



tie Board Meeting

25th October 2004



Agenda for tie Board Meeting
 @ Dunedin Room, City Chambers, Edinburgh
 @ 10.30 hrs – 12.30 hrs on Monday 25th October 2004

Item No.	tie Board Meeting Agenda Item	Resp	Timing
1.	Minutes of Meeting of 20th September 2004 for approval and signing – a) FOI (S) Act Protocol * b) Approve Full version of minutes	EB AM	10.30 hrs
2.	Matters arising	MH	
3.	Chief Executive Report – a) Chief Executive Board Report (C) * b) Risk Report and review of issues (C) *	MH	
4.	ITI – a) Project Progress Report (C) * b) Look ahead at Year end – Trams/CC (C) c) CC Reporter's report * d) T1 & T2 Parliamentary Progress/ Objectors report (C) * e) Tram Funding and Implementation Update (C) * f) Service Integration – • TEL • One –Ticket * g) WEBS Launch *	AM MH AM	
5.	Governance & Financial Matters – a) Financial Report (C) * b) tie Business Plan FY05 Outturn Review (C)	GB	
6.	Communications - a) ITI communications – Information Programme b) Stakeholder report	MH	
7.	Heavy Rail - a) EARL (C) * b) SAK (C) *	SC	
8.	AOB - a) Future Meetings 2005 dates * b) Procurement Policy *	MH AM	
9.	End		12.30 hrs
10.	Date of next meeting – Monday 22nd November @ 10.00 hrs. Venue: tie office, Verity House, Edinburgh		

C = Commercially Confidential

*** = Paper enclosed**



Agenda for tie Board Meeting
 @ Dunedin Room, City Chambers, Edinburgh
 @ 10.30 hrs – 12.30 hrs on Monday 25th October 2004

Item No.	tie Board Meeting Agenda Item	Resp	Timing
1.	Minutes of Meeting of 20th September 2004 for approval and signing – a) FOI (S) Act Protocol * b) Approve Full version of minutes	EB AM	10.30 hrs
2.	Matters arising	MH	
3.	Chief Executive Report – a) Chief Executive Board Report (C) * b) Risk Report and review of issues (C) *	MH	
4.	ITI – a) Project Progress Report (C) * b) Look ahead at Year end – Trams/CC (C) c) CC Reporter's report * d) T1 & T2 Parliamentary Progress/ Objectors report (C) * e) Tram Funding and Implementation Update (C) * f) Service Integration – • TEL • One –Ticket * g) WEBS Launch *	AM MH AM	
5.	Governance & Financial Matters – a) Financial Report (C) * b) tie Business Plan FY05 Outturn Review (C)	GB	
6.	Communications - a) ITI communications – Information Programme b) Stakeholder report	MH	
7.	Heavy Rail - a) EARL (C) * b) SAK (C) *	SC	
8.	AOB - a) Future Meetings 2005 dates * b) Procurement Policy *	MH AM	
9.	End		12.30 hrs
10.	Date of next meeting – Monday 22nd November @ 10.00 hrs. Venue: tie office, Verity House, Edinburgh		

C = Commercially Confidential

* = Paper enclosed

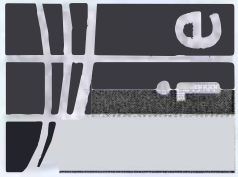


Item 1

Minutes of the Meeting

held on 20th September 2004

- a) FOI (S) Act Protocol
- b) Approve full version of minutes



Agenda Item 1a



tie limited
Freedom of Information (Scotland) Act 2002

Publication Scheme
Update and Proposed Board Protocol

1. Publication Scheme approval - Update

The tie Publication Scheme was approved on 17th September by the Scottish Information Commissioner

2. Administration of the scheme

The administration of the scheme will be the responsibility of Heather Manson and arrangements are already underway to establish procedures and processes in the handling of requests for information.

Section 5 of the Publication Scheme refers to the availability of Information and Exemptions and as a consequence the tie Board are requested to review and approve the under noted proposed protocol in relation to public requests for sight of the tie Board Papers and Minutes.

3. Proposed Protocol for approval and release of tie Board Papers and Minutes

1. The Agenda Items and supporting papers prepared for each meeting will identify items materially regarded as "Commercially Confidential" marked with a (C).
2. At the end of each meeting the tie Board will agree which agenda items and papers are commercially confidential.
3. One set of minutes will be prepared for approval at the following tie Board Meeting which will record the previous meeting in full. These minutes will be marked (C) against those items which are regarded as "commercially confidential"
4. Item 1 on the Agenda of each tie Board meeting will be to approve the previous months full set of minutes.
5. Subsequently another set of minutes, for public dissemination, will be prepared by tie omitting the items marked (C)
6. This public version of the minutes will be made available under the provision of the FOI(S) Act via our Website, in an electronic file and in paper form if the requester has no access to a computer.

Prepared By: Heather Manson
25th October 2004



Agenda Item 1b



Item 1b

Note: FOI(S) Act – tie Board Minutes

To ensure that **tie** governance practices are properly adapted to the need of the FOI(S) Act, we have identified the items in the attached minutes that we believe should be marked as Commercially Confidential (C).

Please read the minutes, approve our recommendations and if appropriate suggest if there are additional items which should be identified as commercially confidential.

Agenda Item 1a provides more detail regarding the recommended protocol for future **tie** Board Meetings.

A summary of the sections extracted from the final full minutes dated 20th September 2004, under Section 5, Clause 5.1 of the **tie** Publication Scheme are noted below. Details are highlighted in italics in the minutes.

HM.
25th October 2004

Extractions

- Item 3 c) – Trams:- first paragraph only
- Item 5 a) – Finance Report:- paragraph re billing
- Item 5 b) – Tram and congestion charging funding:- all content



**tie limited
(Full Version)**

Minutes of tie BOARD MEETING
@ Railway Procurement Agency,
Parkgate Business Centre, Parkgate St., Dublin
@ 13.00 hrs on Monday 20th September 2004

Board Members: Gavin Gemmell (Chairman)
Maureen Child
Andrew Burns
Jim Brown

In attendance: Michael Howell, tie Chief Executive
Graeme Bissett, tie Finance Director
Andrew Callander, tie Tram Programme Manager
Jonathan Pryce, Scottish Executive
Martin Buck, PUK

Apologies: John Richards
Ewan Brown
Bill Cunningham
Alex Macaulay, tie Projects Director
Paul Prescott, tie Heavy Rail Director
Andrew Holmes, CEC, City Development Director
Keith Rimmer, CEC, CDD, Transport

Circulation: As above +
Ronnie Hinds, CEC, Head of Corporate Finance
Ewan Kennedy, CEC, CDD, Transport
John Burns, CEC, Corporate Finance
Andy Nichol, CEC, Leader's Office
Damian Sharp, Scottish Executive

Item

1. MINUTES OF THE MEETING OF 23rd AUGUST 2004 FOR APPROVAL AND SIGNING

The minutes were approved.

2. MATTERS ARISING FROM MINUTES OF THE MEETING OF 23rd AUGUST 2004

Item 4 (a) (i) Update on One-Ticket will be provided at the October Board meeting

Item 6 (b) A date for Ken Livingstone's visit to Edinburgh has still to be confirmed.
AB to progress.

C = Commercially Confidential

G:\09 Business Admin\09 TIE\Board Meetings\Board Papers - 25th October 2004\Item 1 - Final Mins 200904.doc

**Action
By**

**GG
MC
AB
JB**

**MH
GB
AC
JPr
MB**

AB

Item 8 (b) MH reported that the meeting arranged with Adrian Colwell on 1st September went well.

3. CHIEF EXECUTIVE'S REPORT

General

The board meeting took place in Dublin and was preceded by a series of informative presentations from representatives from the Railway Procurement Agency (RPA). This provided an overview of what Dublin has achieved in developing its transport infrastructure and an update and tour of the tram system (LUAS) which was launched in June 2004.

