

ZBS 13/2



# Board Meeting

15<sup>th</sup> November 2002



## Agenda for Board Meeting

To be held at 91 Hanover Street, Edinburgh

on 15<sup>th</sup> November 2002 at 2:30 p.m.

1. Minutes of the meeting of 23<sup>rd</sup> September 2002  
for approval and signing
2. Matters arising from the minutes
3. Progress report from the Chief Executive,  
financial report to be tabled, for consideration  
and approval Michael  
Howell
4. Progress report on projects and technical  
issues for consideration and approval Alex Macaulay
5. Discussion of priorities and actions for 2003 Ewan Brown
6. tie business plan for 2003/4 Michael Howell
7. Any other business
8. Date of next meeting

The remuneration committee will meet after the Board meeting.



AGENDA ITEM 1

**Minutes of the Meeting of  
23<sup>rd</sup> September 2002  
for Approval & Signing**



**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**Minutes of MEETING of DIRECTORS** held at Miller House, 18 South Groathill Avenue, Edinburgh at 2:00 PM on 23<sup>rd</sup> September 2002.

Present: Ewan Brown (Chairman)  
Jim Brown  
Andrew Burns  
John Richards  
Maureen Child  
Ricky Henderson

In attendance: Michael Howell, Chief Executive of TIE  
Alex Macaulay, TIE – Project Director  
Eddie McDowell, City of Edinburgh Council – Support Staff  
Keith Rimmer, City of Edinburgh Council  
James Papps, Partnerships UK (PUK)  
Martin Buck, Partnerships UK (PUK)  
John Martin, Scottish Executive  
Jonathan Pryce, Scottish Executive  
John Watt, Grant Thornton Corporate Finance (Part only)  
John Stephens, Steer Davies Gleave (SDG) (Part only)

Apologies: Gavin Gemmell  
Andrew Holmes, City of Edinburgh Council

**1. MINUTES OF THE MEETING OF 2<sup>nd</sup> SEPTEMBER 2002 FOR APPROVAL AND SIGNING**

The Board accepted certain changes to be made to the minutes of 2<sup>nd</sup> September: A copy of the revised minutes for the 2<sup>nd</sup> September are attached.





## 2. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 2nd SEPTEMBER 2002

### Item 6

The first draft of the business case was not circulated to the Board on 14<sup>th</sup> September. The Chairman accepted that Alex Macaulay had been unable to provide the draft at that stage due to delays in available information resulting from MVA's own delays in completing modelling work.

In the Chairman's absence, Michael Howell had met Andrew Holmes on the subject of Development Gain.

## 3. POLITICAL PROGRESS DURING SEPTEMBER / tie PRESS CONFERENCE FEEDBACK

The Chairman summarised that the Labour Group had reached no decision on congestion charging on 17<sup>th</sup> September. He had arranged to meet with Donald Anderson (Labour Group Leader) on Thursday 26<sup>th</sup> September and invited all private sector Board members also to attend. At the meeting the Chairman intended to stress the importance of pursuing Approval in Principle on the current time-scale as any delay could result in a year being lost in progressing the scheme. Such a delay could also provide the Scottish Executive with enough concerns to consider reallocating the £375 million currently earmarked for the NTI investment portfolio.

## 4 REPORT FROM THE CHIEF EXECUTIVE

Michael Howell drew attention to the fact the various documents circulated, which would make up the paper to the City of Edinburgh Council and the Scottish Executive, had not yet been brought together and that overlaps would be edited out in the next few days. The MVA report and Steer David Gleave's STAG 1 Appraisal were still awaited. A part-completed PUK report had been received and circulated to the Board.

A significant under-spend was presently forecast for scheme expenditure which, it was agreed, could be partially offset by reallocating current overheads. Michael Howell also predicted some catching up in the various scheme expenditures over the next 6 months, now that contracts were in place. He and Alex Macaulay would also look at ways to accelerate workstreams in order to avoid any loss in existing funding from the Scottish Executive.

The City of Edinburgh Council were currently identifying all their properties which lie within ¼ mile of any of the tramlines. John Richards confirmed that he considered EDI as a suitable partner for small projects however tie may be better suited identifying a different partner for any major sites identified. John Watt confirmed that such property issues would not be included in the Preliminary Business Case.

An Operators Liaison Partnership was proposed to meet every quarter as part of the supervisory process. This would provide a forum for views and hopefully lead to greater commitment being secured to integrated ticketing.



Michael Howell completed his report by laying down a marker for further discussion, at a later date, on how best to progress the additional workstreams identified in the Preliminary Business Plan. The Chairman thanked the Chief Executive and took the opportunity to commend him on the progress which has been made so far on these additional items.

## **5 REPORT ON PROJECTS AND TECHNICAL ISSUES FOR CONSIDERATION AND APPROVAL**

The Board confirmed that Alex Macaulay in consultation with the Chairman had delegated powers to appoint the consultant for Tramline 2 Technical and Environmental work.

The Board confirmed that Grant Thornton and Ernst & Young should be invited to interview for the Tramline 1 and 2 Financial Services contract. The Board confirmed that Alex Macaulay in consultation with the Chairman had delegated powers to make the appointment following these interviews. Martin Buck raised his concerns that Grant Thornton may not have the required transport experience and indeed **tie** may require to look out-with Scotland for this expertise. The Chairman asked Alex Macaulay to circulate the interview dates to the Board in order to allow any Directors the opportunity to sit on the interview panel. Michael Howell confirmed that he intended to sit on the panel.

Alex Macaulay highlighted that MVA would be entitled to payment for the delayed work they have now completed. It was agreed that the Chairman should authorise any payments to MVA.

The Board confirmed that Michael Howell, in consultation with the Chairman, had delegated powers to make the appointment for Tramline 1 and 2 legal services. Alex Macaulay asked that it be noted that he would refrain from participating in the tender evaluations due to a conflict of interest. Alex Macaulay confirmed that the appointment would run through to the completion of the Parliamentary Orders stage.

Alex Macaulay reported that tender assessment is still ongoing for the Tramline 1 and 2 marketing and communication contract. He confirmed that Countrywide Porter and Novelli were working well in the interim.

## **6. REVIEW OF DRAFT BUSINESS CASE AND RESULTS OF STAG ASSESSMENT**

John Stephens reported that the raw data from the MVA model has been converted to the required outputs for STAG1 appraisal. Nine variants of the charging scheme have been assessed. The 'inner all day, outer peak only' option was working the best against all the STAG1 criteria whilst still permitting a high investment package but over a longer period (20 years rather than 15 years).

John Watt confirmed that no concessions are being included in the Preliminary Business Case, but that material sensitivities on cost and revenue were being built into the analysis. These could be satisfactorily addressed.





Some of the two cordon schemes may need to be dropped in moving to the 'inner all day, outer peak only' investment package. John Watt confirmed that those schemes in line for omission would be discussed that afternoon with the City of Edinburgh Council. The Board requested a definitive list of the schemes to be included from Grant Thornton in their review later in the week. The Chairman pointed out that it was important to avoid differences between the scheme list quoted at the 18<sup>th</sup> September press conference and the Preliminary Business Case.

The Chairman asked John Watt to highlight that the sooner charging starts, the sooner the funding stream is delivered. The Chairman had noted that a lot of the Babbie report has been copied into the Grant Thornton report and asked that John Watt provide greater clarity on which source was responsible for which section.

John Watt confirmed he intended to complete the Preliminary Business Case by Wednesday evening and therefore asked for all comments from the Board to be provided no later than Tuesday evening. John Watt confirmed he would circulate a conclusion sheet to each of the Directors. Michael Howell confirmed he would provide to Grant Thornton the draft **tie** main report as soon as possible and would discuss with Grant Thornton the scope and content of their report.

John Martin was surprised by the low figure quoted for the costs of the tramlines. Alex Macaulay confirmed that the estimates were based on the most up to date information. John Watt confirmed he was satisfied with the current estimates for the tramlines.

The Chairman directed that all key conclusions must be provided to the Board by the end of this week. The Chairman will meet with Michael Howell on Thursday 26<sup>th</sup> September to discuss the final report.

## **7. OVERVIEW OF PUK REPORT STATUS**

The Board acknowledged the revised format of the PUK report that has been agreed with **tie** and the Scottish Executive. The Chairman asked PUK if they had any concerns regarding completing their final report within the time-scale. Martin Buck confirmed the present time-scale was still acceptable but pointed out that their opinion on the Preliminary Business Case still awaited final information from Grant Thornton. John Watt assured the Board this information would be made available for Thursday 27<sup>th</sup> September. The Chairman reminded PUK that their report was required to be available for the 30<sup>th</sup> September submission.

James Papps suggested that if **tie** were to be given an expanded role then this would help achieve congestion tackling objectives. (Fare levels, parking, integration). Keith Rimmer advised caution on attempting to create a parallel transport planning team to that which already exists within the Council but did concur that integration of ticketing was an area that **tie** might be well placed to facilitate.

Maureen Child asked PUK to recheck their statements about Council owned companies borrowing restrictions with the Council's Director of Finance.

## 8. ACTION PLAN THROUGH TO SUBMISSION OF FINAL REPORT TO COUNCIL ON 30<sup>TH</sup> SEPTEMBER

Michael Howell confirmed he would circulate the cover letter to all of the Board for reflection on the main themes. He would also re-circulate the draft report when it had been largely completed.

Andrew Burns confirmed he would undertake some priming of the press either over the weekend or on Monday. Michael Howell confirmed that he report would be presented to the Council and Scottish Executive on Monday and copies would be circulated to T.A.P members and the public transport operators on that day.

## 9. DRAFT tie BUSINESS PLAN FOR 2003/4

The Chairman asked what impact any delay of the AiP process would have on tie's own business plan. Alex Macaulay reported that it is tie's responsibility to submit the business plan based on the best information known at that time and that a revised business plan will be presented to the Board on 15<sup>th</sup> November for approval and for submission during December to the Council. Andrew Burns confirmed that the Council's final position would be known prior to the 14<sup>th</sup> November. Andrew Burns stressed the need for as quick a response as possible from the Scottish Executive after the Council formally submitted their application.

## 10. SESTRAN AND INTEGRATED TICKETING

Keith Rimmer explained that SESTRAN (SouthEast Scotland Transport) is a body made up from the nine local authorities and the Forth Estuary Transport Authority (Formerly Forth Bridge Joint Board). SESTRAN have been successful in implementing an integrated ticket called 'OneTicket'. The scheme was piloted in East Lothian and will be rolled out for buses across the entire SESTRAN area by the end of September. Tickets are available in weekly, monthly or annual formats. The ticket is OFT compliant and totally scalable to keep up with demand and involves a zonal structure.

There is at present an imbalance in the premium for the ticket with Edinburgh being worst affected. Present sales are £40,000 p.a. Based on other UK schemes it is predicted that a further 3 years are required to reach the break-even point of £700,000 p.a. SESTRAN partners have confirmed their continued support on the basis that the scheme receives £60,000 funding with equal £20,000 contributions per year from the Scottish Executive, Public Transport Operators and SESTRAN.

OneTicket is presently in its last year of its original funding. East Lothian are unwilling to continue to take the lead role and it was proposed to SESTRAN on 20<sup>th</sup> September that tie may be well placed to take over the lead role. Keith Rimmer and Michael Howell intend to meet with the consultant, David Scotney, who has been taking the lead on behalf of East Lothian with a view to sounding out his views and whether tie could provide a suitable umbrella





for future work. Michael Howell confirmed that, subject to progress being made, reference to integrated ticketing would be included in the tie business plan.

#### **11. REMUNERATION COMMITTEE TERMS OF REFERENCE**

Jim Brown circulated the proposed terms of reference which were accepted by the Board.

It was agreed that for continuity, Michael Howell should continue in the role of Interim Chief Executive beyond October on a monthly basis with a reduced commitment to approximately 1½ days per week. Since it was not possible at this stage to define the time required to undertake the required work on transport integration and other matters, some flexibility on time commitment would be required. The Board agreed with the recommendations of the Remuneration Committee. Michael Howell will discuss with the Chairman the terms on which he would fulfil this role after October and the financial terms will be considered by the Remuneration Committee.

Michael Howell confirmed that Directors fees have been paid to date.

#### **12. DATE OF NEXT MEETING**

The next meeting was agreed would be on 15<sup>th</sup> November 2.30pm at Miller House.



AGENDA ITEM 3

# **Progress Report & Financial Report**

## **from the Chief Executive**



## BOARD MEETING – 15<sup>TH</sup> NOVEMBER 2002

### Chief Executive's Report - October

#### Introduction

The seventh board meeting of **tie** will be held on Friday 15<sup>th</sup> November 2002 at 91 Hanover Street, the location of **tie**'s new offices. **tie** moved in on 1<sup>st</sup> November.

#### 30<sup>th</sup> September report submission

Thanks to excellent work by the **tie** team, there was an on time submission of **tie**'s report to the City of Edinburgh Council (CEC) on the Application for Approval in Principle for the Integrated Transport Initiative. Partnerships UK presented their own report confirming their comfort with the work done to date.

The submission of the report to the Scottish Executive took place on 18<sup>th</sup> October, a month earlier than expected. This was undertaken by Andrew Burns, acting in his capacity as Executive Member for Transport of the City of Edinburgh Council. The Council's eventual approval will be subject to a referendum on the final ITI proposals to be held on a date yet to be determined, but most probably in 2004, after the conclusion of the Public Enquiry.

Since then we have been moving forward with the project management of Tramlines one and two, and considering the next steps for **tie**. Alex Macaulay's report covers the main project activities for the month of October. Notable were the appointments of Faber Maunsell for technical and environmental work on Tramline two, Grant Thornton for tram financial advice, and Weber Shandwick for tram public relations support.

With regard to the appointment of legal advisers, neither of the two finalists were able to fulfil all of **tie**'s requirements. This is because **tie** requires both demonstrable Scottish credentials, and meaningful tram experience. No such legal firm exists. As a result, we are seeking to catalyse the creation of a new consortium to combine the best elements of both bids.

Once advisers are appointed, we intend to arrange a workshop meeting of the Board to be informed by them of their plans for the next few months through to enabling legislation. This will take place during January.

The Scottish Executive press release on 23<sup>rd</sup> October concerning pending approval of funding for Tramline three feasibility was a welcome and encouraging development.

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## **Financial report**

Since we wish to report comprehensively on **tie**'s spending position and the forecast for the year end, the financial report will be tabled at the Board meeting. We have only been able to produce definitive figures for October YTD in the past two days. These results will inform our full year forecast, and in turn, our plan for next year.

We have asked Stuart Lockhart, Finance Manager, to prepare a monthly reporting calendar which will have the objective of presenting required financial information consistently to the City of Edinburgh Council within 10 working days.

We have committed to CEC Corporate Finance that we shall meet monthly to review results and maintain the necessary close relationship.

## **Business plan for 2003/4**

Attached is a final draft of the business plan for 2003/4. As described above, we have not yet been able to confirm the financial projections and these will be tabled at the Board meeting.

Aside from the Travel Ticket programme, possible new activity for next year includes resource to support the Transport Partnership, and an effort directed at capturing Development Gain. A contingency budget is included which will be directed towards these activities.

We also shall meet with the Finance function of the Scottish Executive to inform them directly of **tie**'s emerging plans.

## **SESTRAN**

It has been evaluated whether there would be value for **tie** and CEC in **tie**'s assuming a formal relationship with SESTRAN, the consortium of neighbouring authorities which was created to achieve transport integration in South East Scotland. The constituent authorities other than Edinburgh are East, West and Mid-Lothians, Borders, Fife, Falkirk, Stirling, Clackmannanshire and Forth Estuary Authority.

This would also fit with the agreed need for close integration of the Integrated Transport Initiative, which has significant application within these neighbouring authorities as well as within Edinburgh itself.

The possibilities are as follows:

1. **tie** has offered to provide a 'home' for Travel Ticket Limited, the integrated ticket company for the SESTRAN area, to which the trams will be required to adhere in due course. The business plan is under discussion with SESTRAN, and if

acceptable, this move could be formally approved during early 2003. While we are presently working within the existing plan for Travel Ticket, **tie**'s objective will be to move the programme forward quickly so that it develops strong public awareness, a growing market share and rapid financial sustainability.

One reason why **tie** is the logical home for the company is that **tie** can make better use of Travel Ticket's budget to reduce expenditure on overheads, and commit funds to commercial development of the programme. Another is our desire to see the programme achieve success in advance of the advent of the tram, so that the tram can become a part of the scheme.

2. There is a current invitation to bid for secretarial services to SESTRAN, and it has been provisionally agreed with CEC that **tie** would be the vehicle through which CEC will bid for this opportunity. **tie** will have to demonstrate committed resource and a competitive level of cost to be the winner.
3. It is possible that **tie** could explore a role in managing large projects within the SESTRAN area – a current example is the pending bid for funding for increasing car parking capacity at a number of park and ride locations.

At the recent meeting with the Deputy Minister, it was suggested by the Scottish Executive that SESTRAN representation on the board of **tie** could assist the **tie**'s credibility with other authorities. This is a point for deliberation in the above context.

## **Operators**

A new liaison partnership is to be set up with its first meeting targeted for early December. Its objective will be to facilitate the active participation of transport operators in transport scheme development and implementation, and in integration of trams with existing modes of public transport. Key participants will be Lothian Buses, First Group Scotland and ScotRail.

## **Communication and public relations**

**tie** has been active in drafting the attached constitution of Transport Partnerships Edinburgh (TPE), a new core group from the Edinburgh business community that is being established to provide constructive support to the Integrated Transport Initiative. TPE will be its own master, but our intention is that it will assume a new and visible role as champion for transport improvement in the City, especially trams and WEBS.

It follows the path pioneered by Nottingham, which has lent significant support to such a business group, the Greater Nottingham Transport Partnership. GNTP has lent significant weight to the successful introduction of trams in that city. A meeting has been held with Derek Brewer, Commercial Director of the Royal Bank in the East Midlands, who is the Chairman of the Group. He is very keen to support this initiative in

any way that he can and a visit to Edinburgh for key members is provisionally planned for January.

TPE's advisory board members are now defined and include representatives from financial services, retail and tourism sectors. Following the results of the economic impact study, available in early December, it is expected that SEEL will play a strong role in this new group. The first meeting of TPE is set for the morning of 15<sup>th</sup> November.

### **Property Gain**

Property owned by CEC that lies close to the proposed tram alignments has been identified in order to assess the possibility of securing any future gain in value to the benefit of financing the tram. This will now be reviewed on 18<sup>th</sup> November. Next steps will be determined thereafter.

