	51	22	198	197	132	201	1	7
2	TECHNICAL ADVISORS	61	651	210	116	977	816	582	663	161	(69)
3	LEGAL	44	454	120	127	701	586	592	618	115	139
99	OTHER SPECIFIED CONTINGENCY				106	106	33	88	96	72	88
	SPECIFIED COSTS	123	1,230	381	371	1,981	1,632	1,395	1,578	349	165
	TOTAL SPECIFIED COSTS	291	3,030	845	1,032	4,906	3,861	2,972	3,365	1,045	(57)
	SCOPE / PROG CONTNGENCY					58	(497)			555	
	FUNDED COSTS	291	3,030	381	1,032	4,964	3,364	2,972	3,365	1,600	(57)

Implementation Actuals V's Budget Nov '05

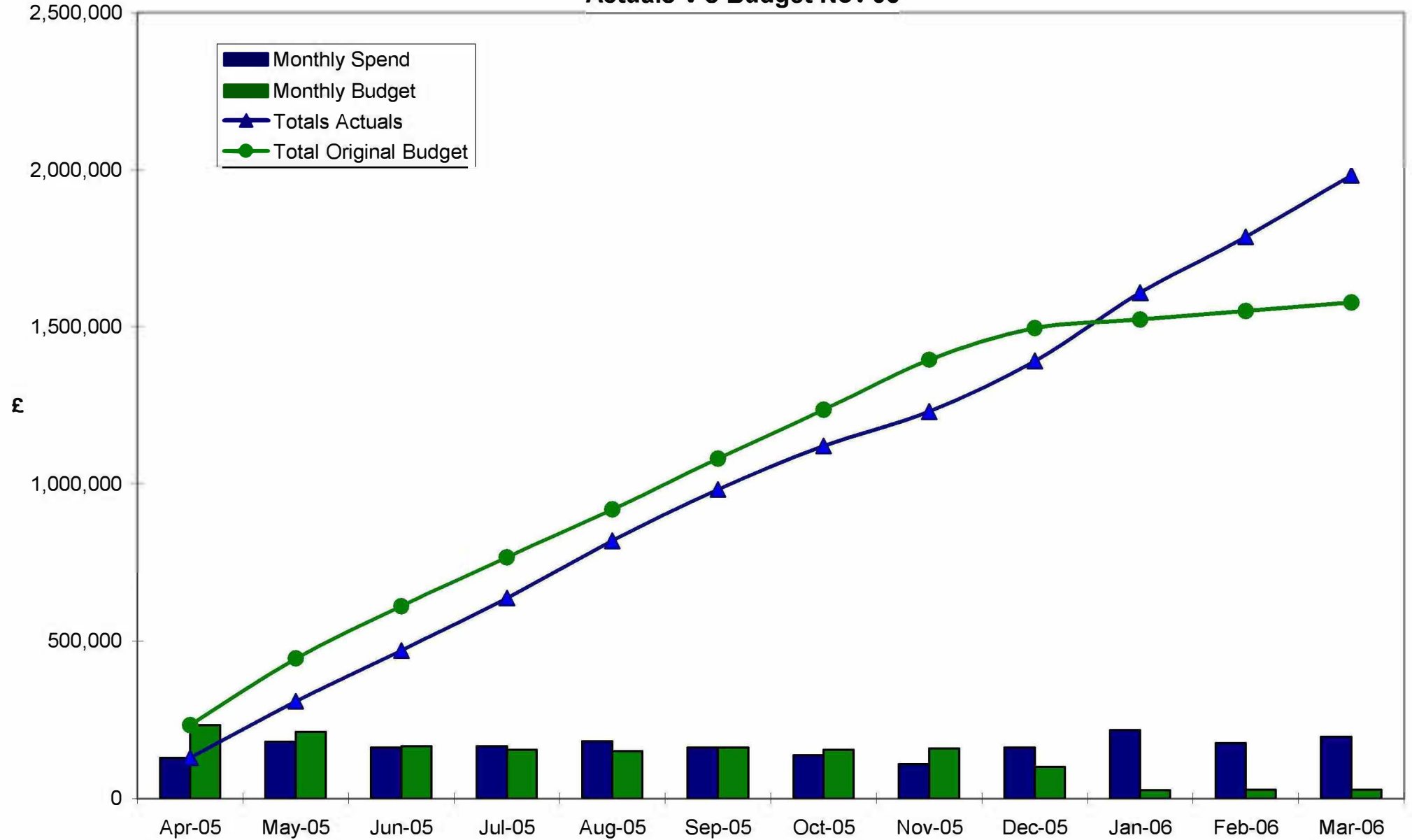


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Tram Line 1 Actuals V's Budget Nov'05