The CE monthly report was tabled with the following comments:

a) Scottish Executive

- (i) The public consultation on EARL had been due to start on 13th September but had been postponed at the request of the Executive. GG proposed that a joint SE/tie committee should be established to ensure that the programme for the project is not put at risk.
- (ii) The reconstitution of the PLG (SE/CEC/tie) information group was endorsed by the Board to ensure the timely progress of projects. MH/JPr to progress.

b) Communications

- (i) The TransportEdinburgh information campaign had been launched and the brand name will be used for the publicity on Edinburgh's transport activities.

c) Trams

- (i) ***The approval of the additional £4M funding from SE has not yet been received and if not concluded urgently will have an adverse affect on the delivery timetable of the project. A letter on the OBC had been sent to John Ewing, Head of Transport Group. JPr will follow up and endeavour to provide a response by the end of the week (C).***

GB highlighted that Transdev had made a valuable contribution to the preparation of the draft OBC.

- (ii) D & W will take a lead role on behalf of tie in the management of objections in the Parliamentary Process.

a) Risk Report

The Risk Report was tabled for discussion

Action
By

MH

JPR

Action
By

4. ITI

a) Project Progress Reports (C)

The project progress reports were presented

b) Service Integration

AB advised that TEL had been incorporated, that the Board had met in shadow form and the initial structure of the Board has been agreed. Transdev and LB had both been invited to produce a paper outlining their views on the corporate structure and these papers were being evaluated by tie in advance of the next TEL board meeting.

c) Tramline 3 – Final Route Alignment

The route alignment was approved by the board.

AB confirmed that the Parliamentary Bill for Tramline 3 would remain on the programmed schedule for bill submission by Christmas 2004.

5. GOVERNANCE & FINANCIAL MATTERS

a) Financial Report (C)

The monthly Financial Report was reviewed.

tie and CEC are to liaise as matter of urgency to review the timetable and process for 3rd party billing in relation to payment and tie overdraft facilities.

GB/AH

b) Tram and congestion charging funding (C)

GB advised that the tram development budget will include expenditure incurred in the handling of detailed responses to tram objectors. The emerging approach adopted by the Committees of MSPs required full and comprehensive responses. While this was understandable, the work involved could be onerous and could result in increased consultancy costs. This will be clearer once the Committees' forward plans emerge during this month and October.

GB

Similar concerns apply to congestion charging. The action driven by the Public Inquiry Report could extend beyond that budgeted by tie. This will also be much clearer when the Report is received.

tie is performing a review of its forecast for spending in the second half of the year and this will be reported with the September Monthly Financial Report.

6. COMMUNICATIONS

a) ITI Communication

The lessons learned by RPA (Irish equivalent to **tie**) during tram construction were noted; MH remarked that they would prove useful.

Monica Langa will be leaving **tie** at the end of October and Suzanne Bogie will start on 19th October as Communications Manager.

b) Stakeholder Report

Suzanne will take over from Monica in the management and administration of the stakeholder meeting programme with MH and AM taking an active external role.

7. HEAVY RAIL

a) EARL

tie's would seek to become more involved in funding plans for EARL in meeting with SE and subsequently BAA.

b) SAK

The agreements with Network Rail and others are scheduled for completion on 8th October.

GB is scheduled to meet with Kenneth Hogg to discuss the Executive's overall funding plan for the principal projects.

8. FREEDOM OF INFORMATION (SCOTLAND) ACT

A protocol for the handling of future board minutes was discussed. Refinements will be made and presented at the next meeting.

9. AOB

a) Share Certificate

A board minute for issuance of a Share Certificate was signed by Gavin Gemmell (acting as Chairman for the meeting)

10. Date of Next Meeting

The next meeting will be held on Monday 25th October at **tie** offices at 10.00 am.

**Action
By**

PP

MH/AM



Agenda Item 2

Matters Arising



Chief Executive Report

- a) Chief Executive Board Report (C)*
- b) Risk Report and review of issues (C)*

C = Commercially Confidential
* = Paper enclosed



Agenda Item 3a



TransportEdinburgh

making connections

tie BOARD MEETING – 25TH OCTOBER 2004

Chief Executive's Report

This has been an eventful month with progress on many fronts:

- Approval of required £4M tram funding from Scottish Executive for balance of financial year – a letter detailing the terms has yet to arrive
- Release of the Reporters' Report following the Public Inquiry held over the summer
- Visit to Rome as guests of Transdev, and review of that city's congestion charging scheme
- Visit of Transdev Chairman, Philippe Segretain, to Edinburgh
- Successful conference on congestion charging organised by TRANSform Scotland, and sponsored by tie
- Major progress in the transformation of Transport Edinburgh Limited into a Single Economic Entity for the purpose of tram / bus integration
- Date provisionally set for opening of WEBS on 1st December

Continuing challenges:

- Visible impact of Transport Edinburgh information campaign
- Management of the Parliamentary Committees
- Efforts on the part of tram protestors to make life difficult both for tie and the Council

A. Dublin

We had a most interesting visit to Dublin to hear about the work of the Railway Procurement Authority - an approximate Irish equivalent to tie, albeit at National rather than City level – and to view the local tram system, the second line of which started operation shortly after our visit.

tie limited

Verity House 19 Haymarket Yards Edinburgh EH12 5BH
Tel: +44 (0) 131 [REDACTED] Fax: +44 (0) 131 622 8301
e-mail: michael.howell@tie.ltd.uk web: www.tie.ltd.uk

Registered in Scotland No: 230949 at City Chambers, High Street, Edinburgh EH1 1YJ

delivering transport projects

We rode the tram and were impressed by the technical quality of the system, epitomised by the tram depot, which was notably clean and spacious. There had been very significant improvements to the streetscapes as a result of the tram construction, particularly in the central city.

We heard and saw some interesting things, many of which are cautionary tales for Edinburgh:

- Due to an unexpected political decision, the planned single tram line had been “broken” in the city centre into two completely separate lines, with the result that there was significant additional cost and delay to the project, including an additional depot for the cut off section.
- There are now no through services from one side of the city to the other.
- There have been no serious efforts to integrate bus and tram operations, despite the fact that both companies are owned by the Irish state. We heard about incipient service and price competition which was likely to damage both entities.
- The system had not met its target travel times because of difficulties in the configuration of junctions, and bottlenecks where the tram remained stuck in traffic; probably relevant that the contract deployed to build the infrastructure did not impose significant penalty on any failure to meet these targets.
- There had been some safety incidents including a tram/tram accident on the day before our arrival which had caused disruption.
- There were a number of interface issues than were troublesome: a) problems over the rail / vehicle interface due to noise and wear; b) problems between Alstom as the tram supplier, and suppliers of sub-systems; c) problems between Connex, the operator, and the construction consortium. e.g. the tram maintenance pit is too short for the trams in operation.
- There was a significant effort deployed on communications, particularly during tram construction, yet the publicity during the process was uniformly bad. A building site with no-one actually working on it became a “provocation” to press and public alike.

It is clear that a final check on these issues will need to be made before we finalise our own plans.

B. Scottish Executive

- The welcome commitment of the Scottish Executive to a greater level of transport funding was confirmed in the spending review.
- After an exchange of correspondence with the Council concerning their share of the funding, authorisation of the £4M required for tram development was received,. This will be an issue for the new financial year when the sums involved will be bigger.

- The required public consultation on EARL is now scheduled to be launched on 28th October.
- The working interface between **tie** and the Scottish Executive, particularly for heavy rail, is under discussion. An OJEU announcement has been published by the Scottish Executive requesting indications of interest from private companies who wish to programme manage Scottish rail projects. **tie** is oriented toward responding, certainly to the request for a preliminary qualification submission.

c. Finance and Risk

It will be understood from Graeme's report that there are some significant challenges related to forecasting the outturn for the financial year end. These relate primarily to the trams, but also to the budget for the Council's information programme, which is held by **tie**. As the sums for which **tie** is responsible mount, stringent financial reporting and control becomes more necessary and will be an ongoing focus of attention.

D. Trams

- The Chairman of Transdev, Philippe Segretain, visited Edinburgh on 6th October. The occasion was a useful occasion for the interrelationship between tram/bus integration and street space planning to be aired with Donald Anderson. The subsequent shadow board meeting of Transport Edinburgh Limited was constructive, with a clear acknowledgement on the part of Lothian Buses that it would bear the short term financial burden of the trams' introduction.

The next steps are to start work in earnest to design a new integrated network on the premise of creating a system that will attract the largest number of fare paying passengers.

- The members of the tram parliamentary committees visited Nottingham to hear about the trams' recent launch, and try out the tram system for themselves. Their work is presently focussed upon objections in principle, which are in practice few in number. We do not yet have a view on when approval in principle, the first stage of parliamentary consideration, may be forthcoming.
- The final route for tramline 3 was published, with a diversion around Inch Park. Press coverage about **tie**'s willingness to listen to public opinion and change the routing was generally favourable.