### **Visit to Transport for London**

Alex Macaulay and MH met Derek Turner who is responsible for the London Road Charging Programme. Notes on our discussion are attached. The most important point for Edinburgh is that the programme must be a success, and not of course for the benefit of Ken Livingstone. It has been publicly acknowledged that two months of chaos is all that TfL will have stomach for.

### **People**

We are delighted to have strengthened our tram project team with three very capable additions. Alex Macaulay's report will provide details.

Michael Howell  
Chief Executive  
12<sup>th</sup> November 2002





## TRANSPORT PARTNERSHIP EDINBURGH

### 1. Background

The Transport Advisory Panel ("TAP"), comprising around 30 representatives from local interest groups, has been assisting Edinburgh Council to:

- develop an improved spirit of partnership with major city stakeholders and businesses;
- achieve the greatest degree of consensus possible on the framework of the Council's future transport strategy;
- enhance opportunities for information flow and discussion with stakeholders and business;
- make better informed decisions relating to the Council's "New Transport Initiative" by considering the views of business and other stakeholders.

The following transport programmes, involving around £80 million of improvements, in the three year period through 2005 are already funded or the subject of current bids for Scottish Executive funding (the latter in italics):-

#### Buses

- West Edinburgh Bus System ("WEBS") linking the city centre to Edinburgh Park.
- Completion of the Straiton–Leith Priority Bus Corridor, including real time information system.
- *Extension of real time information to other corridors.*
- *Major improvements to orbital bus services and links to major growth areas.*
- Improved interchange facilities at key points.

#### Integrated Ticketing

- Development of "one ticket" for the SESTRAN region.

#### Park and Ride

- Ingliston
- *Hermiston*
- Todhills (Danderhall) - Midlothian
- *Extension of Ferrytoll site - Fife.*

#### Rail

- New station at Edinburgh Park.
- Improvements to cross-Forth rail.

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### Environmental and Safety

- General traffic removed from the south side of Princes Street (subject to Public Inquiry in early 2003) .
- City centre environmental and streetscape improvements.
- Continuing improvements to pedestrian and cycle facilities throughout Edinburgh.
- Continuing implementation of 20 mph zones and safe routes to school.

### Trams

- Planning stages for the first two tram lines (North and West) completed and Parliamentary Orders obtained for both.
- Continuation of planning of third tram line (South East).

These actions and transport improvements are in addition to the transport schemes already delivered under the Council's New Transport Initiative in the period 1999 to 2002 involving an investment to date of around £15 million. This includes:

- Crossrail
- A90 Bus Priority
- Newcraighall and Ferrytoll (Fife) Park & Ride sites

Funding for further schemes will be sought prior to the introduction of any congestion charging scheme, assuming that the Scottish Executive provide approval in principle for the Integrated Transport Initiative.

## **2. Transport Partnership Edinburgh ("TPE")**

It is proposed to retain the TAP forum for future consultation, meeting every six months, and to create a smaller and more focused policy group (TPE) from senior figures in the business community for the next more active phase of the Integrated Transport Initiative ("ITI"). TPE would engage in the ITI process by:

1. Influencing policy development
2. Developing and delivering publicity, and communications
3. Facilitating consultation and information exchange

It is recognised by **tie** and City of Edinburgh Council that there will be further refinement to **tie**'s congestion charging recommendations. It is therefore proposed that (at least initially) TPE would focus on the introduction of the proposed up front (2003-2005) improvements, the introduction of the trams and other priority improvements, TPE's activities would include:

- communicating its views to the SESTRAN authorities (including Edinburgh)
- creating better links in relation to transport policy between employers and the relevant local authorities (principally City of Edinburgh Council)

- devising and developing a pro-active publicity information programme for the travelling public
- helping to facilitate consultation and making proposals on regional and local transport plans and programmes
- considering topical transport issues at an early stage to provide a sounding board for the SESTRAN authorities (including Edinburgh)
- (where applicable), becoming a champion of specific projects (e.g. the trams) which can be demonstrated to bring economic benefits to region, and actively promote them
- ensuring that the concerns of all businesses, and specifically those in the city centre, are properly addressed in the ITI
- where appropriate, commissioning research to underpin the activities of TPE

It is envisaged that TPE will meet every two months. The work of TPE will be linked into the work of Scottish Enterprise Edinburgh and Lothians (SEEL) who will be asked to assist the funding of TPE's activities by providing administrative support and a promotional budget. It will be the specific objective in the first 12 months to secure a part-time researcher/administrator for TPE funded partly by tie and partly by SEEL.

### 3. TPE Membership

- up to 8 members, predominantly from key sectors of the business community, who will also participate in TAP
- 1 from the City Development Department
- 1 nominated by SESTRAN (from outside Edinburgh)
- 1 representative of SEEL
- 1 from tie

TPE, which will be administered by SEEL, will be chaired by a senior member of the business community proposed by tie and accepted by the other members.

TPE members will be expected to:

- participate with the general interest of the Edinburgh region in mind rather than as delegates from their own organisations
- work to achieve consensus or understanding in the context of mutual respect between the TPE members
- acknowledge that many key decisions which affect transport will continue properly to be made outside TPE but that the role of members will be to help to make those decisions as well informed as possible.



#### 4. Summary

TPE is a further step in what is intended by the Council and **tie** as a genuinely participative approach to the region's business and civic communities. Other UK cities, notably Nottingham, have demonstrated the value of securing a shared view of priorities and solutions and in communicating them through a respected vehicle which is separate from the Council.

The proposed improvements to public transport and the reintroduction of trams to the City, together with measures aimed directly at reducing congestion, are designed to bring substantial economic, social and environmental benefits. It is hoped that TPE will assist this process as it develops and will become a body with a strong and positive voice for Edinburgh's future prosperity.

15<sup>th</sup> November 2002





## London Congestion Charging Scheme

Meeting with Transport for London 21<sup>st</sup> October 2002  
Held at Commission for Integrated Transport,

Derek Turner TfL Michael Howell tie David Begg CIT  
Malcolm Murray-Clark Alex Macaulay

### Observations

- Very tight programme with no room for error
- Conscious decision to go for “best of breed” in each area with TfL playing co-ordinating roles – increases TfL workload but maintains overall quality
- Complicated contracting structure with many different areas of activity – 1) cameras, 2) administration, 3) telecomms, 4) retail, 5) on street enforcement, 6) public information. Co-ordination of administration, retail and enforcement has now been novated to Capita plc.
- Used PwC to advise re procurement strategy
- Gave DVLA £1.5m to improve IT linkages to TfL scheme (EDS did the work). “Edinburgh will need to work with DVLA to get local accuracy increased”.
- Trying to build in contingency plans for every visible risk.
- Many different communication channels for payment – SMS (texting via mobile phones) looks very promising
- Capita has the volume and channel risk; TfL’s liabilities are capped
- Material used for contracts is commercially confidential and will not be released

### Areas of risk ahead

- “Bow wave” – if users do not register in advance, call centre will be overwhelmed – calls taking too long (over 6mins), £10 registration fee waived for early registration, but limited take up
- Political interference – call to ‘pulp’ 8 million leaflets because of reference to Coventry P.O. Box (location of call centre)
- Post implementation chaos – willing to take 2 months of it before scrapping
- Governance structure has too many layers – better when Ken Livingstone chaired – now Bob Kylie



### **Areas of risk overcome**

- Legal challenges – had excellent Q.C. who helped them to prepare for and win judicial review caused by challenge from Westminster City Council
- Performance of sub-contractors – guaranteed by high levels of potential liquidated damages – TfL keep very close and know what they are doing
- Signage – major challenge to get consensus
- Need for secondary legislation
- Use of specialist - Deloitte's - to negotiate contracts, esp. on IT items
- Concessions – problems with many exemptions, but at least journeys to work must be paid for
- Long enough proving periods – with phasing – 1) enquiries, 2) registration, 3) go live

### **Things should have done better**

- Telecomms – dedicated fibre optic ring was planned but not procured, was a mistake not to buy
- Timeframe – really too tight. Edinburgh should allow 2 years if possible, for procurement. (means starting before referendum)

MH/AM

22/10/02



AGENDA ITEM 4

**Progress Report on Projects and  
Technical Issues for  
Consideration and Approval**



## **Progress report on projects and technical issues for consideration and approval**

### **Tramline 1**

The draft report on work package one to establish a preferred route has been submitted and is being reviewed. Although a preferred route has been identified, a small number of localised options are being taken forward for further consideration and consultation. The project is currently on programme.

### **Tramline 2**

Faber Maunsell have been appointed for technical and environmental work and have carried out a series of meetings to assimilate information including meeting with the line one consultant and the WEBS consultant.

### **West Edinburgh Busway (WEBS)**

Work on preparation of contract documents for design and build of the guideway section is complete and tenders have been issued to the approved tender list. Specimen outline designs for the guideway junctions for inclusion in the contract documents is complete. Negotiations with Transco for resiting of their gas governor housing at Broomhouse Road have been successfully completed. Work is ongoing on the design of the on road sections. The project is generally on programme.

### **Tramline 1 and 2 Financial Services**

Grant Thornton have been appointed and the start up meeting is scheduled for 18<sup>th</sup> November.

### **Tramline 1 and 2 Legal Services**

Tenders were returned on 17<sup>th</sup> September. Two firms were interviewed, Dundas and Wilson in association with Bircham Dyson and Bell, and DLA. The Chief Executive will report on the progress on making an appointment.

### **Tramline 1 and 2 Marketing and Communications**

Tenders were returned on 30<sup>th</sup> August and two firms were interviewed, Weber Shandwick and Steer Davis Gleave. Weber Shandwick were subsequently appointed and have now had a series of meetings with the other consultants to assimilate information.





### **Project Management Staff**

Two new appointments have been made to **tie** to enhance the company's project management capability. Andrew Callander, formerly of Carl Bro has been appointed as Trams Integration manager with responsibility for Tram Line One Technical work and the integration on the technical work for lines one and two. Geoff Duke currently of Strathclyde Passenger Transport Executive has been appointed as Project Manager for line two responsible for technical work. The joint commissions covering legal, financial and communications will be managed by the Projects Director, Alex Macaulay with support from Andrew and Geoff. An offer of employment has also been made to an assistant project manager to provide support to the two tram managers. A verbal update will be provided at the meeting.

### **Road User Charging**

#### **Technology Trial**

Installation of the technology is complete. Recruitment of volunteers is complete and the trial commenced on 16<sup>th</sup> September as programmed and is going well.

#### **LUTI Model**

The programme problems have now been solved and all necessary runs for the business case and STAG appraisal have been completed. SDG have completed the building of their independent high level model and input has been provided for the business case. The model has also now been used to assist with input to other projects including the trams and the west Edinburgh strategy. The outstanding piece of work on this front is the completion of the economic impact model and analysis. This is currently programmed for the end of November. The model will continue to be used as part of the detailed design of the ITI.

#### **Business Case**

The Preliminary Business Case has been completed along with input from PUK and was included as part of the supplementary information provided by **tie** at the end of September.

#### **Consultation**

The analysis of the consultation was completed by University of Westminster and incorporated in the **tie** report.



### **30<sup>th</sup> September tie Report**

The **tie** report was completed and submitted to the City Council and the Scottish Executive on programme on the 30<sup>th</sup> September. The report was considered by the Executive of the Council on 8<sup>th</sup> October and the full Council on 17<sup>th</sup> October. The Council's supplementary information was submitted on 18<sup>th</sup> October and the material is currently with the Executive for consideration. Meetings with the Depute Minister and senior civil servants have not raised any concerns with the report so far.

### **Next phases of work**

European procurement procedures have commenced for the next stages of work with the publication of Prior Information and OJEC notices for technical and legal advisors. The technical work will cover the detailed design of the cordon crossing points and associated traffic management including the design of measures to protect areas subject to diverted traffic and ensure minimum delays as a result of changed traffic patterns. The legal advice will cover road traffic regulation orders, planning, procurement and the charging order. Work will also soon start on detailed specification of the technology through an existing commission which is part of the European Commission PROGRESS contract. A revised programme has been developed for the work and this clearly demonstrates the need to promote the orders for charging and associated road traffic orders simultaneously in order to achieve the desired start date.

### **Overall Project Management and Co-ordination**

It is clear that the interaction between the various strands of work covering WEBS, trams and the ITI is significant. An overall steering group which will include representation from **tie** and all the consultancy teams working on the various projects has therefore been established. The objective of the steering group is to ensure that areas of mutual interest are exposed and that all areas of work are covered and do not get missed. In addition to this it is intended to establish regular liaison with the public transport operators where not only detailed operational issues can be dealt with but also at a higher level issues such as integration can be aired with a view to achieving a mutually satisfactory position which can stand scrutiny by the OFT.

Alex Macaulay  
Projects Director  
11<sup>th</sup> November 2002



Agenda Item 5

# **Discussion of Priorities And Actions for 2003**



## TRANSPORT INITIATIVES EDINBURGH LIMITED ("tie")

### BRAINSTORM SESSION - # DECEMBER 2002

#### Chairman's position paper

- The purpose of the brainstorm is:
  - to take stock
  - to help the setting of tie's priorities
  - to consider the principal delivery and other risks
  
- CEC's Integrated Transport Initiative ("ITI") has already delivered an initial package of infrastructure projects including bus priority, park & ride and railway stations, and a number of environmental and safety improvements for cyclists and pedestrians.
  
- CEC/tie are committed to a further and more substantial package of improvements in the period 2002 to 2005.

Buses - West Edinburgh Bus System ("WEBS") linking the city centre to Edinburgh Park; Completion of the Straiton-Leith Priority Bus Corridor, including real time information system; Extension of real time information to other corridors; Major improvements to orbital bus services and links to major growth areas; Improved interchange facilities at key points.

Integrated Ticketing - Development of "one ticket" for the SESTRAN region.

Park & Ride - Ingliston; Hermiston; Todhills (Danderhall); Extension of Ferrytoll site.

Rail - New station at Edinburgh Park; Improvements to cross-Forth rail.

- The major "flagship" project is the introduction of 2 (and possibly 3) tram schemes.
  
- Of equal importance is the reduction of traffic congestion to be achieved by the introduction of a road user charging scheme.
  
- The total ITI investment is projected to be c£1.5 billion. In addition to the above projects, it will deliver:

Trams - North Edinburgh, West Edinburgh and South East Edinburgh tram.

Rail - Contribution of £175 million to improved rail services and facilities within and around Edinburgh (some of these may be in the form of tram extensions).

Buses - Rapid transit on city bypass from South Gyle to NRI; bus service frequency improvements throughout Edinburgh; bus service frequency improvements to and from Edinburgh; Integrated ticketing; Bus priority measures inside and outside Edinburgh; Upgrade of facilities and information for bus users, including real-time information at bus stops throughout the region. Over £35 million *each year* spent on better bus services.

Park & Ride - Additional sites at Halbeath and Deer Park.

Environmental Improvements - Further city centre environmental and streetscape improvements. Grants for bus and taxi conversions to LPG; 20 mph zones and pedestrian improvements; Safety and security measures on buses and trains; Continuing improvements to pedestrian and cycle facilities throughout the city; Continuing implementation of 20 mph zones and "Safe Routes to School".

Social Inclusion - Travel awareness and education; Expansion of community transport and mobility schemes.

Maintenance - Additional maintenance on key routes in Edinburgh and key connecting routes to Edinburgh.

- In their report of 30 September 2002 to the tie board, PUK noted the following:

*"Successful delivery of the individual schemes that make up the initiative is not a guarantee of achieving the maximum impact on congestion. The precise congestion effects will depend upon specific characteristics (including levels of fares and charges) of the new schemes, their interaction with existing transport modes and the continued effects on behaviour. This in turn suggests that the optimum strategy for achieving congestion targets requires the maximum co-ordination (preferably through a single point of responsibility) of the varying levers influencing journey decisions."*

AND

*"The procurement model currently favoured by tie is amongst the most sophisticated employed by the public sector and the tie board will need to develop effective structures and an organisation to manage the associated risks."*

- As the company responsible for procurements and implementation it is important that tie:
  - continues to deliver to an agreed timetable
  - is able to raise finance on acceptable terms
  - has the confidence of key stakeholders (including CEC, Scottish Executive, SESTRAN, transport operators)
  - understands the risks and manages them effectively

- The following “linkages” are already in place or are planned.

Partnership Liaison Group - Quarterly meetings between CEC, the Scottish Executive (including the deputy minister) and tie.

Operating Committee - Monthly meetings between tie and CEC.

Steering Group - Regular meetings of representatives from tie and the various consultancy teams employed by tie.

Operations Group - Forum for tie to meet with local transport operators including Lothian Buses, First Group and Scotrail.

Transport Advisory Panel (“TAP”) - Set up by CEC and comprising around 30 representatives from local interest groups to meet 6 monthly and act as an advisory sounding board.

Transport Partnerships Edinburgh (“TPE”) - Promoted by tie to be an “independent” business led policy group (mirrored on Nottingham) which would, inter alia, champion specific projects and actively promote them, funded in part by Scottish Enterprise Edinburgh and Lothians.

- There appears to be positive backing for the ITI as a key Transport initiative from the Scottish Executive. (Iain Gray, Lewis Macdonald and transport civil servants) but there is no certainty that Finance (Andy Kerr and his principal civil servant David Reid) are committed to provide the necessary funding support for its implementation.
- tie must convince the whole of the Scottish Executive and the private sector sources of funds that the major schemes are worthy of funding. This will involve moving from consultants’ models to the hard reality of the market place where the following will be relevant
  - clarity of roles and functions between CEC and tie
  - the credibility of tie and its management
  - an integrated transport solution
  - acceptable positioning of financial risk
  - common purpose between CEC and the rest of SESTRAN
  - consistent messages and excellent communication
  - delivery to an agreed timetable
- We have to recognise that there is continuing scepticism both in the private sector and in the Scottish Executive that Councils and their associated ventures are long on planning and short on delivery of major projects. While we know that CEC have delivered well on many projects, it is important that tie focuses all of its efforts, and the efforts of its consultants, on specific delivery objectives and ensure that in planning delivery timetables we know all the risks and have well developed plans to address them.