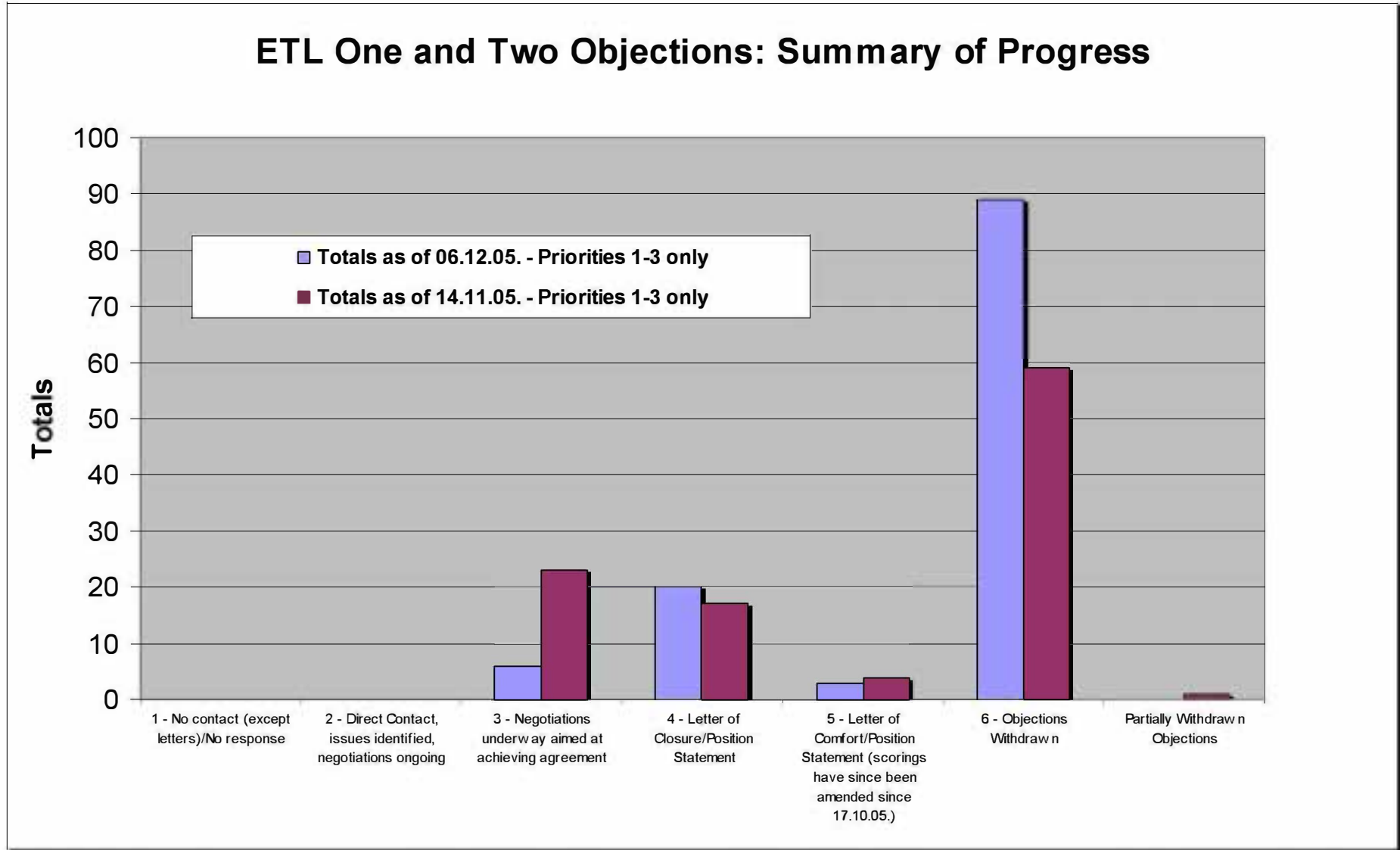
Tram Line 2 Actuals V's Budget Nov'05



**Appendix iii
Change Requests**

CR No.	Description	tie Approval	TPB Approval	SDS Issued
1	Haymarket Yards	Yes	Approved	Using
2	Gyle Re-alignment	Yes	Approved	Using
3	Baird Drive	Yes	Approved	Using
5	Leith Docks	Yes	Approved	Using
8	Ancient monuments	Yes	Approved	Using
9	Cycles on trams	Yes	Submitted	
10	Partial low floor	Yes	Approved	Using
13	Safety zone	Yes	Approved	Using
14	Wireless Traction	Yes	Submitted	
18	Segregated Princes Street	Yes	Approved	Using
19	Ditto 9 Leith Walk	Yes	Approved	Using
23	Gogar Depot/ BAA	Yes	Approved	Using
27	NHS worksite	Yes	Not req'd	Using
28	Stop locations Princes St.	Yes		Developing
32	Crewe toll interchange	Yes	Approved	Developing
33	Traffic signal priority	Yes	Approved	Using
37	Leith Walk interchange	Developing		Developing
41	Utilities Construction	Yes	Approved	Using
43	Scotrail Car parking	Yes	Current Needed	Using
46	CGM side agreement	Yes	Catch-up	Using
47	Elphinstone agreement	Yes	Approved	Using
48	Stray current	Yes	Approved	Using
50	Tram length	Yes	Approved	Using
51 (b,d)	EARL/TL2 modelling	Yes	Approved	
54	St Andrews Square	Developing		Using
56	PU Budget	Yes	Approved	Using
57, 58	FM model	Yes	Approved	Using
61	TL1 parl	Yes	Approved	
62	TL2 parl	Yes	Catch-up	
66	Advertising on trams and stops (stops 6-sheet, on-board & all-over wraps)	Yes – OBC fundamental	Approved	Using
67	Ticketing	Developing		
68	Replica	Yes	Approved	
69	TL2 model	Yes	Approved	
70	Land compensation part 1	Yes	Approved	

CR No.	Description	tie Approval	TPB Approval	SDS Issued
73	Turnback @ Haymarket Yards	Yes	Approved	Using
74	BAe alignment/parking	Developing	Approved	Using
76	TL2 model	Yes	Approved	
78	Future proofing TL3	Developing	Approved	Using
79	Additional Modelling (Mgt) - TL1	Yes	Approved	-
80	TL1 Parliamentary - contingency drawdown to balance overspend	Yes	Approved	-
81	TL2 Parliamentary - Additional modelling reqd by MVA.	Yes	Approved	-



**Appendix v
Programme**