E. Congestion Charging

- The Reporters' Report is broadly supportive of the City's plan, but did as expected suggest the lifting of the "outer Edinburgh exemption". At the time of writing the press coverage of the City Council's press conference has not appeared. This does seem to provide the green light that was hoped for.

- Despite two personal approaches by David Begg to Ken Livingstone, we have had no encouragement that a visit is likely, and certainly not before the referendum. However, a well attended and co-ordinated conference was organised by TRANSform Scotland. Despite the fact that a representative of each opposition political party sat on a panel and demonstrated convincingly that none had any alternative policy, the conference did not receive much press coverage.
- Work progresses to define the forward plan which will ensure launch of the Congestion Charging scheme during first half 2006, as is required politically. An element of parallel processing is necessary and the details can be clarified by Alex Macaulay.

F. Heavy rail

- The role of **tie** in the context of the Transport Scotland Agency is under discussion. Issues are being defined. This matter will be discussed at the meeting.
- Work continues on Stirling – Kincardine Alloa railway line and the first operating group meeting was held. The required suite of agreements with Network Rail is on the critical path and good progress in being made.

G. WEBS and other ITI projects

The off street guideway is complete, and the on street works are in progress. The opening is scheduled for the first of December.

A sod-cutting ceremony at the Ingliston Park + Ride was held on 22nd September, and work is now well under way.

A review of progress on One Ticket is included in the board papers. Critical future events are a) the accession of First Scotrail to the scheme, and b) a possible step to develop a smart card based system that could embrace not just One Ticket, but also a concessionary travel scheme for the East of Scotland, and could in due course provide the framework for a national ticketing scheme. Since the Scottish Executive provides the funding, merger of present disparate efforts to create the required implementation team will demand active SE leadership.

H. Communications

MH and AM undertook several engagements during the month. There is no substitute for face-to-face communication, and in the case of the Chartered Institute of Personnel Directors, a room of doubters appeared to be instantly converted by the end of the meeting, even offering their own premises for direct meetings with employees. The lack of fair coverage in the press was a point of universal comment.

The pupils of Stewart's Melville and Mary Erskine's were less easily swayed, with a healthy round of sceptical questions.

Suzanne Waugh, Stakeholder Communications Manager, will have joined us on 19th October and we hope too to have engaged Stan Blackley, a strong PR consultant, to advise on the progress of the information campaign.

Michael Howell

18th October 2004



Agenda Item 3b

tie Limited
Risk Report
October 2004



Prepared by: **Mark Bourke**
Date: **13 September 2004**
Revision: **1**

File: **10.01.02 tie BOARD Portfolio Reports to Board**

tie Limited
October 2004 Risk Report

Contents

Section	Title	Page
1.	Overview	3
2.	Procurement Policy	3
3.	Insurance Advisory Services	3
4.	Optimism Bias Values	3
5.	Congestion Charging	4
6.	EARL	4
7.	Line 1 & 2	4
8.	Line 3	5
9.	WEBS	5
10.	Ingliston Park & Ride	6
11.	General	6
12.	Appendices	6

Appendix	Title
A	Procurement Policy
B	Tram, Congestion Charging and Ingliston Park & Ride: Optimism Bias Charts
C	Summary of Key Risks
D	Key Areas for Management

tie Limited

October 2004 Risk Report

1. Overview

tie limited (tie) have placed risk management at the core of its service delivery to the Council. tie considers that the management of risk will be measured in the ability to achieve tie's Corporate Targets. The following sections provide a general overview of progress.

2. Procurement Policy

tie have developed a Procurement Policy to capture the following areas to minimise the risk of challenge to tie's significant procurement portfolio. ***It is recommended that this Policy is approved by the Board.***

- Procurement Strategy;
- Value for Money;
- Competition;
- Legal Obligations;
- Secondees;
- Contract Management; and
- Sustainable Procurement.

The Policy is attached in **Appendix A** for consideration.

3. Insurance Advisory Services

We have sought tenders for the provision of Insurance Advisory Services for our evolving transport portfolio, from the following advisors.

Ref.	Company
1.	AON
2.	Griffiths & Armour Insurance Brokers
3.	Heath Lambert Group
4.	Jardine Lloyd Thompson Group plc
5.	Marsh UK Limited
6.	Willis Limited

Tender invitations were issued on 7 October 2004 with tender returns due on **28 October 2004**. The successful bidder will initially concentrate on scoping and pricing insurances for the EARL project and will be available on a 'on-call basis' for our other schemes for an initial 2-year period.

It is recommended that the Board delegate the appropriate authority to allow award of contract on 9 November 2004. This date is subject to variation due to any necessary tender clarifications.

4. Optimism Bias Values

tie are tracking the progress in the management of risk for the following schemes and report current estimates of Optimism Bias as follows. The trends to reach these current values are presented in **Appendix B**, and demonstrate ongoing progress to reduce project risk as reported by tie's advisors and contractors.

Scheme	Optimism Bias Capex (%)	Optimism Bias Works Duration (%)
Congestion Charging	67* / 79**	16* / 17**
EARL	33	14
Line 1	25	10
Line 2	25	10

tie Limited

October 2004 Risk Report

Scheme	Optimism Bias Capex (%)	Optimism Bias Works Duration (%)
Line 3	27	11
Ingliston Park & Ride	8	11

* = Capgemini ** = IBM

5. Congestion Charging

Business process designs have been completed by Capgemini and IBM. The project management team reports a 'gap' opening up between prototype developers in terms of the relative strengths of solutions. Work has commenced by tie on the development of procurement strategy for Operator.

In addition, the following headline items are noted.

- Awaiting report from Public Inquiry
- Risk Review Meeting held with IBM to discuss lack of progress on risk identification, reporting and mitigation;
- Currently reviewing Assumption Registers received from Capgemini and IBM;
- Awaiting updates to IBM project risk register – due **22 October 2004**; and
- Awaiting updates to Capgemini project risk register – due **5 November 2004**;

It is anticipated that as we are entering the final stages of prototype development and costing for Stage 2 is commencing, that further detailed risks will be 'flushed out' into the open. This may be balanced against low reported progress in the mitigation of existing risks including ability to develop cost estimates; limitations of camera technology; potential financial governance irregularities; delays in delivery of pre-CC schemes; and implementation of necessary legislation.

6. EARL

Formal consultation on the project is due to commence in early course for a 6-week period. tie will need to guard against claims of inadequate consultation and ensure that consultation process is rigorously monitored. Timetable modelling is continuing with some option refinements. Legal review is ongoing to identify preferred contract features e.g. partnering and necessary additional clauses to standard forms to allow interfacing of packages e.g. novation.

In addition, the following headline items are noted.

- Technical advisor briefing on emerging scheme design and geotechnical/tunnel risks to tie's independent checker Donaldson Associates Limited (DAL) and tie.
- Procurement strategy for main works is under development with consideration of assumptions, criteria, timetable, advantages and disadvantages, potential forms of contract, and history of procurement;
- Discussions held with BAA on scope of areas requiring assurance, governance arrangements and requirements for Construction Strategy Report;
- Risk workshop scheduled for end of October 2004; and
- Risk and contingencies meeting scheduled for start of November.

No risk management input from tie has commenced on SAK – awaiting resolution of Contractual Arrangements.

7. Line 1 & 2

Funding for 2004/05 has been approved by the Scottish Executive to allow progress with immediate procurement issues including Technical and Financial Advisors and System Designers. Further discussions will be necessary to ensure release of 2005/06 funding.