Ewan Brown  
8 November 2002





Agenda Item 6

## **tie Business Plan for 2003/4**

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transport initiatives **edinburgh**

**Business Plan – 2003/4**

**Note:**  
Financial information not  
included in this draft

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**CONTENTS**

OVERVIEW ..... 2

1 Introduction to **tie**..... 3

2 Corporate Governance ..... 5

3 **tie** Key Workstreams ..... 6

4 Progress during 2002/3 ..... 8

5 Future developments ..... 10

6 Staffing and accommodation ..... 12

7 Costs and funding..... 14

Appendix 1. Relationships with the City of Edinburgh Council..... 15

Appendix 2. Outline Programme of the Charging Scheme ..... 19

Appendix 3. Outline Programme of Tram Scheme ..... 20

Appendix 4. Outline Programme for WEBS..... 21

Appendix 5. **tie** Operating Cost Projections..... 22

Appendix 6. One-Ticket Discussion Paper ..... 23

**CD-ROM**

1. **tie** Memorandum and Articles of Association
2. **tie**/CEC Operating Agreement
3. 'New Transport Initiative: Framework for Delivery' report to CEC,  
2 May 2002
4. CEC Approvals

# DRAFT

## OVERVIEW

This business plan sets out the role of **tie** over the next two financial years 2003/4 and 2004/5, as well as looking at progress made during the current year. Since its establishment in May 2002, the company has been working towards:

- development of the Business Case for the Integrated Transport Initiative
- development of STAG stage 2 submission for the Integrated Transport Initiative
- progressing STAG stage 2 and Parliamentary Bills for the Tram Schemes
- procurement of the West Edinburgh Busway Scheme.

These will also form the core of the workload during the next two years, although some further projects may be added.

The future work programme is set out in Section 3, with the staffing position identified in Section 6 and the costs and funding for the year being summarised in Section 7. Appendix 5 provides a more detailed budget tabulation.

The past year's progress (2002/3) on delivering the core projects is outlined in Section 4, while Section 5 outlines the possible future evolution of the company to be addressed during 2003/4 and 2004/5.

The business plan also examines the objectives of **tie** and how the relationship between **tie** and the City Development Transport Function operates in Section 1 and Appendix 1. Section 2 deals with the important issue of Corporate Governance.

The remaining appendices provide further detail of key operational issues, including the programmes for each of the projects. For convenience, other significant documents are included on a CD-ROM provided with this plan.



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## 1 Introduction to tie

**tie** was registered at Companies House in April 2002 and the first formal board meeting took place on 3<sup>rd</sup> May 2002. The Company is a private limited company with a share capital of £1,000 and is wholly owned by the City of Edinburgh Council (CEC). The objects of the company are set out in the Company's Memorandum of Association. The first of these is "to promote, support and/or effect the development, procurement and implementation of projects defined or referred to in an integrated transport strategy as determined and varied from time to time by The City of Edinburgh Council."

In effect this requires the company to:-

- Develop, finance and procure certain major transport schemes identified in the Local Transport Strategy of the Council.
- Develop the business case for congestion charging for submission to the City Council and The Scottish Executive and, on approval of that business case, to procure the implementation and operation of the scheme.
- Manage the finances arising from congestion charging and to invest these, along with other sources of public and private funding, to deliver additional transport infrastructure improvement.

The detailed legal agreement between **tie** and CEC requires **tie** to submit a business plan in draft to the Council by 31 December each year to cover the next financial year and project future years. This business plan is intended to fulfil that obligation for financial year 2003/4. The financial year starts 1 April and ends 31 March each year.

The company structure involves a board of seven non-executive directors, four from the private sector including the chairman and three from the City of Edinburgh Council. At present the company is staffed by a mixture of staff seconded from the Council, direct employees of **tie** and staff seconded to the company. It is intended to have all staff as direct company employees by the start of financial year 2003/4.

The role and responsibilities of **tie** are evolving beyond the initial work undertaken on the projects defined above. This plan makes assumptions about the more visible elements of those changes such as 1) integrating ticketing, 2) the new transport partnership, and 3) work focused upon securing development gain.

Apart from ticketing, it does not assume any move by **tie** to assume additional responsibility for activity in the wider SESTRAN area, nor any activity in transport planning or policy as was suggested by Partnerships UK in their recent report.

### Objectives of tie

**tie** is seen as a key element in improving the quality of public transport in the city and its surroundings through effective delivery of schemes identified in the Local Transport Strategy. The Local Transport Strategy (2000) set out the following vision for transport in Edinburgh.

*"Edinburgh aspires to be a city with a transport system that is accessible to all and serves all. Edinburgh's transport system should contribute to better health, safety and quality of life, with particular consideration for vulnerable people such as children, and elderly and disabled people; it should be a true Citizen's Network. The transport system should support a strong sustainable local economy."*

# DRAFT

*"The Council will seek to maximise people's ability to meet their day to day needs within short distances that can easily be undertaken without the need to use a car. The city should develop and grow in a form that reduces the need to travel longer distances, especially by car. Choice should be available for all journeys within the city."*

The City has one of the fastest growing economies of any major city in the country and as a consequence is facing the prospect of significant expansion in employment and housing. Population within the City is forecast to increase by 12,000 with employment projected to grow by 24,000 in the period to 2011. For the Lothians as a whole, population is forecast to increase by over 30,000 in the same period and approximately 20% of the City's workforce comes from outwith the City boundaries.

In order to cope with this projected expansion a number of transport schemes have been identified in the Local Transport Strategy. Some of these schemes would take place outside the City limits within the wider SESTRAN area. A total of 52 schemes in all are identified in the **tie** report to the Council dated 30th September 2002. The time-scale for delivery of these schemes will range over some 10 to 15 years and it is also likely that further schemes for implementation will emerge during this period.

It is intended that **tie** would take forward the procurement and delivery of a number of the projects within this ambitious programme. The projects to be delivered by **tie** will be agreed with the Council, and will focus in particular on the major schemes in the programme.

A second major element of work for **tie** is the development of the proposed congestion charging scheme. The core team that has transferred from the City Development Department to **tie** has led the development of the charging scheme to date. Securing the approval of the Scottish Executive to the establishment of the charging scheme will be predicated on the hypothecation of revenues from charging for reinvestment in transport improvements; namely those schemes identified in the Local Transport Strategy. Introduction of a charging scheme could occur in 2006.

**tie** can help to address the development and resourcing problems in procuring such an extensive range of projects by establishing a dedicated resource to provide expertise in:

- Procurement
- Project management
- Finance management

**tie** is not responsible for the strategic direction or key transport policy matters nor decisions on the level of charge to be applied. These issues remain within the control of the Council or, for those policy issues relating to their own geographical area, the neighbouring Councils.

It is not intended that **tie** replaces or duplicates the work currently undertaken by the City Development Transport Function. To ensure this does not occur, a partnership structure between **tie** and CEC has been established. This is set out in more detail in Appendix 1.



## 2 Corporate Governance

**tie** is committed to high standards of corporate governance to ensure the company provides value for the public money it receives and is effective in achieving the objectives required by its shareholder and client, the City of Edinburgh Council. This is achieved through both internal and client monitoring procedures. The structures are in place to ensure these objectives.

The major elements are:

### **The Board**

Under its Chairman Ewan Brown, the Board meets regularly to review the overall strategy for the company, outputs produced in the name of the company, and to monitor financial performance. The company secretary is Eddie Bain, Council Solicitor. There is also a Remuneration Committee chaired by Jim Brown to monitor and approve staff salaries and conditions.

### **The legal framework between tie and the City of Edinburgh Council.**

As well as the company Memorandum and Articles of Association, there is a detailed Operating Agreement setting out the respective responsibilities of the two bodies, including financial reporting requirements.

Key financial monitoring arrangements are:

- 1) A monthly review by the **tie** board of performance and financial returns, compared to programme and budget. This regular monitoring is aimed at ensuring both that the company is delivering projects remitted to it to budget and on schedule, and that appropriate procurement routes are being followed to ensure that value for money is being achieved for the client.
- 2) The **tie**/CEC operating agreement provides the framework for external monitoring by the Council. **tie** provides returns to CEC on a monthly basis through the invoicing process. This allows CEC to monitor progress against **tie**'s annual business plan approved by the Council. Additionally, updated budget forecasts are provided every quarter. These returns are supplemented by regular liaison meetings between **tie** and CEC, including Finance officials, allowing any variations to the plan to be explored.

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## 3 tie Key Workstreams

The purpose of this business plan is to identify the operating costs and sources of income for tie over the next 12 months and indicate expenditure and income up to 2004/5. These have been summarised in a cash flow model contained within Appendix 5. The assumptions underlying these costs and their sources have been set out in Section 7.

These costs are based on tie undertaking the following principal workstreams:-

- 1) Development of the next stages of the Integrated Transport Initiative project, assuming that an approval in principle is received from the Scottish Executive by the end of 2002. The next stages of development will include taking forward the statutory procedures including the preparation and publication of a Charging Order and associated Traffic Regulation Orders, and preparation for a public inquiry. An application for approval in detail will be required by late 2004. Appendix 2 contains an outline programme for the development of the charging scheme.
- 2) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line One and related public transport modelling. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up to date consultants' cost estimates. An estimate for internal project management costs involved have been separately identified in Section 7 and Appendix 5.
- 3) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line Two (West Edinburgh) has been included as a project for tie to progress in accordance with the ministerial announcements on 5th March and 29th July. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up-to-date consultants' cost estimates.
- 4) The development of both Tram Line 1 and Tram Line 2 require advice on Legal, Financial and Public Relations issues. These three work streams have been procured to cover both lines 1 and 2 and the costs in this plan are based on the most up-to-date estimates from these consultants. The funding awarded by the Scottish Executive to cover the work outlined in paragraphs 2, 3 and 4 amounts to:
  - Tram Line 1 - £6.025m
  - Tram Line 2 - £5.000mA programme for the development of these schemes is included as Appendix 3.
- 5) The City of Edinburgh Council has made a submission to the Scottish Executive for Public Transport Funding to cover the development of Tram Line 3 through to parliamentary approval. This business plan assumes that line 3 will be developed by tie and the costs included are based on the submission for Public Transport Fund monies. A recent announcement by the Scottish Executive indicates that this project will be funded from the Integrated Transport Fund as follows:
  - Tram Line 3 - £3.500m (bid) – final figure expected mid November
- 6) Development of the West Edinburgh Busway Scheme (WEBS) – This scheme replaces the CERT PPP proposals and received £6.093 million of funding from the Scottish Executive in the Public Transport Fund bidding round in August 2001. This funding, together with existing Challenge Funding, capital consent and developer contribution was forecast by the consultants to the Council to be

# DRAFT

sufficient to meet the external capital costs of the project. It has been assumed that the **tie** internal project management costs for this scheme will be funded by the Council. Consultants have been appointed for technical advice and a contract will be awarded for the design and build of the off road guideway section by the end of December 2002. This plan uses the most up-to-date costs available. A programme for the development of WEBS is contained in Appendix 4.

- 7) It is expected that **tie** will take over responsibility for development and ongoing management of 'One-Ticket', the SESTRAN travel ticket scheme. This provides a travel ticket scheme throughout the SESTRAN area and its business plan requires a growth in ticket sales from £50,000 in 2002/3 to £0.7m in 2006/7. To achieve this **tie** will provide a full time marketing manager and appropriate administrative support. At present the scheme is administered through a joint public/private company involving SESTRAN and transport operators. A discussion paper outlining the way forward for this project is included as Appendix 6.

The seven projects noted above represent the principal projects to be taken forward in the period to April 2007.



## 4 Progress during 2002/3

Progress on project delivery during the year has been good, with all programme targets met. Key achievements and progress in respect of tram development, road user charging, and wider transport integration issues are summarised below.

### Tram and WEBS development

Consultants have been appointed for separate commissions for the development of the engineering and environmental issues related to Tram Line 1 and Tram Line 2 and work is progressing to programme. The Line 1 contract was awarded to Mott MacDonald as the lead consultant in association with the Babbie Group, ERM and Steer Davies Gleave. Support is also provided from Gillespies, Terraquest, Brian Hannaby and McLean Hazel. The Line 2 contract has been awarded to Faber Maunsell as the lead consultant in association with Semaly, ASH, Roger Tym & Partners, and Land Aspects.

Combined Line 1 and 2 commissions have been awarded for provision of Financial, Legal and PR/Communications services. The Financial Contract has been awarded to Grant Thornton, the PR and Communications to Weber Shandwick and Legal Services to **TO FOLLOW**

Tram Line 3: The City of Edinburgh Council has submitted an application to the Scottish Executive for Public Transport Fund funding to develop the scheme to Parliamentary Approval stage. An announcement by the Executive in October indicates that the scheme will be funded from the Integrated Transport Fund.

WEBS: Professional advisers, Halcrow, have been appointed to provide client support for the off road guideway section of the project and detailed design and contract management for the on road section. Tenders have been invited for the guideway design and build contract from four contractors with a view to contract award by the end of 2002.

### Road User Charging

tie met the deadline for producing its report to CEC and the Scottish Executive of 30th September. Following a Council decision on 17 October (details included on the CD-ROM attached with this plan), the report has now been formally submitted to the Scottish Executive. An approval in principle is expected by the end of 2002.

Assuming approval is received, a programme to take forward the project has been developed and is summarised in Appendix 3. Procurement of the necessary additional advisory support has been initiated.

### Integration issues

The importance of integration in successful delivery of the Council's transport projects has been recognised and a number of initiatives taken to support this. Some of these are still at an early stage of development. These include:

- A transport operator forum to facilitate the active participation of transport operators in transport scheme development and implementation – this is currently under discussion with the operators;
- Transport Partnership Edinburgh: a stakeholder forum to build consensus with key sectors, based on a model used in Nottingham – a core group from the Council's Transport Advisory Panel is developing this;

# DRAFT

- Agreement in principle for **tie** to provide operational support to running the 'One-Ticket' integrated ticketing scheme;
- Generating improved links with SESTRAN through a possible bid to provide administrative support for the partnership.

## Development Gain

A specific part of **tie**'s remit is to raise funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

# DRAFT

## 5 Future developments

**tie** has the opportunity to demonstrate a new way of managing public transport innovation. The present set of challenges in Edinburgh and the region lend themselves to a role for **tie** that should prove exciting, innovative and effective.

### The mission that **tie** could perform

The overarching objective could be to maximise new transport opportunities and create unrivalled transport infrastructure in the Edinburgh region. This would be achieved via fulfilment of the following tasks:

#### a) Public Relations and Opinion Leadership

- maintaining close understanding of the view of the general public on performance, progress and perceived priorities in the SESTRAN area;
- acting as a champion of continuous improvement and excellence in public transport provision, while maintaining effective links to the corporate sector, public bodies and the general public.

#### b) Transport Integration

- championing the integration of public transport services tram/bus, park and ride, ticketing, with liaison to CEC on route structure, schedules and information provision;
- maintaining close relationships with public transport operators.

#### c) Project Delivery

- improving infrastructure with the focus on evaluating, managing, delivering projects which offer the best value to the travelling public in terms of minimising journey times and providing a superior travel experience.

#### d) Procurement and Financing

- designing and implementing the optimal strategy for projects, and, where feasible and necessary, taking a direct financing role
- raising funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

### Practical next steps

**tie** must earn its future opportunities by doing an excellent job in those activity areas that it has already been assigned.

Therefore **tie** must seize the tasks that it has been given and make a conspicuous success of them. These are threefold:

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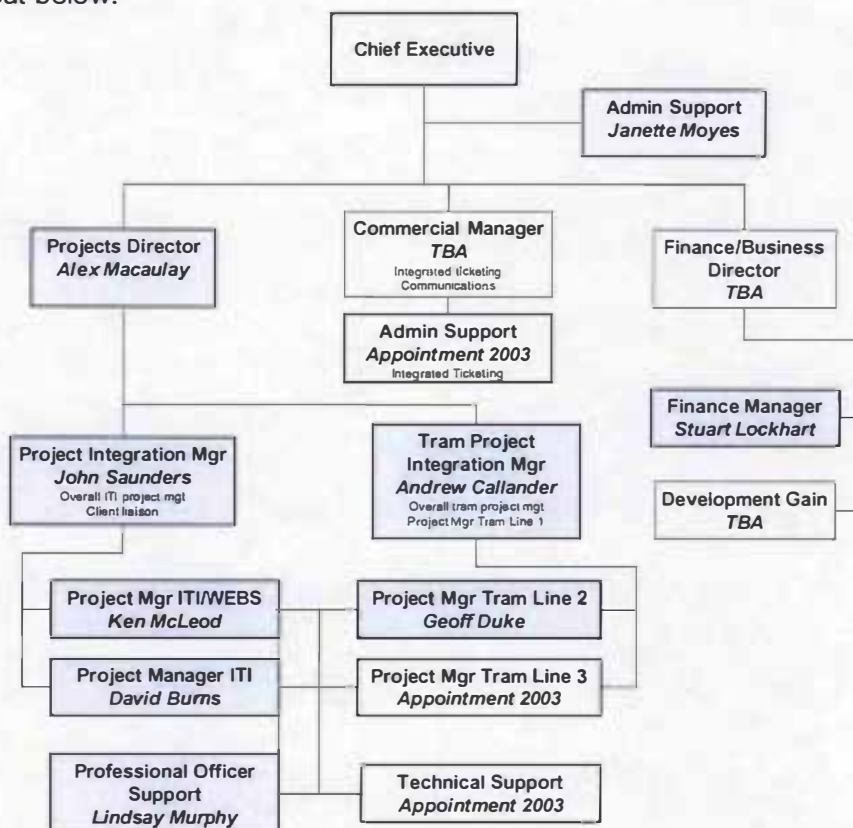
- 1) Project implementation (especially WEBS), which involves public transport operators effectively
- 2) Community relationships, including Transport Partnership Edinburgh (TPE), which, with the right leadership and funding, should affect positively all that **tie** is trying to do
- 3) Integrated ticketing, where there is much room for visible achievement

We must pursue these tasks energetically and deploy the right resources (people and money) to make them successful. This conclusion informs this business plan.



## 6 Staffing and accommodation

tie is owned 100% by the City Council. In the first instance therefore staff have been seconded from the Council and will be transferred to tie with anticipated effect from 1st January 2003. The chart below sets out the proposed medium-term operating structure for tie staff assuming a continuation of the role as defined in section 5. However, initially the staffing requirements will not be as substantial. Details of the envisaged initial requirements of tie to meet the workstreams set out in section 5 are set out below.



At the present time (Dec 2002) 9 of the posts on the staff chart have been filled in order to progress the work streams currently committed to tie. These are:

- Projects Director
- Project Integration Manager
- Project Manager ITI/WEBS
- Project Manager ITI
- Tram Project Integration Manager (includes responsibility for Line 1)
- Project Manager Tram Line 2
- Finance Manager
- Professional Officer Support (Trams)
- Admin Support

The post of Chief Executive is currently filled on an interim part-time basis pending the review of the future direction of the Company. The posts of: 1) Admin support for Ticketing, 2) Project Manager Tram Line 3 and 3) Technical Officer support will need to be filled by 1st April 2003.