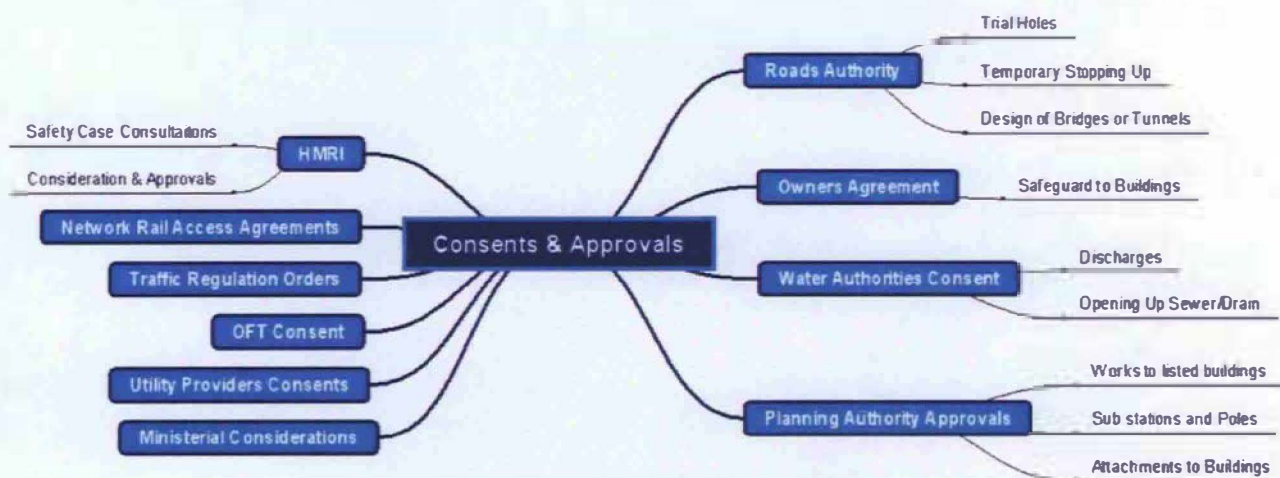
tie Limited
October 2004 Risk Report

In addition, the following headline items are noted.

- Evidence and responses to Parliamentary questions - ongoing;
- 3rd party checkers appointed by Parliamentary Committees – ongoing information released and further queries anticipated;
- Community Liaison Groups and key stakeholders – ongoing liaison; and
- Studies regarding influence of CETM have yet to commence.

An update to the project risk register will be sought from the team in **November 2004** to allow 'bedding in' to the Parliamentary process in the committees' considerations of the general principles of the Bills and preliminary consideration of objections.

Development of a detailed scheme programme is underway to account for released funding. This programme will account for the timing and party responsible (**tie**, InfraCo, Operator and vehicle manufacturer) to deliver the key consents as outlined below.



Summary of Key Consents - Tram

8. Line 3

Following close review of the project risk register, in conjunction with **tie**'s advisors Faber Maunsell, DLA, BDB and Grant Thornton, **tie** have seen a reduction in Optimism Bias to slightly less than that of Lines 1 and 2 (at similar stage of development). The

A one-to-one session has been held with Faber Maunsell's Project Manager to discuss risk matters (who are currently responsible for mitigating the majority of project risks). **tie** have obtained 'final' updates to the risk register from all of **tie**'s advisors to allow estimation of Optimism Bias for inclusion in Financial and Economic scheme assessments. A risk review meeting scheduled for the end of October 2004.

Key risks are present regarding ability to submission of Private Bill to Parliament prior to securing funding through congestion charging and justification of the scheme on economic and financial grounds. It is anticipated that these issues will be resolved by ongoing technical analysis and dialogue with the Scottish Executive.

9. WEBS

There has been no material change on risks to this scheme. A workshop is planned to discuss residual risks in **November 2004**. In addition, **tie** will seek to review the risks associated with the operational phase of the scheme due to their intended continuing role post-construction.

tie Limited
October 2004 Risk Report

10. Ingliston Park & Ride

Halcrow, tie's Project Managers and Technical Advisors are continuing to bring Borders Construction input to bear to the project. There has been no material change on risks reported for this scheme. An updated register is being sought for **12 November 2004**.

11. General

tie are preparing for the Freedom of Information (Scotland) Act that comes into force at the start of next year and seeking legal advice on policy and emerging procedures.

12. Appendices

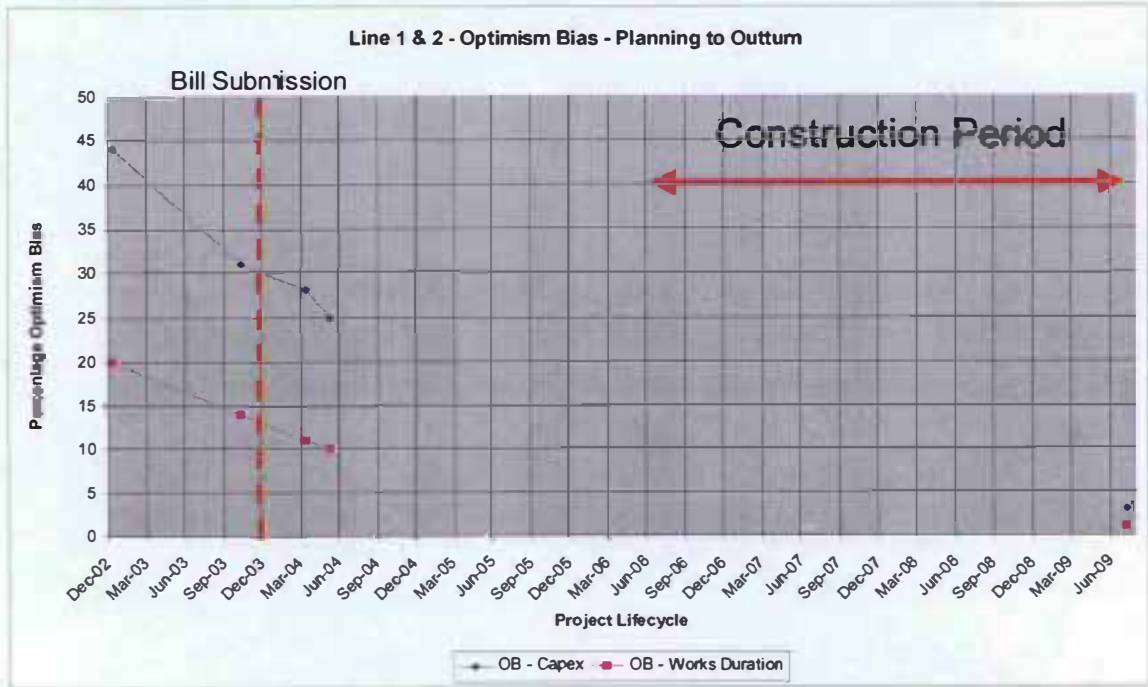
This paper comprises the following attached elements.

- tie's Procurement Policy (**Appendix A**);
- A graphical summary of progress on the management of risk through reporting the current Optimism Bias values for Tram, Congestion Charging and Ingliston Park & Ride schemes (**Appendix B**);
- A summary of the key risks affecting the Projects (**Appendix C**); and
- A summary of areas for management across the tie portfolio (**Appendix D**).