In addition to the above it is anticipated that as tie expands a Finance/Business Director will be required to take overall responsibility for the financial management of the company and in particular to deal with the contractual and funding arrangements

# DRAFT

of the projects. At present the financial administration is seen as relatively straightforward and it is proposed that this is resourced through the Finance Manager. Company secretarial arrangements are dealt with by the City Council, but **tie** will need to consider how it wishes to procure these services in the longer term. The appointment of a Commercial Manager will be contingent on the growth plan for the 'One-Ticket' scheme. Finally, it may in the longer term be appropriate to appoint an officer to take responsibility for development gain issues – this will depend on how these matters are dealt with in the longer term.

In addition to the executive staff required **tie** has a board of directors comprising representatives from the private sector as well as representatives of the City Council. The City Council has nominated three members being the Executive Member for Transport, the Executive Member for Finance and the Administration Group Secretary. The representatives from the private sector comprise a non-executive Chairman, one representative from Scottish Enterprise Edinburgh & Lothian and two others. The private sector directors will be remunerated for their contribution at an annual rate of £25,000 for the Chairman and £7,500 per external director although some directors, including the chairman, have waived their remuneration.

## Company offices

The company has moved into serviced office accommodation at 91 Hanover Street and acquired the necessary IT hardware and software for efficient operation.

# DRAFT

## 7 Costs and funding

This section summarises the sources and calculation of the costs and funding contained within the cash flow set out in Appendix 5.

### Costs

**TO FOLLOW**

### Funding

The cash flow assumes that **tie** will invoice CEC monthly in arrears for its management and other costs incurred in developing the schemes. It should be noted that it is essential to the security of the CEC funding sources that the risk of slippage in project timescales is minimised.

CEC has access to five main sources of funds which are summarised below:

#### **Costs funded by Scottish Executive Integrated Transport Fund (ITF)/ Public Transport Fund (PTF)**

The funding for the external advisors and internal project management costs for Edinburgh Tram Line One is to be funded by the ITF based on the 2001 award.

The funding for the external advisors' costs together with internal project management costs, for Edinburgh Tram Line Two is funded by the ITF as supported by the Ministerial announcement on 5 March and 29 July.

The funding for the external advisors costs together with internal project management costs for Edinburgh Tram Line Three is assumed to be funded by the ITF in accordance with the submission prepared by Ove Arup for CEC.

The money for WEBS will come partly from existing Capital Consent granted to the City for CERT which has been carried over to this project and also the successful PTF application made in August 2001 for this project.

#### **Costs funded by City of Edinburgh Council**

CEC is currently part funding the costs of developing the New Transport Initiative. The Council currently funds 50% of the total cost of the NTI after deduction of contributions from the EU, SESTRAN.

#### **Contribution from the Scottish Executive for NTI development.**

The assumed contribution from the Scottish Executive is equal to the amount funded by the CEC.

The funding sources outlined above, with the exception of that for Tram Line 3, were approved by CEC following a report on 2 May 2002.



# DRAFT

## Appendix 1. Relationships with the City of Edinburgh Council

The diagram below represents how the relationship between **tie** and the City Council, SESTRAN and the Scottish Executive operates. The key working relationship is between **tie** and the Transport Function of the City Council Development Department on a day to day basis but the strategic role of The Scottish Executive is fundamentally important to the success of the projects.

In considering how the relationship between **tie** and the Transport Function operates the key roles of each should be borne in mind. These are:-

- **tie** – procurement, project management and delivery, finance management
- Transport Function – development of transport policy and the specification and prioritisation of projects to be delivered

The ITI operational structure diagram below illustrates this at a high level. There are three formal interfaces between the City Council and **tie**.

Firstly, the Partnership Liaison Group which meets quarterly. The members of this Group include the Deputy Minister, a senior civil servant, the Chairman of **tie**, the Director of City Development, the Director of Finance and the Executive Member for Transport. The key functions of this group are:-

- Ensuring that both **tie** and the City Council fulfil their appropriate roles
- Monitoring of project progress
- Review of transport policy fit with **tie** projects
- Liaison with Scottish Executive

At the level below this an operating committee comprising senior staff from the City Development Department and **tie** and including the chairman of **tie** and the executive member for transport has been established to deal with strategic operational issues between **tie** and CEC.

Finally a Partnership Liaison Officer has been appointed to act as the day-to-day interface between **tie** and the Transport Function. The nominated individual to fulfil this role is the Project Integration Manager. This is a key role in ensuring that the activities of **tie** and the Transport Function do not overlap.

The operational structure diagram also illustrates how the necessary linkage to SESTRAN will be effected. A SESTRAN Advisory Board has been established, which provides input to the Council on wider policies and project priorities covering the region outwith the City. As this is a policy body it will interface through CEC and the Director of City Development.

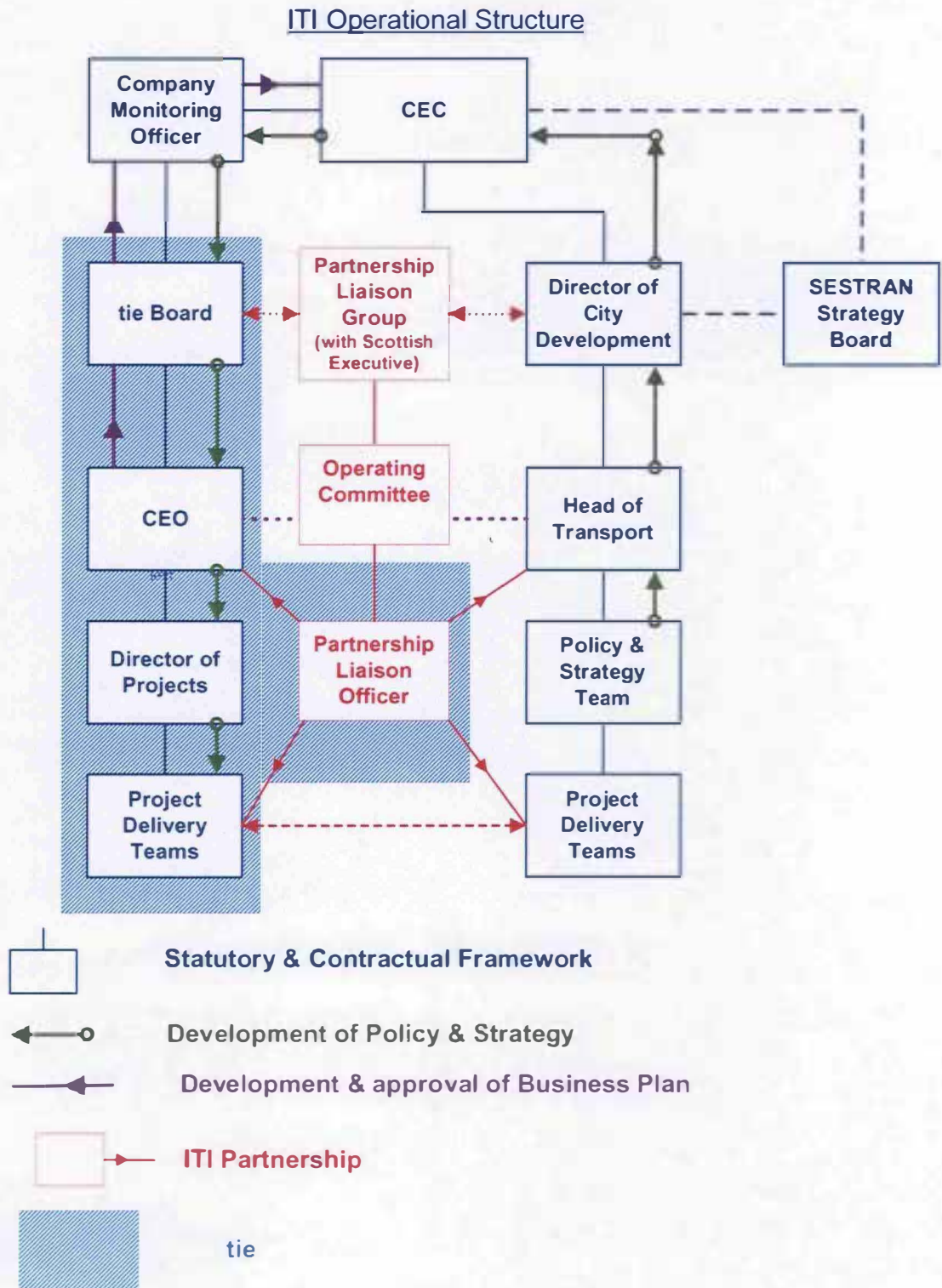
Given the City Council's role as the policy setting entity it is intended that it will take projects through the conceptual and outline scheme configuration stages up to Scottish Transport Appraisal Guidance stage 1 level. Assuming a project receives approval to proceed from stage 1 the next stream of work will require close liaison between the Transport Function and **tie**.

The second stage of project development requires detailed technical, financial and legal work which is the principal function of **tie** and external experts. However there are also public consultation requirements and key political issues to be addressed at this stage which means that a partnership arrangement is required to progress the projects effectively. The section on partnership agreements below is the outcome of discussions between the two teams to map out how such a partnership might operate.

# DRAFT

The final stage will be the actual procurement phase of the project. **tie** will manage this phase and the related financing and legal issues using its own and external resources as appropriate depending on the scale and nature of the project.

The key objective of the partnering process is to set clearly defined tasks for **tie** and the Transport Function. Partnership agreements will establish the key roles and responsibilities.





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## Partnership agreements between CEC and tie

For Major Projects remitted to **tie**, partnership agreements are being developed between CEC and the company. These are based on the following principles, agreed with CEC.

The relationship between **tie** and the Council (as represented by City Development's Transport Function - TF) are based on the principle of **partnership**, with both organisations engaging in a co-operative and proactive environment. The objective of both partners is to avoid recourse to legal or other agreements except in exceptional circumstances of inability to reach agreement.

The Council's intentions in establishing **tie** are that:

- CEC maintains full responsibility for the development of transport policy and the specification and prioritisation of projects to be delivered. The Council must also remain the ultimate client for any project to maintain principles of democratic accountability, requiring an involvement in areas where there is interface or impact on the public and stakeholders.
- **tie** takes full responsibility for the procurement, project management and delivery of the specified projects, and should have the maximum amount of freedom in undertaking these responsibilities.

The remainder of this section suggests how these intentions can be translated into practical arrangements to underpin the partnership objective.

Any major infrastructure project can be seen as having three stages of development:

Stage 1: Concept and outline scheme configuration up to STAG1 appraisal.

Stage 2: Detailed development and definition including STAG2 appraisal and completion of statutory processes.

Stage 3: Procurement and delivery including potential maintenance and operational arrangements.

Stage 1 should remain the full responsibility of CEC, although **tie** could be asked to assist on a consultancy basis if required.

Stage 2 is the most difficult to define, as major technical workstreams are combined with inevitable political decisions that have to be made at this stage that must remain with the Council. However, the aim should be to manage this process in order to provide accountability while minimising risks of delay. It is here that the partnership concept is most crucial. The approach for this stage aims to provide **tie** with the maximum degree of flexibility, defining key milestones where agreement between the partners is required. Guiding principles are:

- TF is responsible for:
  - ◊ monitoring the overall programme
  - ◊ specifying quality and user standards for the end product (ie the tram system)
  - ◊ approvals at key milestones as defined in a project agreement
  - ◊ ensuring value for money.
- **tie** is responsible for:
  - ◊ delivery of outputs specified in a project agreement to time and to budget
  - ◊ provision of information to the Council (TF) as required



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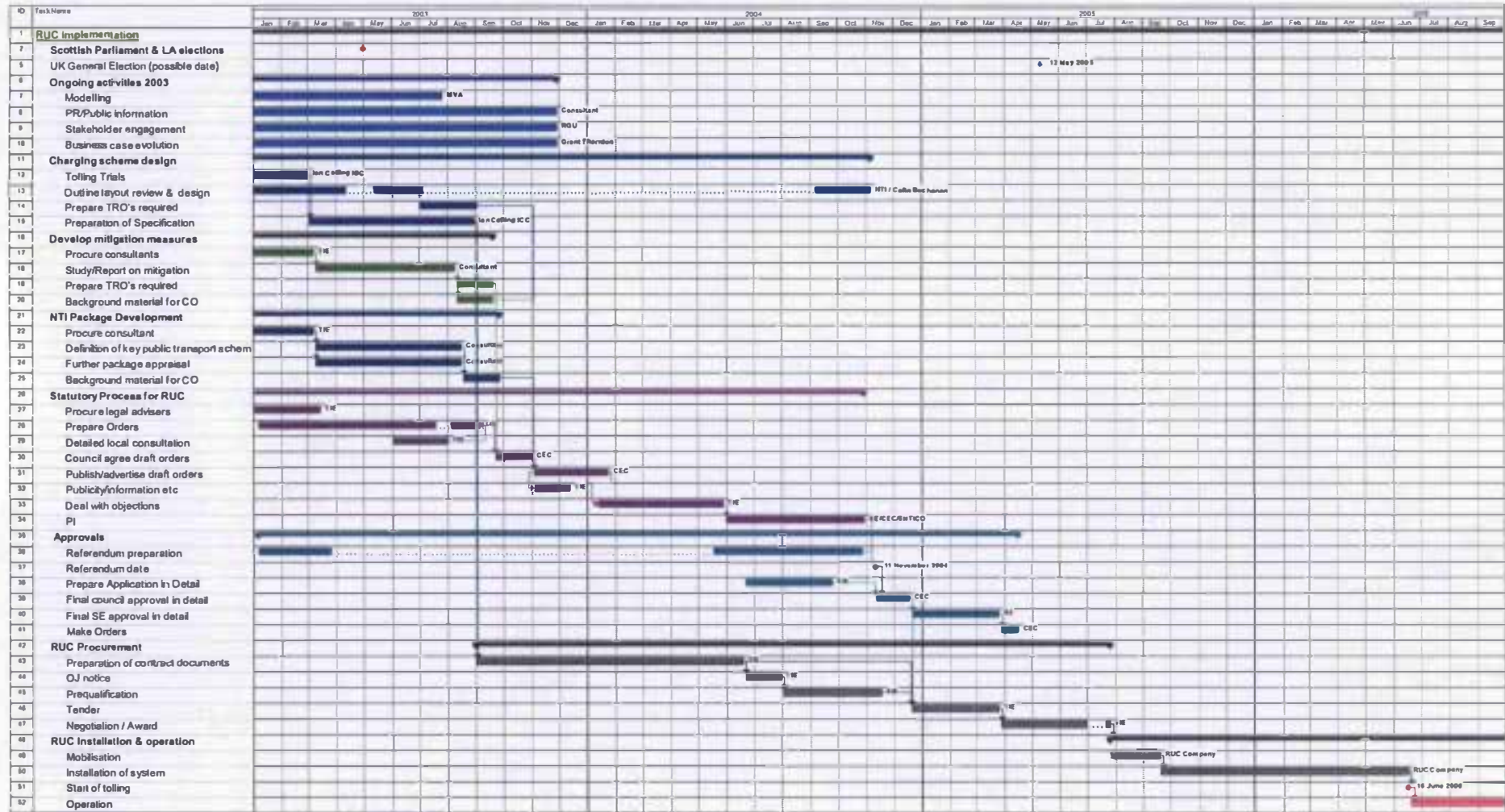
- For each project, a Project Agreement will be drawn up and agreed between TF and **tie** setting out the programme, budget and key milestones. Each project will be managed by a Project Manager employed within **tie**, to be endorsed by TF.

Stage 3 will be the full responsibility of **tie** once procurement arrangements are agreed with the Council. The Council would simply maintain a high level monitoring role at this stage.

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Appendix 2. Outline Programme of the Charging Scheme

CONGESTION CHARGING: DEVELOPMENT PROGRAMME TO 2006

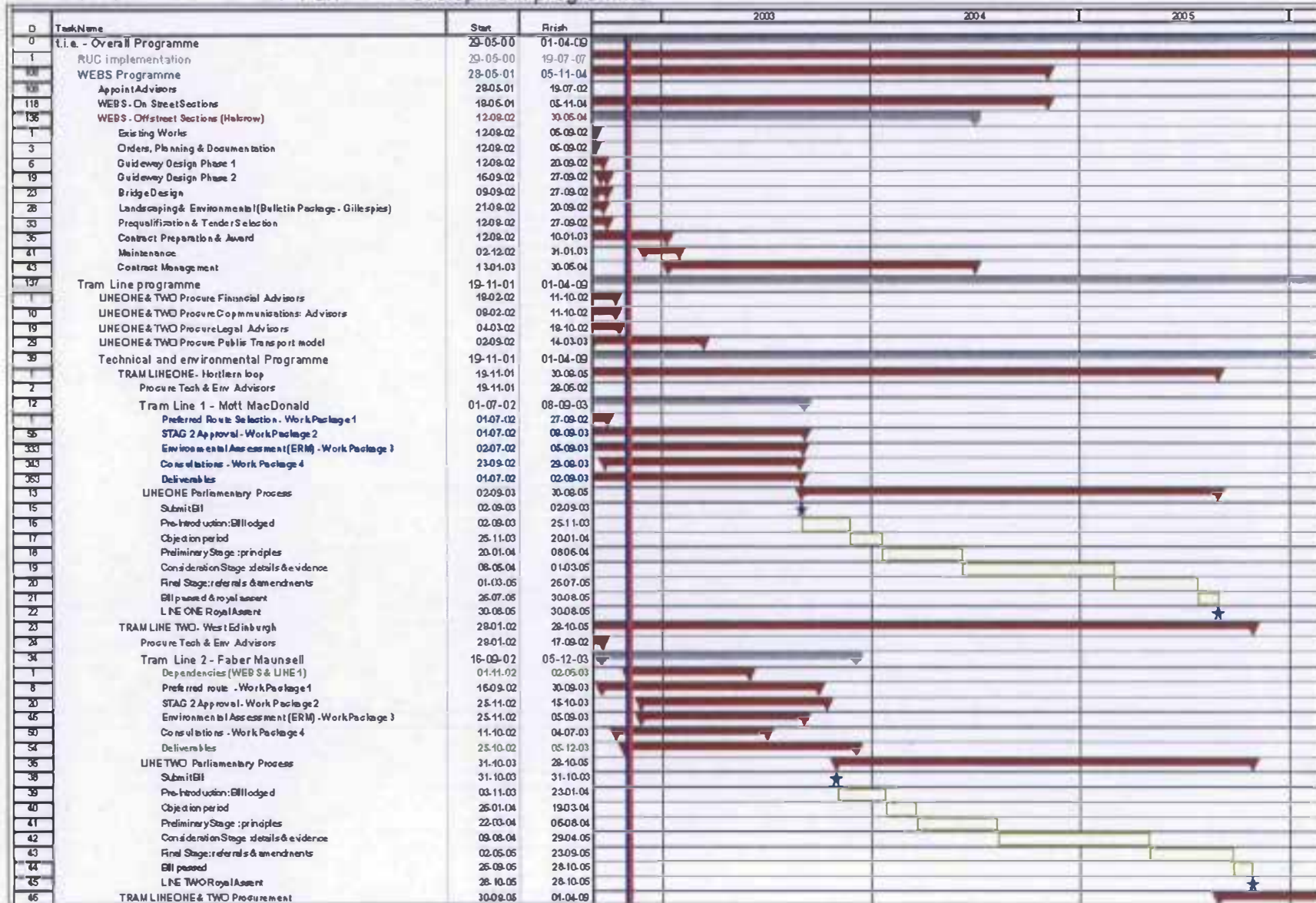


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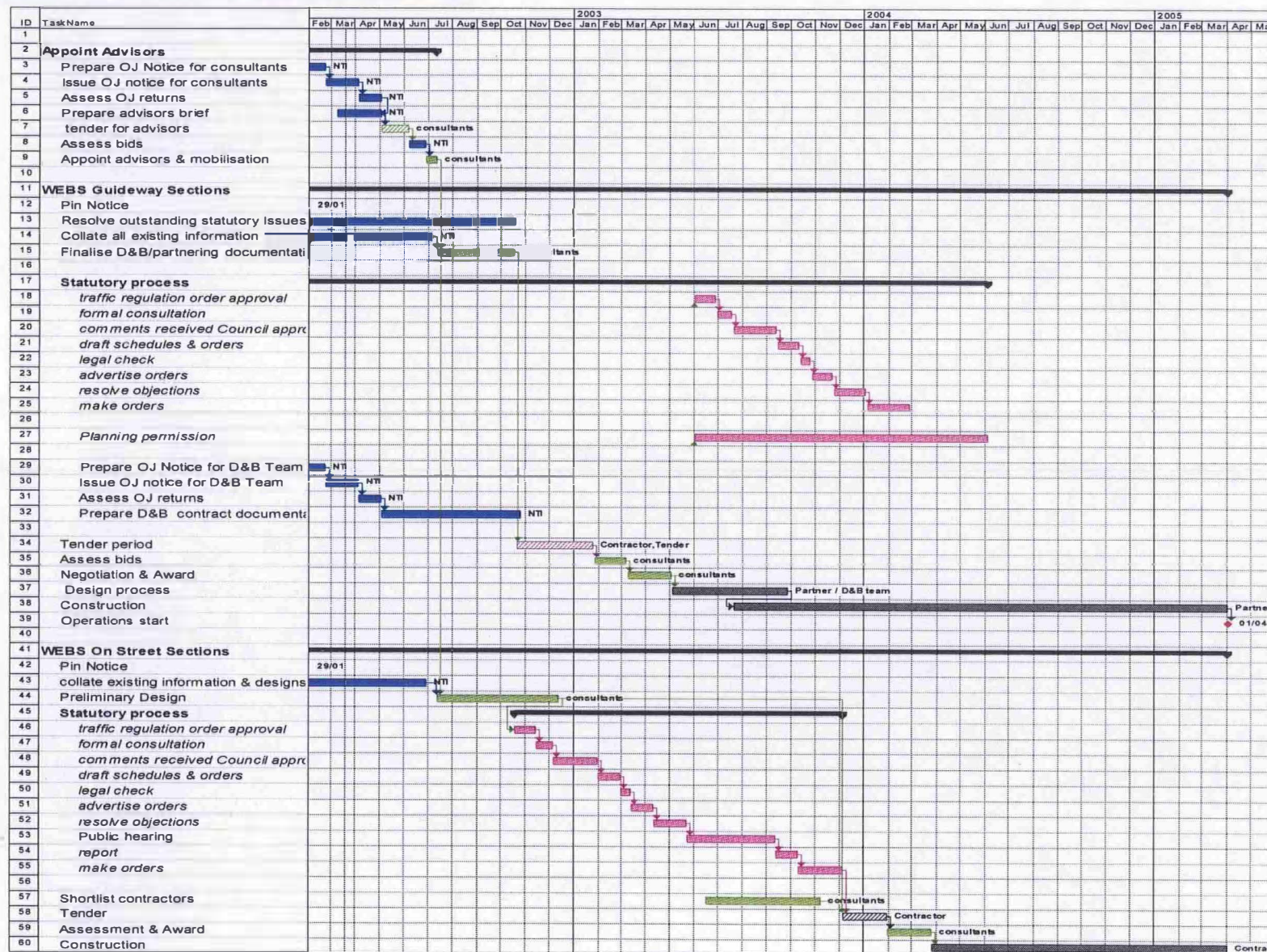
Appendix 3. Outline Programme of Tram Scheme

EDINBURGH TRAM: LINES 1 and 2 – Development programme





Appendix 4. Outline Programme for WEBS



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**Appendix 5. tie Operating Cost Projections**

tie INITIAL BUSINESS PLAN FINANCIAL MODEL

City of Edinburgh Council  
New Transport Initiative

2002/3

2003/4

2004/5

TO FOLLOW

## Appendix 6. The 'One-Ticket' Scheme

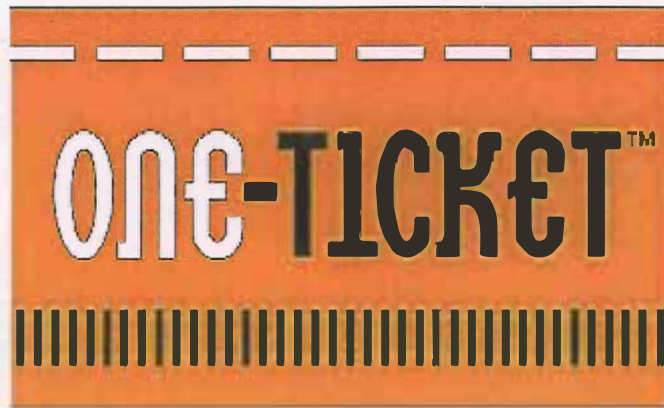
### Background

The appended report outlines a possible way forward for the scheme. Within it you will see that Travel Ticket Limited expects to receive an income during the next financial year of £84,000 – £60,000 from sponsors, and £24,000 from ticket sales..

**tie's** proposal is that Travel Ticket will be managed by **tie** and that direct expenses incurred by **tie** on behalf of Travel Ticket will be reimbursed by Travel Ticket at cost by the payment of monthly invoices. **tie** will spend the £84,000 in the way best calculated to grow the business. This will free additional sums for commercial expenditure – possibly as much as £20,000. The impact on **tie's** own P&L will be neutral.

**tie** will in fact construct a new business plan for the company which it will propose should be funded by additional contributions from Travel Tickets' sponsors – CEC, SESTRAN, and the Scottish Executive. This new plan will be developed over the new two months and will be proposed to SESTRAN and Travel Ticket Limited in February. Our expectation is to double the sponsorships to a total of £120,000 for the year, giving a total budget of £144,000.





.....**WHAT NEXT?**

A DISCUSSION PAPER FOR  
transport initiatives **edinburgh**

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**CONTENTS**

1. Where is ONE-TICKET now?
  2. Where on 1 April 2003?
  3. Achieving ONE-TICKET growth.
  4. Executive Summary.
- 

**David Scotney**

Transport Planning Consultant

16 OCTOBER 2002

## 1. WHERE IS ONE-TICKET NOW?

- 1.1 The ONE-TICKET scheme offers an array of Bus-only Traveltickets covering the whole SESTRAN area (and some neighbouring localities). It also offers Rail+Bus Traveltickets within Edinburgh and East Lothian; but the extension of these to the wider area is likely to await the letting of new rail franchises. Most of the products are focussed on Edinburgh; although there are also products covering travelling by bus purely within West Lothian.
- 1.2 The ONE-TICKETS are priced broadly with a premium of between 5% and 50% above single operator comparable products. The present objective in the medium term seems to be a premium of about 20% to 25%. At this level there seems the greatest potential to achieve a realistic degree of modal split change from the car without 'poaching' an excessive level of existing public transport users.
- 1.3 The 'public price' of ONE-TICKETS is split: 8% to agents, 12% to the company and 80% to the operators. The company is absorbing its 8% agents fee to employers who offer loans to their staff for them to buy annual ONE-TICKETS direct from the company. The operators proportion broadly corresponds to the premium over single operator products.
- 1.4 ONE-TICKETS are sold by some 82 agents across the area. These are primarily local authority and public transport operator's offices, with a small number of private 'corner' shops.
- 1.5 Marketing has been limited by the available finances to brief flurries at the start of the various phases. Some of the most successful advertising to achieve product recognition has been on local radio. Ongoing advertising has been limited to bus interior vinyls and leaflet displays in agents.
- 1.6 The reimbursement of bus operators is in accordance with the requirements of the OFT guidelines. Negotiations are well advanced to achieve this for rail operators. Spreadsheets are in place to handle this cyclical process on a simple basis.
- 1.7 The ONE-TICKET scheme is administered by a joint public/private company SESTRAN Traveltickets Limited. The implementation of the scheme has been managed by a joint SESTRAN/operators working group. The Scottish Executive finances for the implementation of the scheme have been administered by East Lothian Council.
- 1.8 At present the day-to-day administration of the company, and the project management of the scheme implementation, is handled by two independent consultants on a part-time ad-hoc basis. They are assisted by four consultants: Halcrow for technical support, Atlantic PR for marketing support, Brodies for legal advice, and Scott-Moncrieff for accounting/audit services. The costs of all these consultants are paid from the Scottish Executive finances.
- 1.9 The ticket sales in this second year are at present on line to achieve an annual value of £50,000. First year sales were £1,800.
- 1.10 The company needs to achieve annual ticket sales of around £700,000 if it is to cover its administrative costs. Present support from the Scottish Executive finishes on 31 March 2003.

2. WHERE ON 1 APRIL 2003?

2.1 It is intended that from 1 April 2003 to 31 March 2006 the company will be assisted to stay in business by financial support jointly from the Scottish Executive, the SESTRAN local authorities and the main public transport operators. This will amount in the first year to £60,000, but will reduce in subsequent years as ticket sales increase to cover greater proportions of the company's costs. It is intended, at the present time, that this money will continue to be routed via East Lothian Council.

2.2 To achieve commercial independence by 1 April 2006 the following ticket sales will need to be achieved:

Year	2003/4	2004/5	2005/6	2006/7
Ticket Sales	£200,000	£350,000	£525,000	£700,000
12% Ticket Sales	£24,000	£42,000	£63,000	£84,000
Financial Support	£60,000	£42,000	£21,000	£0
Scheme/Company Costs	£84,000	£84,000	£84,000	£84,000

2.3 Assuming these figures, the day-to-day scheme/company costs will need to be managed within a ceiling of £84,000 per year. A likely split of costs within this ceiling would be:

Company Office Expenses:	
• Staff	£35,000
• Tele/Web	£1,000
• Premises	£7,000
Subtotal	£43,000
Company Operating Costs:	
• Tickets Printing	£5,000
• Marketing	£8,000
• Surveys	£8,000
Subtotal	£21,000
Company Overheads:	
• Insurance	£2,000
• Bank	£1,000
• Accountant/Auditor	£5,000
• Solicitor	£5,000
• Technical Consultant	£4,000
• Tax	£0
Subtotal	£16,000
COMPANY TOTAL	£80,000
Project Management	£4,000
OVERALL TOTAL	£84,000

2.4 To ensure that the company costs are maintained at the above levels the company will need to have its administration out-sourced to an allied operation, it is unlikely that costs can be held to these levels as a free-standing operation. At present I will assume that the administration will be handled by **tie** on behalf of the company, with a **tie** appointee as the Executive Director of the company.

2.5 It will be obvious from the above figures that the company will need to be operated at a 'hand-to-mouth' level in this period, with few resources to drive sales forward to achieve the growth required! So what can be done to speed the process?



### 3. ACHIEVING ONE-TICKET GROWTH

- 3.1 Our target is to achieve a 1200% growth in ONE-TICKET sales in a three year period – a tall order, but we are already on line to achieve a 3000% growth in 1 year! This may seem a high target but we must remember we are only aiming at £700,000 per year; in Strathclyde and Tyne/Wear the annual sales are £12m and £14m.
- 3.2 The growth of ONE-TICKET is an integral part of achieving modal split change in all parts of the SESTRAN area as defined in the local and regional transport strategies. It is also the 'glue' to achieve an integrated public transport system both among existing modes and facilities and those being developed by the Scottish Executive, SESTRAN local authorities, tie and the public transport operators throughout the SESTRAN area.
- 3.3 The main areas which we should be concentrating on are:
- Agents
  - Marketing
  - Products

#### Agents

- 3.4 The present spread of 82 agents is based on short-term pragmatism and the ability of the present ad-hoc consultancy staff to service them. The latter should be overcome by the company administration being taken over by specific dedicated clerical/administrative staff.
- 3.5 The objective must be to have a ONE-TICKET agent as close at hand as is possible for the majority of the population within the SESTRAN area, relative to a reasonable cost of maintaining such coverage.
- 3.6 The present agents are local authority offices, public transport operator offices and a few independent convenience shops. The potential outlets which must be considered for the future are:
- Post Offices
  - Supermarkets
  - Petrol Stations
  - Multiple Convenience Stores (eg R S McColls)
  - Convenience Stores With Centralised Buying etc.
  - Independent Convenience Stores
  - Travel Agents
  - Hotels
- 3.7 Agents must also be furnished with an array of posters, door stickers, etc. to establish the presence of ONE-TICKET at the location.
- 3.8 It is not possible to develop an extended network of agents and materials with the same resources that are handling the day-to-day administration of the company.
- 3.9 It is therefore proposed that a temporary post of Business Development Manager / Sales Representative should be established for a 1 year period with the specific role of achieving a greater agent penetration and presence. The cost of this will be some £50,000, including development of materials. This would best be undertaken in the year 2003/4.

#### Marketing

- 3.10 Marketing in the initial development of the scheme has been more constrained by money than ideas. However the next big step should be to build on the existing tentative achievements, by widening and reinforcing product recognition and knowledge across the SESTRAN area. The primary target must be the car driver.

3.11 The means of achieving this could include:

- Continuing use of local radio advertising particularly at 'drive time' (possibly sponsorship of traffic/weather reports);
- Major poster sites alongside roads (48 sheet or Adshel);
- Advertise on pay-and-display parking tickets;
- Sponsorship of regular features in the 'Scotsman' newspaper;
- Roadshow / Stand at shopping centres etc.;
- Use professional leaflet distributors (EAE Distribution?) to spread leaflets as widely as possible;
- Better materials at agents premises;
- Brochure / Programme Advertising (Football Programmes, Concert Programmes, Fringe brochure)
- Sponsorship of major events (aircraft shows, bus rallies, etc);
- Inclusion in all tourist / 'whats on' guides, etc.;
- Inclusion of ONE-TICKET mentions in all public transport timetables, travelmaps, bus stops, etc..

3.12 The level of marketing included within the present company budget will not achieve any of the above, it will be restricted to reprinting leaflets, etc..

3.13 It is therefore proposed that a balanced marketing campaign should be instituted throughout the next three year period. This would require the ongoing services of a marketing agency plus a substantial budget for them to utilise with the agreement of the client. The overall level of resources required to make a substantial marketing impact will be £50,000 per year.

### **Products**

3.14 The present array of products on offer must be kept under review to ensure that they meet the needs of SESTRAN area consumers. The potential new products might include combinations of the following options:

- Rail+Bus products covering the whole area;
- More local area products like those for West Lothian ('Falkirk/Stirling Travelareas' etc);
- Off-peak products;
- Weekend products;
- Family products;
- Transferable period tickets;
- On-vehicle sale products.

3.15 It must be assumed that the company administration and project management resources will continue to develop some of the above products such as those for Rail+Bus.

3.16 However the real need is to undertake market research to find out attitudes to our present products (and their marketing) and to identify the potential for options such as those listed above. It is therefore proposed that a market research study be undertaken across the SESTRAN area relating to existing and potential ONE-TICKET products. This would best be undertaken in 2004/5 once additional agents have been established in year 2003/4, but to allow its outcome to be used in at least the final year of the marketing campaign (2005/6). The cost of such market research will be some £40,000.

### **Project Management**

3.17 If all the above are to be tackled over a 3 year period there is a need to ensure that they all work together and fit with the day-to-day operation of the scheme. It is therefore recommended that there is need for a part-time project manager to 'drive' the whole project forward. This will cost some £20,000 per year.



#### 4. EXECUTIVE SUMMARY

- 4.1 Multi-modal and multi-operator traveltickets are important components in achieving an integrated public transport system that can compete with the car.
- 4.2 ONE-TICKET is now just becoming established, rather tentatively, as the multi-modal and multi-operator travelticket in the SESTRAN local travel market.
- 4.3 It is hoped that moneys will become available from the Scottish Executive, SESTRAN local authorities, and main public transport operators to enable the continuing administration of the scheme until 31 March 2006.
- 4.4 It is assumed that the ongoing administration of the scheme will be handled by **tie** from 1 April 2003 as a complementary activity to the other transport initiatives that it is developing.
- 4.5 For the scheme to be financially self-supporting from 1 April 2006 there will need to be considerable continuing growth in sales up until that time, of a broadly comparable scale as that over the last few months.
- 4.6 To ensure that this growth does occur it is proposed that there should be a separately financed programme covering the following elements:
- An ongoing widening and reinforcing marketing programme aimed primarily at the car driver over the three years 2003/4 to 2005/6 at £50,000 per year.
  - A programme of achieving greater agent penetration and developing agent materials using a temporary Business Development Manager / Sales Representative for the year 2003/4 at a cost of £50,000.
  - A market research study covering existing and potential ONE-TICKET products in year 2004/5 at a cost of £40,000.
  - Project management of the above programmes and their integration with the day-to-day operation of the scheme at a cost of £20,000 per year.

- 4.7 The overall proposed costs are therefore:

	2003/4	2004/5	2005/6
Marketing	£50,000	£50,000	£50,000
Agent Development	£50,000		
Market Research		£40,000	
Project Management	£20,000	£20,000	£20,000
TOTAL	£120,000	£110,000	£70,000

- 4.8 The potential for ONE-TICKET in the SESTRAN area is enormous. It should provide the 'glue' which makes the initiatives planned by **tie** and others in the SESTRAN area actually integrate. Experience from elsewhere suggests that the market for ONE-TICKETS should reach some £10m annually once fully established. All we need now is to help it to happen.