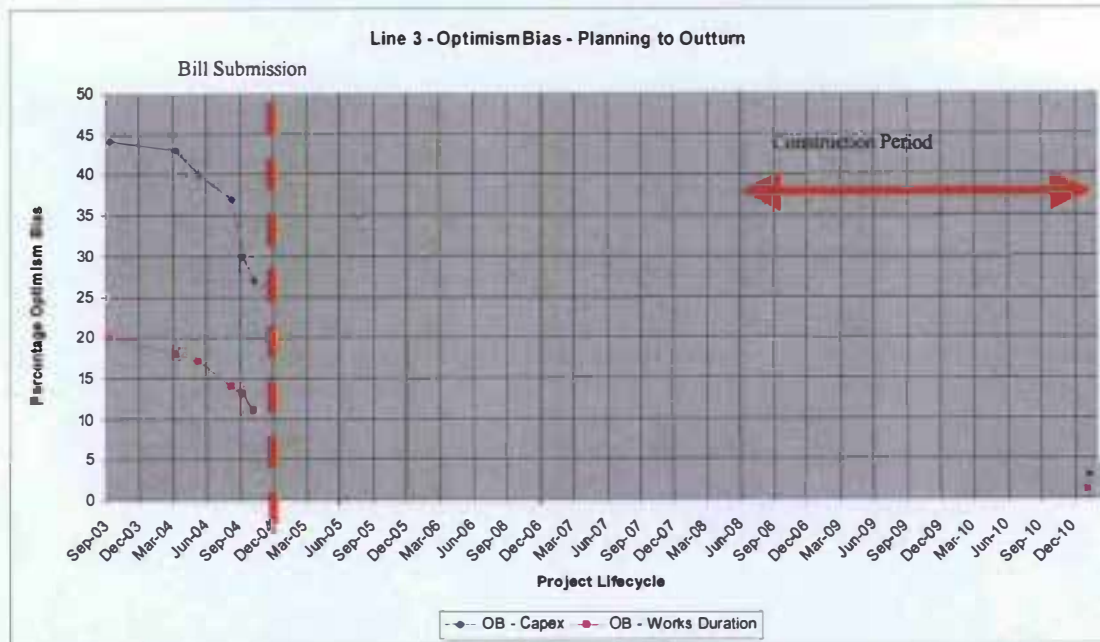
Appendix A
Procurement Policy

**Appendix B
Tram, Congestion Charging
and Ingliston Park & Ride
Optimism Bias Charts**

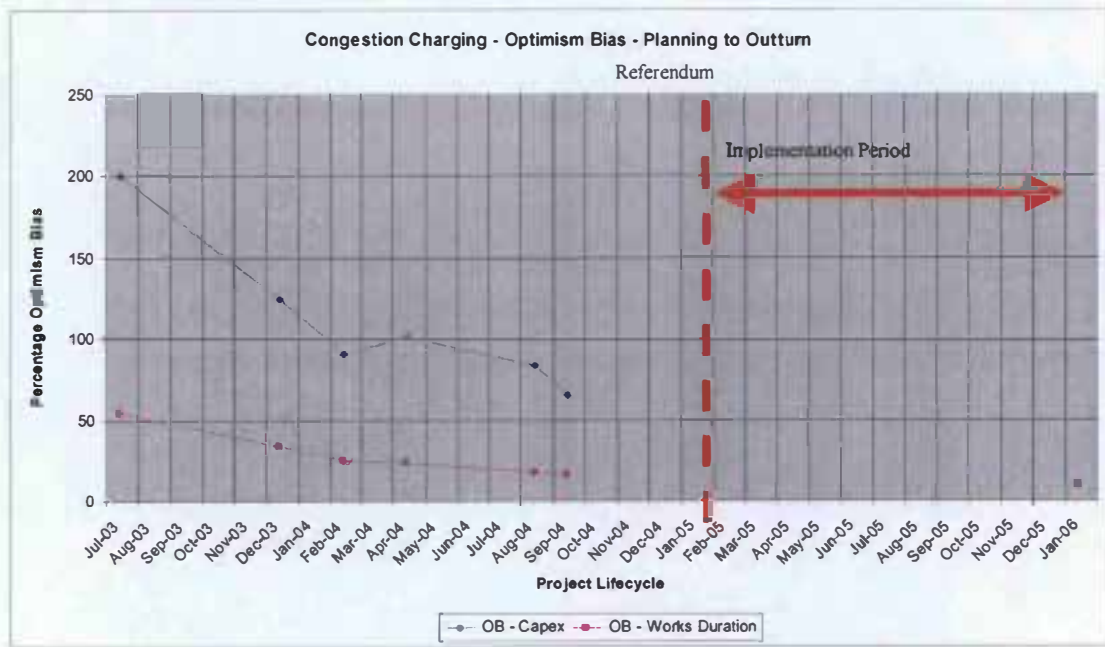
Profile of Optimism Bias for Tram Line One and Two



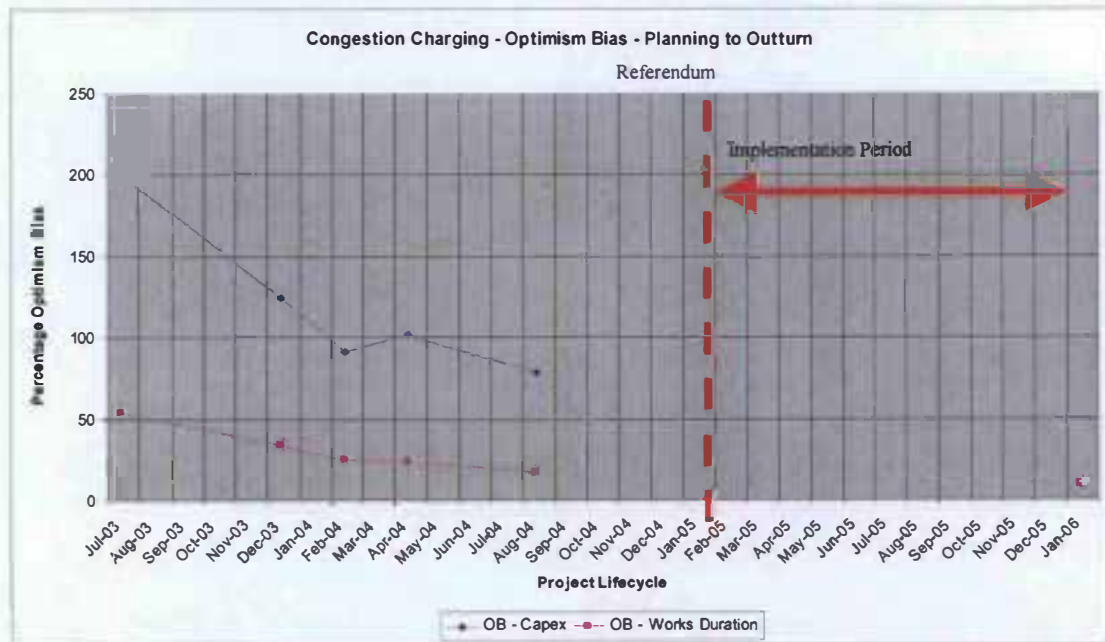
Profile of Optimism Bias for Tram Line Three



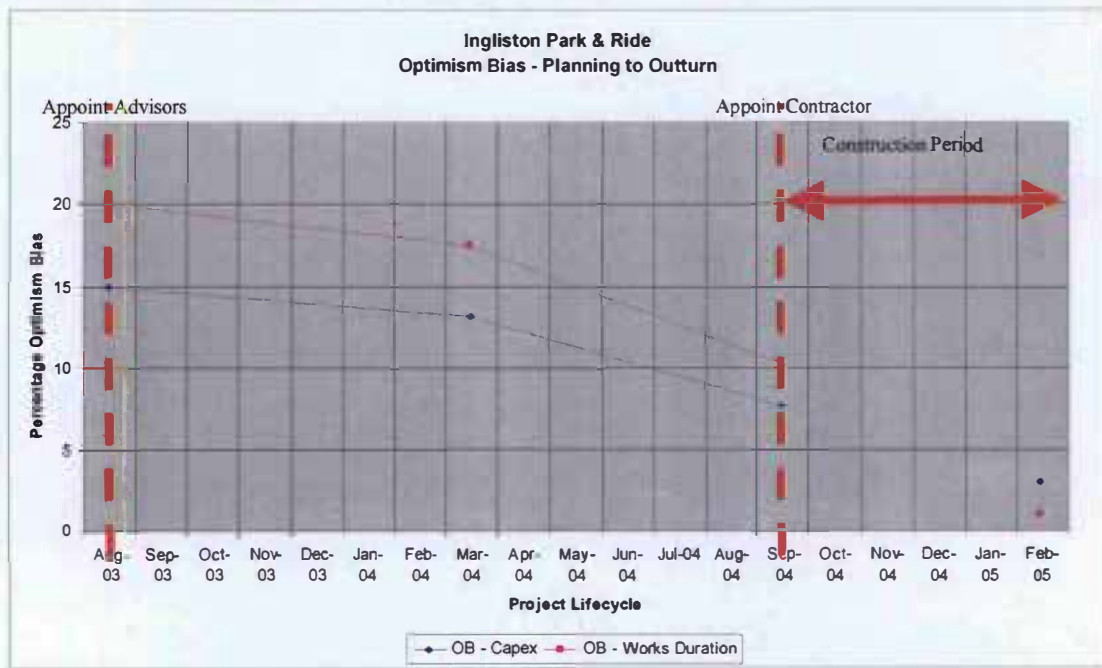
Profile of Optimism Bias for Congestion Charging Scheme - Capgemini



Profile of Optimism Bias for Congestion Charging Scheme - IBM



Profile of Optimism Bias for Ingliston Park & Ride Scheme



Appendix C
Summary of Key Risks

The following 'very high' project risks have been identified as currently affecting the above schemes by the advisor team.