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transport initiatives edinburgh

**Business Plan – 2003/4**

**Note:**  
Financial information not  
included in this draft

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**CONTENTS**

OVERVIEW .....2

1 Introduction to **tie**.....3

2 Corporate Governance .....5

3 **tie** Key Workstreams .....6

4 Progress during 2002/3 .....8

5 Future developments .....10

6 Staffing and accommodation .....12

7 Costs and funding.....14

Appendix 1. Relationships with the City of Edinburgh Council.....15

Appendix 2. Outline Programme of the Charging Scheme .....19

Appendix 3. Outline Programme of Tram Scheme .....20

Appendix 4. Outline Programme for WEBS.....21

Appendix 5. **tie** Operating Cost Projections.....22

Appendix 6. One-Ticket Discussion Paper.....23

**CD-ROM**

1. **tie** Memorandum and Articles of Association
2. **tie**/CEC Operating Agreement
3. 'New Transport Initiative: Framework for Delivery' report to CEC, 2 May 2002
4. CEC Approvals

# DRAFT

## OVERVIEW

This business plan sets out the role of **tie** over the next two financial years 2003/4 and 2004/5, as well as looking at progress made during the current year. Since its establishment in May 2002, the company has been working towards:

- development of the Business Case for the Integrated Transport Initiative
- development of STAG stage 2 submission for the Integrated Transport Initiative
- progressing STAG stage 2 and Parliamentary Bills for the Tram Schemes
- procurement of the West Edinburgh Busway Scheme.

These will also form the core of the workload during the next two years, although some further projects may be added.

The future work programme is set out in Section 3, with the staffing position identified in Section 6 and the costs and funding for the year being summarised in Section 7. Appendix 5 provides a more detailed budget tabulation.

The past year's progress (2002/3) on delivering the core projects is outlined in Section 4, while Section 5 outlines the possible future evolution of the company to be addressed during 2003/4 and 2004/5.

The business plan also examines the objectives of **tie** and how the relationship between **tie** and the City Development Transport Function operates in Section 1 and Appendix 1. Section 2 deals with the important issue of Corporate Governance.

The remaining appendices provide further detail of key operational issues, including the programmes for each of the projects. For convenience, other significant documents are included on a CD-ROM provided with this plan.



# DRAFT

## 1 Introduction to tie

**tie** was registered at Companies House in April 2002 and the first formal board meeting took place on 3<sup>rd</sup> May 2002. The Company is a private limited company with a share capital of £1,000 and is wholly owned by the City of Edinburgh Council (CEC). The objects of the company are set out in the Company's Memorandum of Association. The first of these is "to promote, support and/or effect the development, procurement and implementation of projects defined or referred to in an integrated transport strategy as determined and varied from time to time by The City of Edinburgh Council."

In effect this requires the company to:-

- Develop, finance and procure certain major transport schemes identified in the Local Transport Strategy of the Council.
- Develop the business case for congestion charging for submission to the City Council and The Scottish Executive and, on approval of that business case, to procure the implementation and operation of the scheme.
- Manage the finances arising from congestion charging and to invest these, along with other sources of public and private funding, to deliver additional transport infrastructure improvement.

The detailed legal agreement between **tie** and CEC requires **tie** to submit a business plan in draft to the Council by 31 December each year to cover the next financial year and project future years. This business plan is intended to fulfil that obligation for financial year 2003/4. The financial year starts 1 April and ends 31 March each year.

The company structure involves a board of seven non-executive directors, four from the private sector including the chairman and three from the City of Edinburgh Council. At present the company is staffed by a mixture of staff seconded from the Council, direct employees of **tie** and staff seconded to the company. It is intended to have all staff as direct company employees by the start of financial year 2003/4.

The role and responsibilities of **tie** are evolving beyond the initial work undertaken on the projects defined above. This plan makes assumptions about the more visible elements of those changes such as 1) integrating ticketing, 2) the new transport partnership, and 3) work focused upon securing development gain.

Apart from ticketing, it does not assume any move by **tie** to assume additional responsibility for activity in the wider SESTRAN area, nor any activity in transport planning or policy as was suggested by Partnerships UK in their recent report.

### Objectives of tie

**tie** is seen as a key element in improving the quality of public transport in the city and its surroundings through effective delivery of schemes identified in the Local Transport Strategy. The Local Transport Strategy (2000) set out the following vision for transport in Edinburgh.

*"Edinburgh aspires to be a city with a transport system that is accessible to all and serves all. Edinburgh's transport system should contribute to better health, safety and quality of life, with particular consideration for vulnerable people such as children, and elderly and disabled people; it should be a true Citizen's Network. The transport system should support a strong sustainable local economy."*

## DRAFT

*"The Council will seek to maximise people's ability to meet their day to day needs within short distances that can easily be undertaken without the need to use a car. The city should develop and grow in a form that reduces the need to travel longer distances, especially by car. Choice should be available for all journeys within the city."*

The City has one of the fastest growing economies of any major city in the country and as a consequence is facing the prospect of significant expansion in employment and housing. Population within the City is forecast to increase by 12,000 with employment projected to grow by 24,000 in the period to 2011. For the Lothians as a whole, population is forecast to increase by over 30,000 in the same period and approximately 20% of the City's workforce comes from outwith the City boundaries.

In order to cope with this projected expansion a number of transport schemes have been identified in the Local Transport Strategy. Some of these schemes would take place outside the City limits within the wider SESTRAN area. A total of 52 schemes in all are identified in the **tie** report to the Council dated 30th September 2002. The time-scale for delivery of these schemes will range over some 10 to 15 years and it is also likely that further schemes for implementation will emerge during this period.

It is intended that **tie** would take forward the procurement and delivery of a number of the projects within this ambitious programme. The projects to be delivered by **tie** will be agreed with the Council, and will focus in particular on the major schemes in the programme.

A second major element of work for **tie** is the development of the proposed congestion charging scheme. The core team that has transferred from the City Development Department to **tie** has led the development of the charging scheme to date. Securing the approval of the Scottish Executive to the establishment of the charging scheme will be predicated on the hypothecation of revenues from charging for reinvestment in transport improvements; namely those schemes identified in the Local Transport Strategy. Introduction of a charging scheme could occur in 2006.

**tie** can help to address the development and resourcing problems in procuring such an extensive range of projects by establishing a dedicated resource to provide expertise in:

- Procurement
- Project management
- Finance management

**tie** is not responsible for the strategic direction or key transport policy matters nor decisions on the level of charge to be applied. These issues remain within the control of the Council or, for those policy issues relating to their own geographical area, the neighbouring Councils.

It is not intended that **tie** replaces or duplicates the work currently undertaken by the City Development Transport Function. To ensure this does not occur, a partnership structure between **tie** and CEC has been established. This is set out in more detail in Appendix 1.



## 2 Corporate Governance

**tie** is committed to high standards of corporate governance to ensure the company provides value for the public money it receives and is effective in achieving the objectives required by its shareholder and client, the City of Edinburgh Council. This is achieved through both internal and client monitoring procedures. The structures are in place to ensure these objectives.

The major elements are:

### **The Board**

Under its Chairman Ewan Brown, the Board meets regularly to review the overall strategy for the company, outputs produced in the name of the company, and to monitor financial performance. The company secretary is Eddie Bain, Council Solicitor. There is also a Remuneration Committee chaired by Jim Brown to monitor and approve staff salaries and conditions.

### **The legal framework between tie and the City of Edinburgh Council.**

As well as the company Memorandum and Articles of Association, there is a detailed Operating Agreement setting out the respective responsibilities of the two bodies, including financial reporting requirements.

Key financial monitoring arrangements are:

- 1) A monthly review by the **tie** board of performance and financial returns, compared to programme and budget. This regular monitoring is aimed at ensuring both that the company is delivering projects remitted to it to budget and on schedule, and that appropriate procurement routes are being followed to ensure that value for money is being achieved for the client.
- 2) The **tie**/CEC operating agreement provides the framework for external monitoring by the Council. **tie** provides returns to CEC on a monthly basis through the invoicing process. This allows CEC to monitor progress against **tie**'s annual business plan approved by the Council. Additionally, updated budget forecasts are provided every quarter. These returns are supplemented by regular liaison meetings between **tie** and CEC, including Finance officials, allowing any variations to the plan to be explored.



# DRAFT

## 3 tie Key Workstreams

The purpose of this business plan is to identify the operating costs and sources of income for tie over the next 12 months and indicate expenditure and income up to 2004/5. These have been summarised in a cash flow model contained within Appendix 5. The assumptions underlying these costs and their sources have been set out in Section 7.

These costs are based on tie undertaking the following principal workstreams:-

- 1) Development of the next stages of the Integrated Transport Initiative project, assuming that an approval in principle is received from the Scottish Executive by the end of 2002. The next stages of development will include taking forward the statutory procedures including the preparation and publication of a Charging Order and associated Traffic Regulation Orders, and preparation for a public inquiry. An application for approval in detail will be required by late 2004. Appendix 2 contains an outline programme for the development of the charging scheme.
- 2) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line One and related public transport modelling. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up to date consultants' cost estimates. An estimate for internal project management costs involved have been separately identified in Section 7 and Appendix 5.
- 3) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line Two (West Edinburgh) has been included as a project for tie to progress in accordance with the ministerial announcements on 5th March and 29th July. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up-to-date consultants' cost estimates.
- 4) The development of both Tram Line 1 and Tram Line 2 require advice on Legal, Financial and Public Relations issues. These three work streams have been procured to cover both lines 1 and 2 and the costs in this plan are based on the most up-to-date estimates from these consultants. The funding awarded by the Scottish Executive to cover the work outlined in paragraphs 2, 3 and 4 amounts to:
  - Tram Line 1 - £6.025m
  - Tram Line 2 - £5.000mA programme for the development of these schemes is included as Appendix 3.
- 5) The City of Edinburgh Council has made a submission to the Scottish Executive for Public Transport Funding to cover the development of Tram Line 3 through to parliamentary approval. This business plan assumes that line 3 will be developed by tie and the costs included are based on the submission for Public Transport Fund monies. A recent announcement by the Scottish Executive indicates that this project will be funded from the Integrated Transport Fund as follows:
  - Tram Line 3 - £3.500m (bid) – final figure expected mid November
- 6) Development of the West Edinburgh Busway Scheme (WEBS) – This scheme replaces the CERT PPP proposals and received £6.093 million of funding from the Scottish Executive in the Public Transport Fund bidding round in August 2001. This funding, together with existing Challenge Funding, capital consent and developer contribution was forecast by the consultants to the Council to be

# DRAFT

sufficient to meet the external capital costs of the project. It has been assumed that the **tie** internal project management costs for this scheme will be funded by the Council. Consultants have been appointed for technical advice and a contract will be awarded for the design and build of the off road guideway section by the end of December 2002. This plan uses the most up-to-date costs available. A programme for the development of WEBS is contained in Appendix 4.

- 7) It is expected that **tie** will take over responsibility for development and ongoing management of 'One-Ticket', the SESTRAN travel ticket scheme. This provides a travel ticket scheme throughout the SESTRAN area and its business plan requires a growth in ticket sales from £50,000 in 2002/3 to £0.7m in 2006/7. To achieve this **tie** will provide a full time marketing manager and appropriate administrative support. At present the scheme is administered through a joint public/private company involving SESTRAN and transport operators. A discussion paper outlining the way forward for this project is included as Appendix 6.

The seven projects noted above represent the principal projects to be taken forward in the period to April 2007.



# DRAFT

## 4 Progress during 2002/3

Progress on project delivery during the year has been good, with all programme targets met. Key achievements and progress in respect of tram development, road user charging, and wider transport integration issues are summarised below.

### Tram and WEBS development

Consultants have been appointed for separate commissions for the development of the engineering and environmental issues related to Tram Line 1 and Tram Line 2 and work is progressing to programme. The Line 1 contract was awarded to Mott MacDonald as the lead consultant in association with the Babbie Group, ERM and Steer Davies Gleave. Support is also provided from Gillespies, Terraquest, Brian Hannaby and McLean Hazel. The Line 2 contract has been awarded to Faber Maunsell as the lead consultant in association with Semaly, ASH, Roger Tym & Partners, and Land Aspects.

Combined Line 1 and 2 commissions have been awarded for provision of Financial, Legal and PR/Communications services. The Financial Contract has been awarded to Grant Thornton, the PR and Communications to Weber Shandwick and Legal Services to **TO FOLLOW**

Tram Line 3: The City of Edinburgh Council has submitted an application to the Scottish Executive for Public Transport Fund funding to develop the scheme to Parliamentary Approval stage. An announcement by the Executive in October indicates that the scheme will be funded from the Integrated Transport Fund.

WEBS: Professional advisers, Halcrow, have been appointed to provide client support for the off road guideway section of the project and detailed design and contract management for the on road section. Tenders have been invited for the guideway design and build contract from four contractors with a view to contract award by the end of 2002.

### Road User Charging

tie met the deadline for producing its report to CEC and the Scottish Executive of 30th September. Following a Council decision on 17 October (details included on the CD-ROM attached with this plan), the report has now been formally submitted to the Scottish Executive. An approval in principle is expected by the end of 2002.

Assuming approval is received, a programme to take forward the project has been developed and is summarised in Appendix 3. Procurement of the necessary additional advisory support has been initiated.

### Integration issues

The importance of integration in successful delivery of the Council's transport projects has been recognised and a number of initiatives taken to support this. Some of these are still at an early stage of development. These include:

- A transport operator forum to facilitate the active participation of transport operators in transport scheme development and implementation – this is currently under discussion with the operators;
- Transport Partnership Edinburgh: a stakeholder forum to build consensus with key sectors, based on a model used in Nottingham – a core group from the Council's Transport Advisory Panel is developing this;



# DRAFT

- Agreement in principle for **tie** to provide operational support to running the 'One-Ticket' integrated ticketing scheme;
- Generating improved links with SESTRAN through a possible bid to provide administrative support for the partnership.

## Development Gain

A specific part of **tie**'s remit is to raise funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

# DRAFT

## 5 Future developments

**tie** has the opportunity to demonstrate a new way of managing public transport innovation. The present set of challenges in Edinburgh and the region lend themselves to a role for **tie** that should prove exciting, innovative and effective.

### The mission that **tie** could perform

The overarching objective could be to maximise new transport opportunities and create unrivalled transport infrastructure in the Edinburgh region. This would be achieved via fulfilment of the following tasks:

#### a) Public Relations and Opinion Leadership

- maintaining close understanding of the view of the general public on performance, progress and perceived priorities in the SESTRAN area;
- acting as a champion of continuous improvement and excellence in public transport provision, while maintaining effective links to the corporate sector, public bodies and the general public.

#### b) Transport Integration

- championing the integration of public transport services tram/bus, park and ride, ticketing, with liaison to CEC on route structure, schedules and information provision;
- maintaining close relationships with public transport operators.

#### c) Project Delivery

- improving infrastructure with the focus on evaluating, managing, delivering projects which offer the best value to the travelling public in terms of minimising journey times and providing a superior travel experience.

#### d) Procurement and Financing

- designing and implementing the optimal strategy for projects, and, where feasible and necessary, taking a direct financing role
- raising funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

### Practical next steps

**tie** must earn its future opportunities by doing an excellent job in those activity areas that it has already been assigned.

Therefore **tie** must seize the tasks that it has been given and make a conspicuous success of them. These are threefold:

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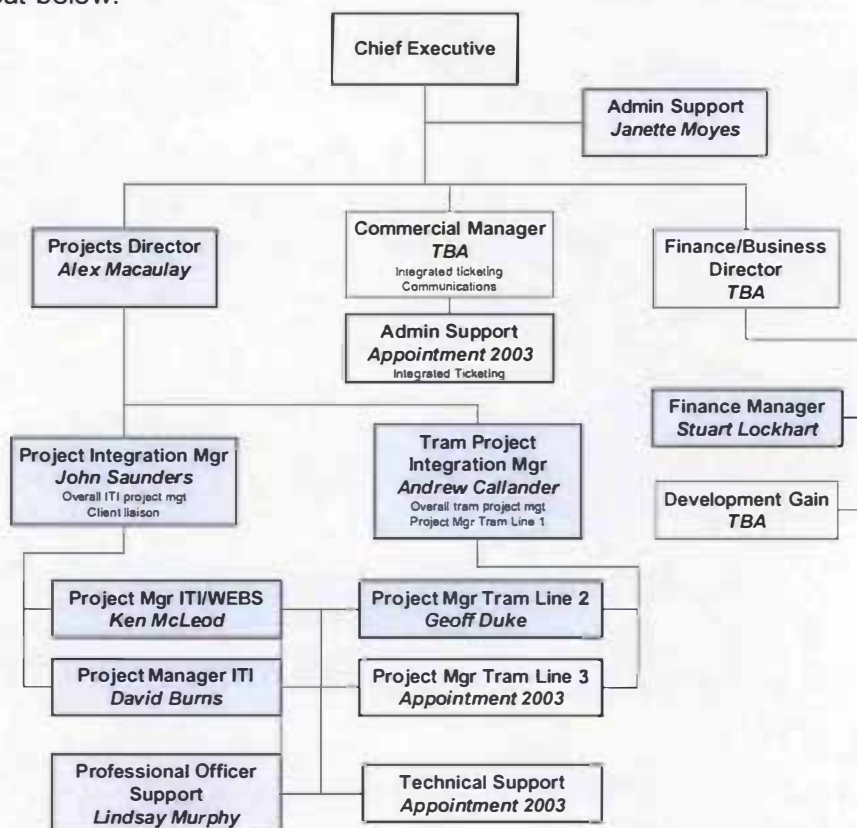
- 1) Project implementation (especially WEBS), which involves public transport operators effectively
- 2) Community relationships, including Transport Partnership Edinburgh (TPE), which, with the right leadership and funding, should affect positively all that **tie** is trying to do
- 3) Integrated ticketing, where there is much room for visible achievement

We must pursue these tasks energetically and deploy the right resources (people and money) to make them successful. This conclusion informs this business plan.



## 6 Staffing and accommodation

**tie** is owned 100% by the City Council. In the first instance therefore staff have been seconded from the Council and will be transferred to **tie** with anticipated effect from 1st January 2003. The chart below sets out the proposed medium-term operating structure for **tie** staff assuming a continuation of the role as defined in section 5. However, initially the staffing requirements will not be as substantial. Details of the envisaged initial requirements of **tie** to meet the workstreams set out in section 5 are set out below.



At the present time (Dec 2002) 9 of the posts on the staff chart have been filled in order to progress the work streams currently committed to **tie**. These are:

- Projects Director
- Project Integration Manager
- Project Manager ITI/WEBS
- Project Manager ITI
- Tram Project Integration Manager (includes responsibility for Line 1)
- Project Manager Tram Line 2
- Finance Manager
- Professional Officer Support (Trams)
- Admin Support

The post of Chief Executive is currently filled on an interim part-time basis pending the review of the future direction of the Company. The posts of: 1) Admin support for Ticketing, 2) Project Manager Tram Line 3 and 3) Technical Officer support will need to be filled by 1st April 2003.

In addition to the above it is anticipated that as **tie** expands a Finance/Business Director will be required to take overall responsibility for the financial management of the company and in particular to deal with the contractual and funding arrangements

# DRAFT

of the projects. At present the financial administration is seen as relatively straightforward and it is proposed that this is resourced through the Finance Manager. Company secretarial arrangements are dealt with by the City Council, but **tie** will need to consider how it wishes to procure these services in the longer term. The appointment of a Commercial Manager will be contingent on the growth plan for the 'One-Ticket' scheme. Finally, it may in the longer term be appropriate to appoint an officer to take responsibility for development gain issues – this will depend on how these matters are dealt with in the longer term.

In addition to the executive staff required **tie** has a board of directors comprising representatives from the private sector as well as representatives of the City Council. The City Council has nominated three members being the Executive Member for Transport, the Executive Member for Finance and the Administration Group Secretary. The representatives from the private sector comprise a non-executive Chairman, one representative from Scottish Enterprise Edinburgh & Lothian and two others. The private sector directors will be remunerated for their contribution at an annual rate of £25,000 for the Chairman and £7,500 per external director although some directors, including the chairman, have waived their remuneration.

## Company offices

The company has moved into serviced office accommodation at 91 Hanover Street and acquired the necessary IT hardware and software for efficient operation.

# DRAFT

## 7 Costs and funding

This section summarises the sources and calculation of the costs and funding contained within the cash flow set out in Appendix 5.

### Costs

#### TO FOLLOW

### Funding

The cash flow assumes that **tie** will invoice CEC monthly in arrears for its management and other costs incurred in developing the schemes. It should be noted that it is essential to the security of the CEC funding sources that the risk of slippage in project timescales is minimised.

CEC has access to five main sources of funds which are summarised below:

#### **Costs funded by Scottish Executive Integrated Transport Fund (ITF)/ Public Transport Fund (PTF)**

The funding for the external advisors and internal project management costs for Edinburgh Tram Line One is to be funded by the ITF based on the 2001 award.

The funding for the external advisors' costs together with internal project management costs, for Edinburgh Tram Line Two is funded by the ITF as supported by the Ministerial announcement on 5 March and 29 July.

The funding for the external advisers costs together with internal project management costs for Edinburgh Tram Line Three is assumed to be funded by the ITF in accordance with the submission prepared by Ove Arup for CEC.

The money for WEBS will come partly from existing Capital Consent granted to the City for CERT which has been carried over to this project and also the successful PTF application made in August 2001 for this project.

#### **Costs funded by City of Edinburgh Council**

CEC is currently part funding the costs of developing the New Transport Initiative. The Council currently funds 50% of the total cost of the NTI after deduction of contributions from the EU, SESTRAN.

#### **Contribution from the Scottish Executive for NTI development.**

The assumed contribution from the Scottish Executive is equal to the amount funded by the CEC.

The funding sources outlined above, with the exception of that for Tram Line 3, were approved by CEC following a report on 2 May 2002.



# DRAFT

## Appendix 1. Relationships with the City of Edinburgh Council

The diagram below represents how the relationship between **tie** and the City Council, SESTRAN and the Scottish Executive operates. The key working relationship is between **tie** and the Transport Function of the City Council Development Department on a day to day basis but the strategic role of The Scottish Executive is fundamentally important to the success of the projects.

In considering how the relationship between **tie** and the Transport Function operates the key roles of each should be borne in mind. These are:-

- **tie** – procurement, project management and delivery, finance management
- Transport Function – development of transport policy and the specification and prioritisation of projects to be delivered

The ITI operational structure diagram below illustrates this at a high level. There are three formal interfaces between the City Council and **tie**.

Firstly, the Partnership Liaison Group which meets quarterly. The members of this Group include the Deputy Minister, a senior civil servant, the Chairman of **tie**, the Director of City Development, the Director of Finance and the Executive Member for Transport. The key functions of this group are:-

- Ensuring that both **tie** and the City Council fulfil their appropriate roles
- Monitoring of project progress
- Review of transport policy fit with **tie** projects
- Liaison with Scottish Executive

At the level below this an operating committee comprising senior staff from the City Development Department and **tie** and including the chairman of **tie** and the executive member for transport has been established to deal with strategic operational issues between **tie** and CEC.

Finally a Partnership Liaison Officer has been appointed to act as the day-to-day interface between **tie** and the Transport Function. The nominated individual to fulfil this role is the Project Integration Manager. This is a key role in ensuring that the activities of **tie** and the Transport Function do not overlap.

The operational structure diagram also illustrates how the necessary linkage to SESTRAN will be effected. A SESTRAN Advisory Board has been established, which provides input to the Council on wider policies and project priorities covering the region outwith the City. As this is a policy body it will interface through CEC and the Director of City Development.

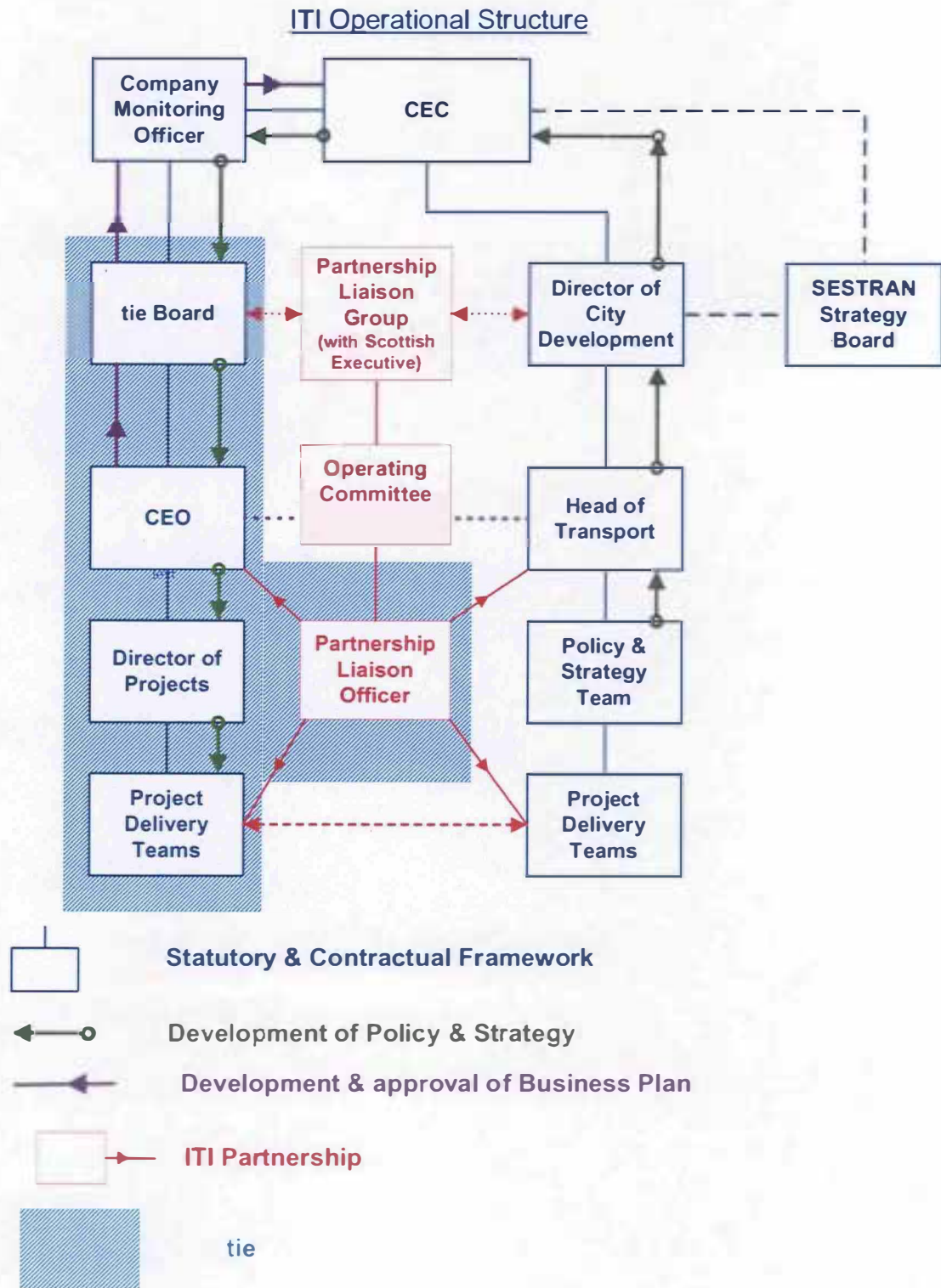
Given the City Council's role as the policy setting entity it is intended that it will take projects through the conceptual and outline scheme configuration stages up to Scottish Transport Appraisal Guidance stage 1 level. Assuming a project receives approval to proceed from stage 1 the next stream of work will require close liaison between the Transport Function and **tie**.

The second stage of project development requires detailed technical, financial and legal work which is the principal function of **tie** and external experts. However there are also public consultation requirements and key political issues to be addressed at this stage which means that a partnership arrangement is required to progress the projects effectively. The section on partnership agreements below is the outcome of discussions between the two teams to map out how such a partnership might operate.

# DRAFT

The final stage will be the actual procurement phase of the project. **tie** will manage this phase and the related financing and legal issues using its own and external resources as appropriate depending on the scale and nature of the project.

The key objective of the partnering process is to set clearly defined tasks for **tie** and the Transport Function. Partnership agreements will establish the key roles and responsibilities.





# DRAFT

## Partnership agreements between CEC and tie

For Major Projects remitted to **tie**, partnership agreements are being developed between CEC and the company. These are based on the following principles, agreed with CEC.

The relationship between **tie** and the Council (as represented by City Development's Transport Function - TF) are based on the principle of **partnership**, with both organisations engaging in a co-operative and proactive environment. The objective of both partners is to avoid recourse to legal or other agreements except in exceptional circumstances of inability to reach agreement.

The Council's intentions in establishing **tie** are that:

- CEC maintains full responsibility for the development of transport policy and the specification and prioritisation of projects to be delivered. The Council must also remain the ultimate client for any project to maintain principles of democratic accountability, requiring an involvement in areas where there is interface or impact on the public and stakeholders.
- **tie** takes full responsibility for the procurement, project management and delivery of the specified projects, and should have the maximum amount of freedom in undertaking these responsibilities.

The remainder of this section suggests how these intentions can be translated into practical arrangements to underpin the partnership objective.

Any major infrastructure project can be seen as having three stages of development:

Stage 1: Concept and outline scheme configuration up to STAG1 appraisal.

Stage 2: Detailed development and definition including STAG2 appraisal and completion of statutory processes.

Stage 3: Procurement and delivery including potential maintenance and operational arrangements.

Stage 1 should remain the full responsibility of CEC, although **tie** could be asked to assist on a consultancy basis if required.

Stage 2 is the most difficult to define, as major technical workstreams are combined with inevitable political decisions that have to be made at this stage that must remain with the Council. However, the aim should be to manage this process in order to provide accountability while minimising risks of delay. It is here that the partnership concept is most crucial. The approach for this stage aims to provide **tie** with the maximum degree of flexibility, defining key milestones where agreement between the partners is required. Guiding principles are:

- TF is responsible for:
  - ◊ monitoring the overall programme
  - ◊ specifying quality and user standards for the end product (ie the tram system)
  - ◊ approvals at key milestones as defined in a project agreement
  - ◊ ensuring value for money.
- **tie** is responsible for:
  - ◊ delivery of outputs specified in a project agreement to time and to budget
  - ◊ provision of information to the Council (TF) as required



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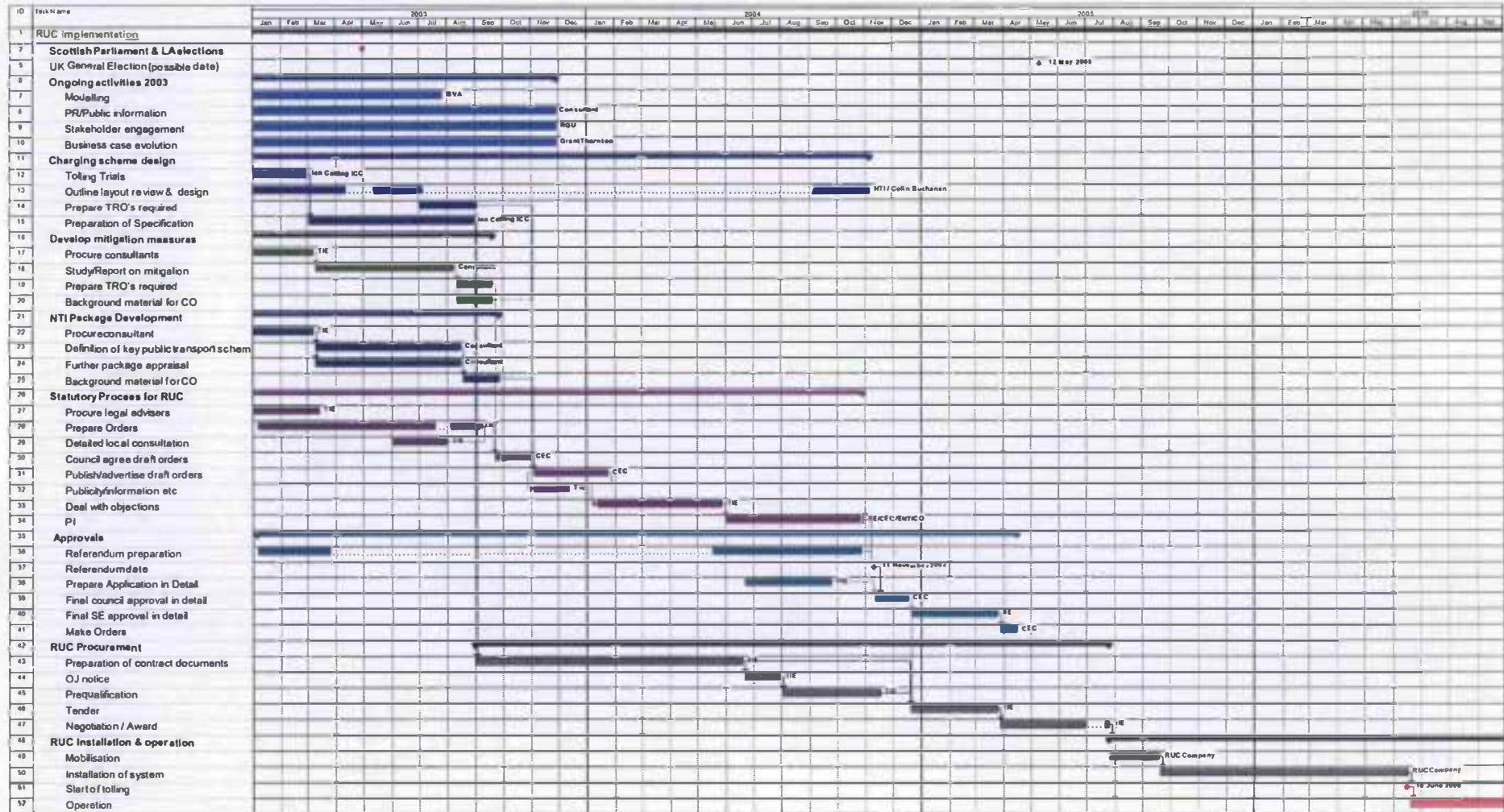
- For each project, a Project Agreement will be drawn up and agreed between TF and **tie** setting out the programme, budget and key milestones. Each project will be managed by a Project Manager employed within **tie**, to be endorsed by TF.

Stage 3 will be the full responsibility of **tie** once procurement arrangements are agreed with the Council. The Council would simply maintain a high level monitoring role at this stage.

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## Appendix 2. Outline Programme of the Charging Scheme

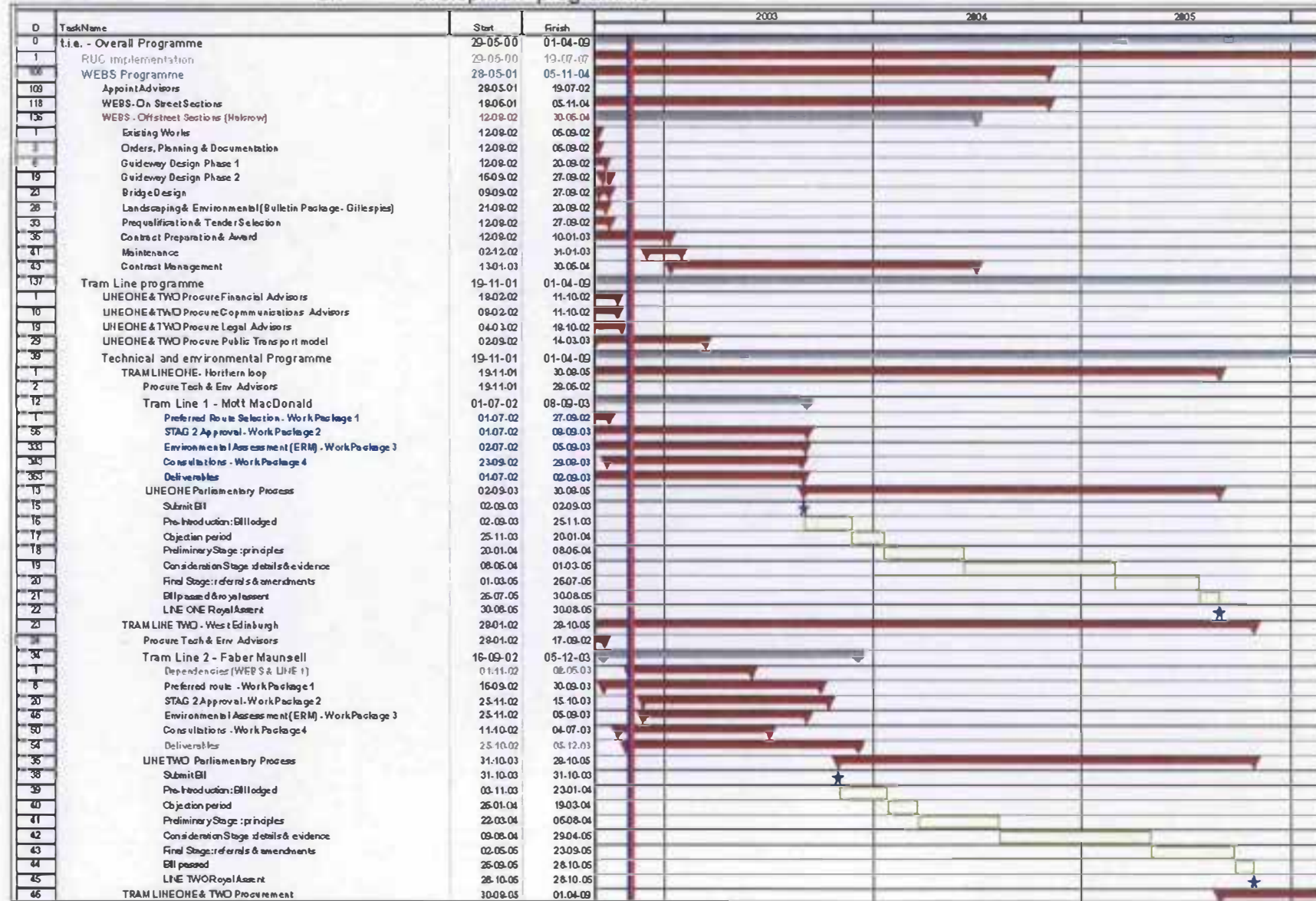
### CONGESTION CHARGING: DEVELOPMENT PROGRAMME TO 2006