Line 1, 2, 3 & Network

Ref	Project Risk	Impact
1.	Insufficient public sector capital available to meet contract price resulting in additional cost charges	Approvability
2.	Shortfall in securing 'other funding' beyond SE funding for schemes resulting in delay to programme	Approvability
3.	Bill authorisation prevented due to loss of political will due to negative PR e.g. funding gap, influence of Holyrood, performance from other UK Tram Sector projects and Bill Objections	Approvability
4.	Increased capital costs due to third parties including Utility diversion costs; Land costs associated with acquisition, temporary disruption during construction and compensation; Tram vehicle costs; and Network Rail costs for immunisation of equipment, possessions, compensation costs to train operating companies, information supply, liaison and development of agreement;	Capital Expenditure
5.	Cost increases or programme delays due to planning permission requirements in complying with the design requirements of Planning Authority or failure of the Council to deliver Section 75 Land	Capital Expenditure & Programme
6.	The inclusion of CETM will impact the project	Functionality
7.	An overly optimistic runtime analysis feeds into the business case resulting in revenue impacts e.g. the expected priority levels at highway junctions not achieved.	Operating Expenditure
8.	DPOFA Procurement delayed due to lack of co-operation from Lothian Buses	Programme
9.	Delay in construction programme due to delays in encountering archaeological finds/burials and consequent exhumation.	Programme
10.	Outputs from the TRO Process are late resulting in a delay to programme	Programme
11.	Lack of decision to undertake advance works results in delay to scheme operations e.g. land acquisition, detailed design, utility diversions	Programme
12.	Inadequate preparation of Parliamentary Evidence, poor handling of Objections or influence of other Bills leads to delay in Parliamentary programme	Programme
13.	Passenger numbers lower than forecast resulting in a decrease in revenue	Revenue
14.	Indecision regarding the potential inclusion of terminus to Line 3 at Musselburgh leads to loss of opportunity	Revenue

WEBS

Ref	Project Risk	Impact
1.	Delay in programme due to unforeseen event outwith the control of the Contractor	Programme
2.	Operators do not buy in to scheme due to;- Short term nature of project does not give time for pay back	Revenue
3.	Operators do not buy in to scheme due to; Specialist equipment required does not give time for payback	Revenue

EARL

Ref	Project Risk	Impact
1.	Influence of BAA on the scheme with potential uncompromising position on objections related to quality, their acceptance processes, their development blight, 2 nd Runway and asset protection.	Application for Powers
2.	Disruption to air traffic due to excessive settlement from tunneling	Capital Expenditure & Programme
3.	Objections in Parliament	Application for Powers
4.	Project cost estimate too high (tenders breach affordability)	Planning
5.	Cost escalation	Construction
6.	Failure to meet predicted passenger levels	Operation
7.	Insufficient time allowed in programme for the passage of the Bill through Parliament	Application for Powers
8.	Bill is submitted late to Parliament	Application for Powers
9.	Failure to achieve resolution of tunnel methodology work package 1 timescales	Planning
10.	Boulders delay construction of tunnel	Construction
11.	Watercourses become polluted during construction	Construction
12.	Utility companies fail to implement agreed service diversions timeously.	Construction
13.	Procuring unreliable ticket machines	Procurement
14.	Lack of definition in Revenue Protection/management methods delay or lead to changes in station design	Procurement

Ingliston Park & Ride

Ref	Project Risk	Impact
1.	Lack of development of operational functions and facilities management leads to delay in opening of facility	Operation
2.	Lack of development of funding of operating expenditure leads to delay to scheme	Application for Powers
3.	Insufficient knowledge about PUs on site leading to cost and programme over-runs for diversion, protection, use for the scheme and extension	Construction
4.	Outcome and impact on design of safety audit results in significant scheme re-design	Planning
5.	Design fails to comply with missives associated with land acquisition resulting in delay in progress due to challenge.	Planning

Congestion Charging

Ref	Project Risk	Impact
1.	Insufficient public sector capital available in 'short to medium-term' to meet contract price resulting in additional cost charges or delays to initiating key workstreams e.g. operator procurement and other supporting contracts to April 2005	Approvability
2.	Progress of scheme prevented due to loss of political will due to negative PR e.g. funding gap, influence of London performance and quantum of Objections	Approvability
3.	Referendum result is negative	Approvability
4.	Guidance not in place in time for public inquiry	Approvability
5.	Failure to predict set-up and operating costs	Capital & Operating Expenditure
6.	Insufficient interim budget available in 'short-term' to adopt dual pilot approach resulting in amendment to procurement strategy or curtailment of prototype and consequential risk of cost increases and delays to main implementation phase	Capital Expenditure & Programme
7.	Inquiry based concerted challenge	Programme
8.	Judicial review of Council's decision	Programme
9.	Court based attempted human rights challenge	Programme
10.	Lack of resource to manage the decision making and develop procurement strategy to April 2005	Programme
11.	Need for private financing to scheme and subsequent due diligence causes delay to programme	Programme

Appendix D
Key Areas for Management

D. Key Areas for Management

In undertaking an assessment of the key risks affecting the scheme, a number of 'very high' risks have been identified. These key risks have been summarised for a number of projects within **Appendix C**. These risks represent, in some instances, those considered as most serious to the development of the ongoing progress of the schemes, and will require management as the project progresses. Recurring themes have been identified in a number of our schemes are summarised below.

D.1. Capital Costs - Third Party Costs

tie anticipates that the following elements of capital expenditure have associated risks, which are largely dictated by third parties, and may significantly impact the final outturn cost of the scheme. It is considered that these risks have been significantly mitigated through the considerable amount of work undertaken to date by **tie**'s Technical and Land & Property Advisers and contingencies allowed.

- Utility diversion costs;
- Land costs associated with acquisition, temporary disruption during construction and compensation;
- Vehicle costs;
- Design modifications required to mollify objections;
- Network Rail costs for immunisation of equipment, possessions, compensation costs to train operating companies, information supply, liaison and development of agreement;
- Increased cost due to additional environmental protection measures;
- Unforeseen ground conditions; and
- Council/**tie** instructed change.

D.2. Operating Expenditure - Increased Operating Costs

tie anticipates that the following elements of operating expenditure have associated risks which have been identified. It is noted that these have been significantly mitigated on the Tram schemes through proceeding with a DPOF Procurement process and through the formation of Operating and Maintenance Working Groups for the WEBS and Ingliston Park and Ride schemes. It is anticipated that the following issues will require to be managed with the support of the Council.

- Development and responsibilities for operation and maintenance;
- Variability of market conditions impacting on insurance costs;
- Increased run-times than anticipated;
- Lack of priority to schemes in road/rail network;
- Long term increases in operating costs;
- Specification issues including staffing levels; and
- Council/**tie** instructed change.

D.3. Revenue – Passenger Forecast

tie and their advisors have established and will develop conservative and credible base models and reviewed the factors affecting revenue through assessment of assumptions and sensitivities. Further comfort will be gained on the tram schemes through early involvement of an experienced Operator. It is considered that the following risks will need to be managed.

- Competitive stance taken by existing operators;
- Passenger numbers are lower than forecast; and
- Influence of proposed schemes to current parking and bus operation revenues.

D.4. Programme - Delays

tie have identified a number of key areas where there are risk of delays to programme which are each being mitigated.

- Approval of **tie**'s Business Plan/Funding Applications resulting in delay to implementation plans;
- Resolution of funding matters resulting in scheme delays;
- Statutory process delays including Parliamentary/Public Inquiry, Planning and approval to necessary scheme TROs;
- Objections;
- Lack of co-operation from external bodies including Lothian Buses, HMRI, Network Rail and Environmental Bodies;
- Development of requirements and responsibilities for scheme operation and maintenance;
- Bidder fatigue during negotiation;
- Change of Transport Minister;
- Parliamentary time with other Bills under consideration;
- Lack of market appetite in the scheme;
- Lack of co-operation by BAA;
- Late delivery of vehicles from suppliers; and
- Competing projects cause increased construction periods.

D.5. Quality - Statutory Planning

tie have significantly mitigated risks affecting the quality of the scheme through consultation with the Planning Authority on all schemes. This work has been co-ordinated through the a Planning and Environment Working Group that has included developed of a Design Manual¹ for the Tram schemes to account for Edinburgh's status of a World Heritage Site.

- Delay and cost increases due to Planning requirements; and
- BAA's view of quality of finishes and materials.