# DRAFT

## Appendix 3. Outline Programme of Tram Scheme

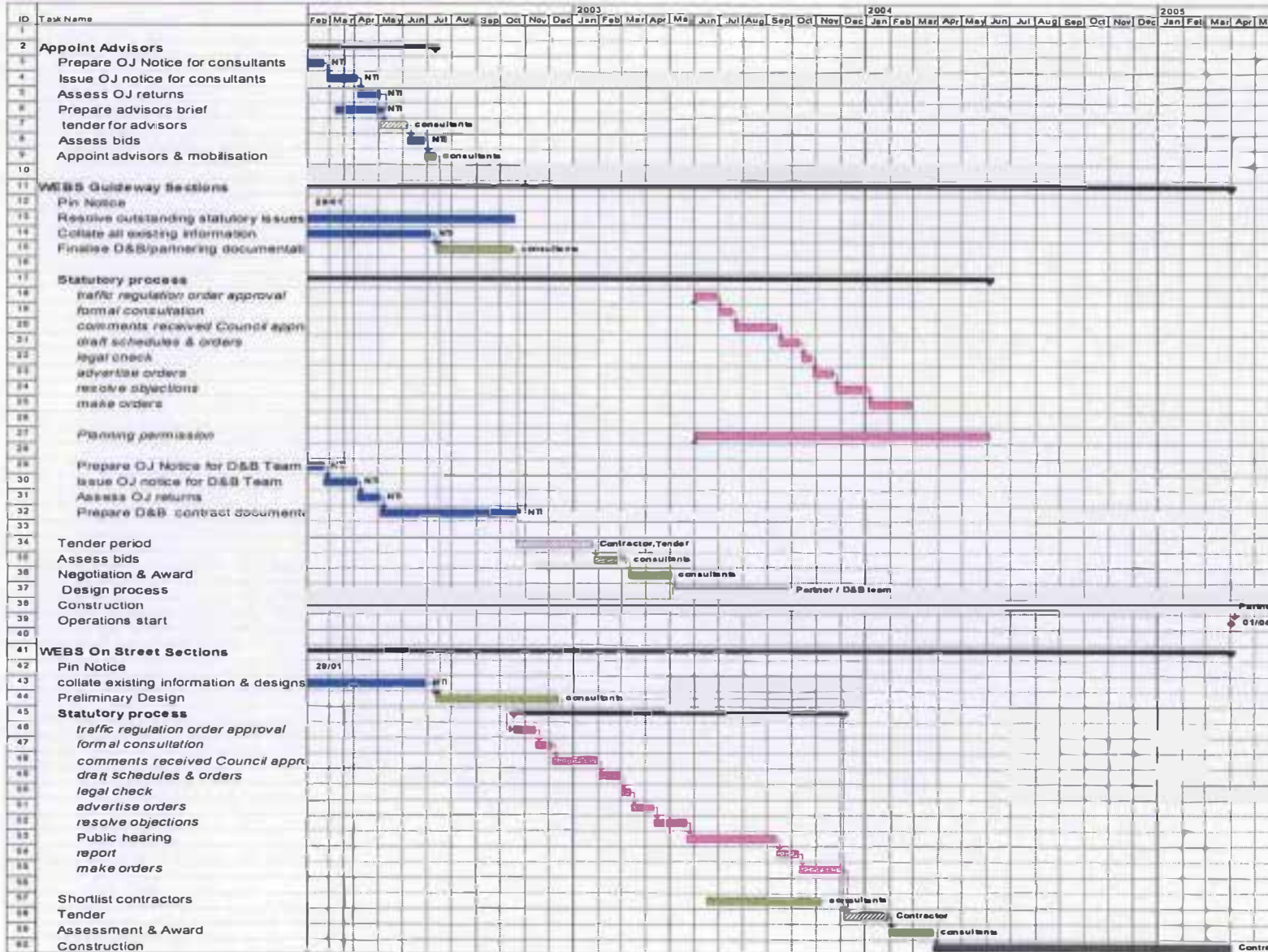
### EDINBURGH TRAM: LINES 1 and 2 – Development programme





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Appendix 4. Outline Programme for WEBS



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**Appendix 5. tie Operating Cost Projections**

tie INITIAL BUSINESS PLAN FINANCIAL MODEL

City of Edinburgh Council  
New Transport Initiative

2002/3

2003/4

2004/5

TO FOLLOW

## Appendix 6. The 'One-Ticket' Scheme

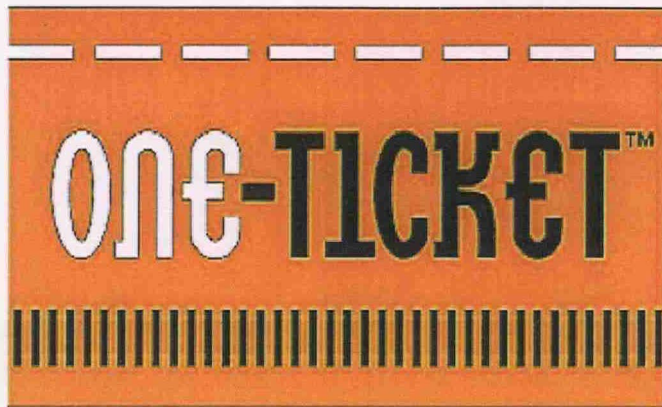
### Background

The appended report outlines a possible way forward for the scheme. Within it you will see that Travel Ticket Limited expects to receive an income during the next financial year of £84,000 – £60,000 from sponsors, and £24,000 from ticket sales..

**tie's** proposal is that Travel Ticket will be managed by **tie** and that direct expenses incurred by **tie** on behalf of Travel Ticket will be reimbursed by Travel Ticket at cost by the payment of monthly invoices. **tie** will spend the £84,000 in the way best calculated to grow the business. This will free additional sums for commercial expenditure – possibly as much as £20,000. The impact on **tie's** own P&L will be neutral.

**tie** will in fact construct a new business plan for the company which it will propose should be funded by additional contributions from Travel Tickets' sponsors – CEC, SESTRAN, and the Scottish Executive. This new plan will be developed over the new two months and will be proposed to SESTRAN and Travel Ticket Limited in February. Our expectation is to double the sponsorships to a total of £120,000 for the year, giving a total budget of £144,000.





.....**WHAT NEXT?**

A DISCUSSION PAPER FOR  
transport initiatives **edinburgh**

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**CONTENTS**

1. Where is ONE-TICKET now?
  2. Where on 1 April 2003?
  3. Achieving ONE-TICKET growth.
  4. Executive Summary.
- 

**David Scotney**

Transport Planning Consultant

16 OCTOBER 2002

## 1. WHERE IS ONE-TICKET NOW?

- 1.1 The ONE-TICKET scheme offers an array of Bus-only Traveltickets covering the whole SESTRAN area (and some neighbouring localities). It also offers Rail+Bus Traveltickets within Edinburgh and East Lothian; but the extension of these to the wider area is likely to await the letting of new rail franchises. Most of the products are focussed on Edinburgh; although there are also products covering travelling by bus purely within West Lothian.
- 1.2 The ONE-TICKETS are priced broadly with a premium of between 5% and 50% above single operator comparable products. The present objective in the medium term seems to be a premium of about 20% to 25%. At this level there seems the greatest potential to achieve a realistic degree of modal split change from the car without 'poaching' an excessive level of existing public transport users.
- 1.3 The 'public price' of ONE-TICKETS is split: 8% to agents, 12% to the company and 80% to the operators. The company is absorbing its 8% agents fee to employers who offer loans to their staff for them to buy annual ONE-TICKETS direct from the company. The operators proportion broadly corresponds to the premium over single operator products.
- 1.4 ONE-TICKETS are sold by some 82 agents across the area. These are primarily local authority and public transport operator's offices, with a small number of private 'corner' shops.
- 1.5 Marketing has been limited by the available finances to brief flurries at the start of the various phases. Some of the most successful advertising to achieve product recognition has been on local radio. Ongoing advertising has been limited to bus interior vinyls and leaflet displays in agents.
- 1.6 The reimbursement of bus operators is in accordance with the requirements of the OFT guidelines. Negotiations are well advanced to achieve this for rail operators. Spreadsheets are in place to handle this cyclical process on a simple basis.
- 1.7 The ONE-TICKET scheme is administered by a joint public/private company SESTRAN Traveltickets Limited. The implementation of the scheme has been managed by a joint SESTRAN/operators working group. The Scottish Executive finances for the implementation of the scheme have been administered by East Lothian Council.
- 1.8 At present the day-to-day administration of the company, and the project management of the scheme implementation, is handled by two independent consultants on a part-time ad-hoc basis. They are assisted by four consultants: Halcrow for technical support, Atlantic PR for marketing support, Brodies for legal advice, and Scott-Moncrieff for accounting/audit services. The costs of all these consultants are paid from the Scottish Executive finances.
- 1.9 The ticket sales in this second year are at present on line to achieve an annual value of £50,000. First year sales were £1,800.
- 1.10 The company needs to achieve annual ticket sales of around £700,000 if it is to cover its administrative costs. Present support from the Scottish Executive finishes on 31 March 2003.

## 2. WHERE ON 1 APRIL 2003?

- 2.1 It is intended that from 1 April 2003 to 31 March 2006 the company will be assisted to stay in business by financial support jointly from the Scottish Executive, the SESTRAN local authorities and the main public transport operators. This will amount in the first year to £60,000, but will reduce in subsequent years as ticket sales increase to cover greater proportions of the company's costs. It is intended, at the present time, that this money will continue to be routed via East Lothian Council.
- 2.2 To achieve commercial independence by 1 April 2006 the following ticket sales will need to be achieved:

Year	2003/4	2004/5	2005/6	2006/7
Ticket Sales	£200,000	£350,000	£525,000	£700,000
12% Ticket Sales	£24,000	£42,000	£63,000	£84,000
Financial Support	£60,000	£42,000	£21,000	£0
Scheme/Company Costs	£84,000	£84,000	£84,000	£84,000

- 2.3 Assuming these figures, the day-to-day scheme/company costs will need to be managed within a ceiling of £84,000 per year. A likely split of costs within this ceiling would be:

Company Office Expenses:	
• Staff	£35,000
• Tele/Web	£1,000
• Premises	£7,000
Subtotal	£43,000
Company Operating Costs:	
• Tickets Printing	£5,000
• Marketing	£8,000
• Surveys	£8,000
Subtotal	£21,000
Company Overheads:	
• Insurance	£2,000
• Bank	£1,000
• Accountant/Auditor	£5,000
• Solicitor	£5,000
• Technical Consultant	£4,000
• Tax	£0
Subtotal	£16,000
COMPANY TOTAL	£80,000
Project Management	£4,000
OVERALL TOTAL	£84,000

- 2.4 To ensure that the company costs are maintained at the above levels the company will need to have its administration out-sourced to an allied operation, it is unlikely that costs can be held to these levels as a free-standing operation. At present I will assume that the administration will be handled by **tie** on behalf of the company, with a **tie** appointee as the Executive Director of the company.
- 2.5 It will be obvious from the above figures that the company will need to be operated at a 'hand-to-mouth' level in this period, with few resources to drive sales forward to achieve the growth required! So what can be done to speed the process?



### 3. ACHIEVING ONE-TICKET GROWTH

- 3.1 Our target is to achieve a 1200% growth in ONE-TICKET sales in a three year period – a tall order, but we are already on line to achieve a 3000% growth in 1 year! This may seem a high target but we must remember we are only aiming at £700,000 per year; in Strathclyde and Tyne/Wear the annual sales are £12m and £14m.
- 3.2 The growth of ONE-TICKET is an integral part of achieving modal split change in all parts of the SESTRAN area as defined in the local and regional transport strategies. It is also the 'glue' to achieve an integrated public transport system both among existing modes and facilities and those being developed by the Scottish Executive, SESTRAN local authorities, tie and the public transport operators throughout the SESTRAN area.
- 3.3 The main areas which we should be concentrating on are:
- Agents
  - Marketing
  - Products

#### Agents

- 3.4 The present spread of 82 agents is based on short-term pragmatism and the ability of the present ad-hoc consultancy staff to service them. The latter should be overcome by the company administration being taken over by specific dedicated clerical/administrative staff.
- 3.5 The objective must be to have a ONE-TICKET agent as close at hand as is possible for the majority of the population within the SESTRAN area, relative to a reasonable cost of maintaining such coverage.
- 3.6 The present agents are local authority offices, public transport operator offices and a few independent convenience shops. The potential outlets which must be considered for the future are:
- Post Offices
  - Supermarkets
  - Petrol Stations
  - Multiple Convenience Stores (eg R S McColls)
  - Convenience Stores With Centralised Buying etc.
  - Independent Convenience Stores
  - Travel Agents
  - Hotels
- 3.7 Agents must also be furnished with an array of posters, door stickers, etc. to establish the presence of ONE-TICKET at the location.
- 3.8 It is not possible to develop an extended network of agents and materials with the same resources that are handling the day-to-day administration of the company.
- 3.9 It is therefore proposed that a temporary post of Business Development Manager / Sales Representative should be established for a 1 year period with the specific role of achieving a greater agent penetration and presence. The cost of this will be some £50,000, including development of materials. This would best be undertaken in the year 2003/4.

#### Marketing

- 3.10 Marketing in the initial development of the scheme has been more constrained by money than ideas. However the next big step should be to build on the existing tentative achievements, by widening and reinforcing product recognition and knowledge across the SESTRAN area. The primary target must be the car driver.

3.11 The means of achieving this could include:

- Continuing use of local radio advertising particularly at 'drive time' (possibly sponsorship of traffic/weather reports);
- Major poster sites alongside roads (48 sheet or Adshel);
- Advertise on pay-and-display parking tickets;
- Sponsorship of regular features in the 'Scotsman' newspaper;
- Roadshow / Stand at shopping centres etc.;
- Use professional leaflet distributors (EAE Distribution?) to spread leaflets as widely as possible;
- Better materials at agents premises;
- Brochure / Programme Advertising (Football Programmes, Concert Programmes, Fringe brochure)
- Sponsorship of major events (aircraft shows, bus rallies, etc);
- Inclusion in all tourist / 'whats on' guides, etc.;
- Inclusion of ONE-TICKET mentions in all public transport timetables, travelmaps, bus stops, etc..

3.12 The level of marketing included within the Present company budget will not achieve any of the above, it will be restricted to reprinting leaflets, etc..

3.13 It is therefore proposed that a balanced marketing campaign should be instituted throughout the next three year period. This would require the ongoing services of a marketing agency plus a substantial budget for them to utilise with the agreement of the client. The overall level of resources required to make a substantial marketing impact will be £50,000 per year.

### **Products**

3.14 The present array of products on offer must be kept under review to ensure that they meet the needs of SESTRAN area consumers. The potential new products might include combinations of the following options:

- Rail+Bus products covering the whole area;
- More local area products like those for West Lothian ('Falkirk/Stirling Travelareas' etc);
- Off-peak products;
- Weekend products;
- Family products;
- Transferable period tickets;
- On-vehicle sale products.

3.15 It must be assumed that the company administration and project management resources will continue to develop some of the above products such as those for Rail+Bus.

3.16 However the real need is to undertake market research to find out attitudes to our present products (and their marketing) and to identify the potential for options such as those listed above. It is therefore proposed that a market research study be undertaken across the SESTRAN area relating to existing and potential ONE-TICKET products. This would best be undertaken in 2004/5 once additional agents have been established in year 2003/4, but to allow its outcome to be used in at least the final year of the marketing campaign (2005/6). The cost of such market research will be some £40,000.

### **Project Management**

3.17 If all the above are to be tackled over a 3 year period there is a need to ensure that they all work together and fit with the day-to-day operation of the scheme. It is therefore recommended that there is need for a part-time project manager to 'drive' the whole project forward. This will cost some £20,000 per year.



#### 4. EXECUTIVE SUMMARY

- 4.1 Multi-modal and multi-operator traveltickets are important components in achieving an integrated public transport system that can compete with the car.
- 4.2 ONE-TICKET is now just becoming established, rather tentatively, as the multi-modal and multi-operator travelticket in the SESTRAN local travel market.
- 4.3 It is hoped that moneys will become available from the Scottish Executive, SESTRAN local authorities, and main public transport operators to enable the continuing administration of the scheme until 31 March 2006.
- 4.4 It is assumed that the ongoing administration of the scheme will be handled by tie from 1 April 2003 as a complementary activity to the other transport initiatives that it is developing.
- 4.5 For the scheme to be financially self-supporting from 1 April 2006 there will need to be considerable continuing growth in sales up until that time, of a broadly comparable scale as that over the last few months.
- 4.6 To ensure that this growth does occur it is proposed that there should be a separately financed programme covering the following elements:
- An ongoing widening and reinforcing marketing programme aimed primarily at the car driver over the three years 2003/4 to 2005/6 at £50,000 per year.
  - A programme of achieving greater agent penetration and developing agent materials using a temporary Business Development Manager / Sales Representative for the year 2003/4 at a cost of £50,000.
  - A market research study covering existing and potential ONE-TICKET products in year 2004/5 at a cost of £40,000.
  - Project management of the above programmes and their integration with the day-to-day operation of the scheme at a cost of £20,000 per year.

- 4.7 The overall proposed costs are therefore:

	2003/4	2004/5	2005/6
Marketing	£50,000	£50,000	£50,000
Agent Development	£50,000		
Market Research		£40,000	
Project Management	£20,000	£20,000	£20,000
TOTAL	£120,000	£110,000	£70,000

- 4.8 The potential for ONE-TICKET in the SESTRAN area is enormous. It should provide the 'glue' which makes the initiatives planned by tie and others in the SESTRAN area actually integrate. Experience from elsewhere suggests that the market for ONE-TICKETS should reach some £10m annually once fully established. All we need now is to help it to happen.