The Tram Design Manual identifies Principles of Design, provides supporting guidance and states Design Requirements for the main tram components.

D.6. Functionality – System Operation

tie have held significant pro-active consultation with transport operators. An extensive portion of mitigation has been commenced with the procurement of a tram Operator, whose objectives include bringing about integration with local bus operators. **tie** and their advisors have considered the influence of other transport initiatives including CETM and discussed these with the Council. **tie** are continuing to take a significant involvement and interest in other strategies including two potential city centre underground multi-storey car park schemes and strategies for the development of Haymarket and St. Andrew Square.

- Passenger Transport integration; and
- Inclusion of CETM.

¹ Transport Initiatives Edinburgh (2004) Edinburgh Tram Network: Design Manual

D.7. Approvability – Referendum and Funding

tie considers that the single biggest issue affecting the approvability of a number of their schemes relates to funding, as indicated below. **tie** have mitigated this risk through development of robust cost estimates and on-going review of alternative funding options by **tie**'s financial advisers.

- Limited Scottish Executive funding is available;
- Delays are incurred in securing other funding sources beyond SE funding;
- Referendum prevents schemes proceeding;
- BAA's contribution fails to materialise or is insufficient;
- Schemes fail to pass Statutory Processes including Parliamentary/Public Inquiry and/or Planning; and
- HMRI refuses to allow operation of services.



ITI -

- a) Project Progress Report (C) ***
- b) Look ahead at Year end – Trams/CC (C)**
- c) CC Reporter's report (C) ***
- d) T1 & T2 Parliamentary
Progress/Objectors report (C) ***
- e) Tram Funding and Implementation
Update (C) ***
- f) Service Integration –**
 - TEL**
 - One –Ticket ***
- g) WEBS Launch ***

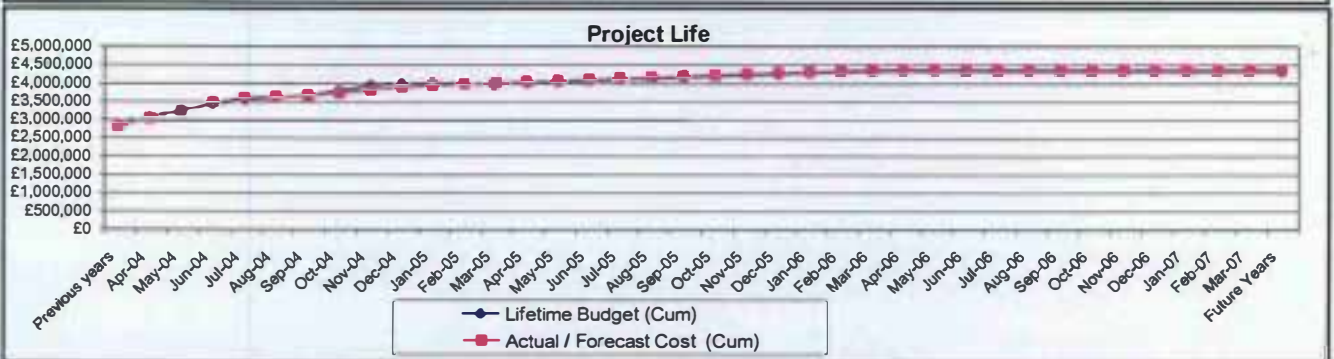
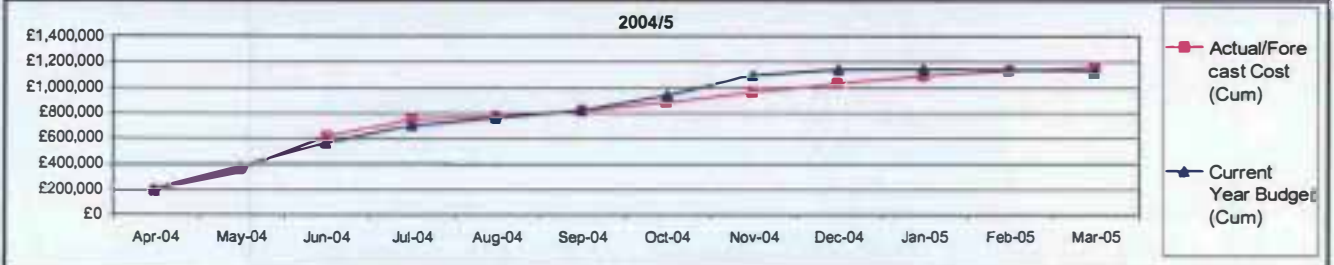
C = Commercially Confidential
*** = Paper enclosed**



Agenda Item 4a

Project: ITI Development		Project Manager: John Saunders			
Report for Month Ending: 30-Sep-04			End Date:		
Start Date:			End Date:		
Overall Progress Status	Expenditure 2004/5		Project Life Funding		
Progress Key:		Finance Key:			
On track for successful completion as programmed.		Within 10% of estimate			
Issues have arisen which may delay completion or require discussion/direction.		10 - 20% outside estimate			
Issues have arisen which will delay completion.		>20% outside estimate			
Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Update business Case	1-Feb-03	31-Jan-04		C	
2. Prepare Draft Charging Order and associated	1-Feb-03	15-Sep-03		C	
3. Develop and assemble background material	24-Mar-03	26-Sep-03		C	
4. Draft Charging order to Council	22-Sep-03	30-Sep-03		C	
5. Publication and objection period CO	2-Oct-03	28-Feb-04		C	
6. Negotiation. Public inquiry	3-Oct-03	2-Jul-04		C	
7. Referendum preparation	6-Jan-03	11-Nov-04		IP	
8. Prepare application in Detail	15-Aug-03	15-Nov-04		NS	
9. Final scheme approval by Council	12-Nov-04	15-Dec-04		NS	
10. AiD to Scottish Executive followed by Referendum	16-Dec-04	15-Apr-05		NS	
11. Procurement system Operator	1-May-03	20-Jul-05		IP	
12. Retail Impact study	21-Jan-04	30-Sep-04		IP	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£2,851,571	£2,851,571	£2,851,571	£2,851,571	£2,851,571	£0
2004/5	£1,131,213	£1,131,213	£1,131,213	£1,131,213	£1,156,200	£24,987
2005/6	£0	£358,976	£358,976	£359,333	£359,347	£14
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£3,982,784	£4,341,760	£4,341,760	£4,342,117	£4,367,118	£25,001



Summary of Key Points and suggested course of action:

The report on the Public Inquiry is due from the Reporters by the end of October and they will then report to City Development on the implications of the findings to enable a report to be put before the Council. As preparation for the report for City Development technical advisors are considering the likely impact of making changes to the configuration of the scheme. Advisors are also re-commencing work on the STAG II assessment. Clarification is being sought on the coverage and meaning of particular clauses of the final draft charging order and consideration is being given to how areas can be simplified both from a clarity to the user and from an operational aspect. Minor textual amendments may be recommended to enhance the clarity of the text and the ease of operation.

The report on the economic impact that the congestion charging proposals could have in relation to retail activity in the city centre is being finalised and once approved by the City Centre Management Group will be reported to the Council.

The predicted ITI Development expenditure included in the business case is at variance with that submitted by the Project Manager during April. This results in a predicted overspend of approximately £25,000, but this can be accommodated through savings of a similar scale which have been identified in the ITI Procurement budget.

A programme is currently being developed to identify the various milestones and tasks requiring implementation to ensure that the Congestion Charging scheme could become operational in Spring 2006. Once the programme is developed the cost implications will be assessed. As budgets stand at present it would not be possible to fund any additional development work during this current financial year.

Details relating to the City of Edinburgh Council Information Campaign are, as of 1st July, subject to a separate Operating Committee report.

"I confirm that this report provides an accurate overview of the project progress and finance."

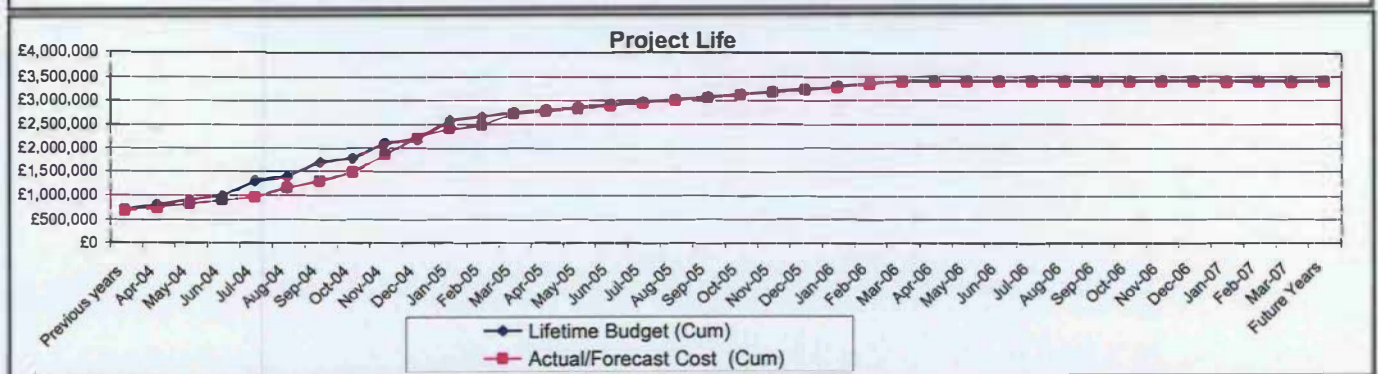
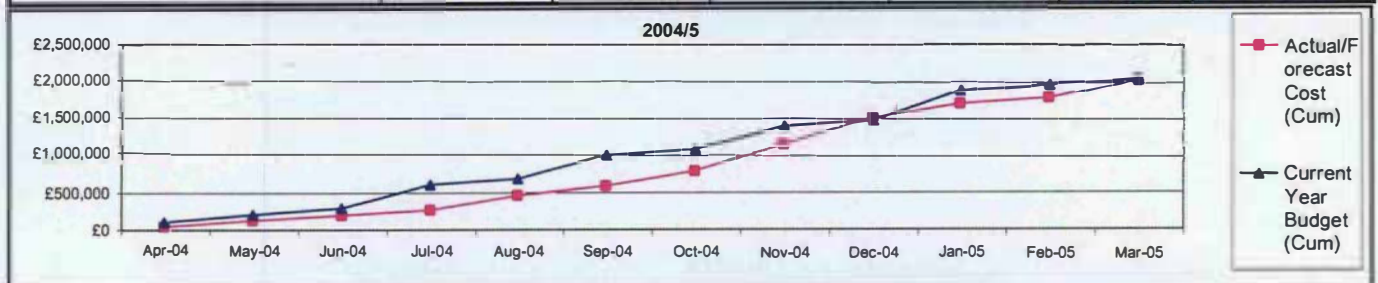
Project Manager's signature:

Date: 11/10/04

Project Director's signature:

Date: 14/10/04

Project: ITI Procurement		Report for Month Ending: 30-Sep-04		Project Manager: Seamus Healy		
Start Date:		End Date:				
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
				81%		
Progress Key:				Finance Key:		
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 – 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)	
1. Complete Evaluation of System Procurement Tenders	8-Apr-04	14-May-04		C		
2. Contract with Agreed System Integrators (SI)	14-May-04	14-Jun-04		C		
3. SIs Team Mobilisation Complete	14-Jun-04	5-Jul-04		C		
4. Macro Designs Complete (Business Modelling)	5-Jul-04	16-Aug-04		C		
5. Technical Designs Complete	6-Aug-04	8-Nov-04		IP		
6. Architecture Designs Complete	23-Oct-04	6-Dec-04		NS		
7. Prototypes Design and Build Complete	9-Aug-04	28-Oct-04		IP		
8. Prototype Tests Complete	28-Oct-04	8-Dec-04		NS		
9. Complete Evaluation of Stage 1 Designs	20-Dec-04	21-Jan-05		NS		
10. Finalise Stage 2 Contract Schedules	24-Jan-05	18-Feb-05		NS		
11. Exercise Stage 2 Option with Chosen SI	21-Feb-05	18-Mar-05		NS		
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£694,159	£694,159	£694,159	£694,159	£694,159	£0
2004/5	£2,048,701	£2,048,701	£2,048,701	£2,048,701	£2,023,700	£25,001
2005/6	£0	£663,358	£663,358	£663,358	£663,358	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£2,742,860	£3,406,218	£3,406,218	£3,406,218	£3,381,217	£25,001



Summary of Key Points and suggested course of action:

Operations
 Business Process designs complete for both contractors. Technical and prototype designs are progressing.

Financial
 Spend profile for August was approximately as expected across most spend areas with the exception that a major milestone payment for one of the contractors will now be realised in September due to acceptance criteria timetable.

"I confirm that this report provides an accurate overview of the project progress and finance."

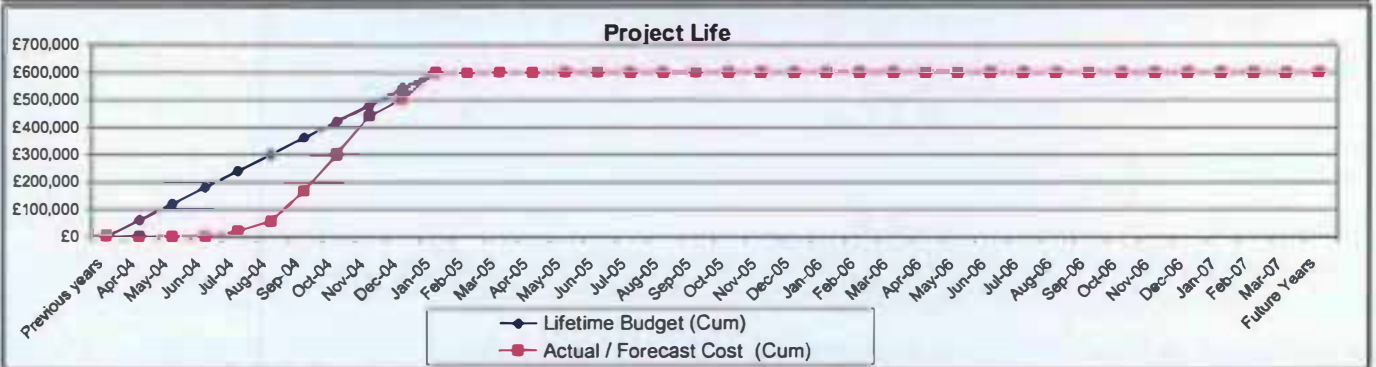
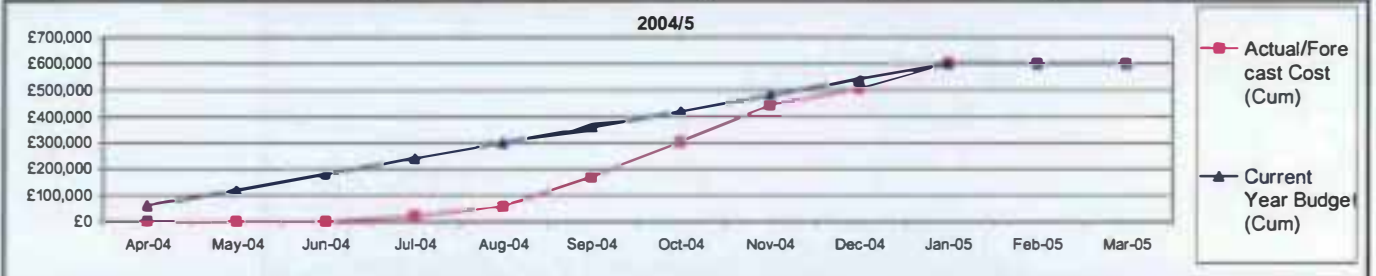
Project Manager's signature: _____ Date: 12/10/04

Project Director's signature: _____ Date: 14/10/04

Project: ITI Information Programme	
Report for Month Ending: 30-Sep-04	Project Manager: Sue Campbell
Start Date:	End Date:
Overall Progress Status	Expenditure 2004/5
	100%
Progress Key:	Project Life Funding
On track for successful completion as programmed.	100%
Issues have arisen which may delay completion or require discussion/direction.	
Issues have arisen which will delay completion.	
Finance Key:	Progress (NS,IP,C)
	Progress Status (G,Y,R)
Critical Path / Milestone Items	Original Start Date
	Original Completion
	Revised Completion
	Progress (NS,IP,C)
	Progress Status (G,Y,R)

1. Information Programme development and implementation	1-Apr-04	Date of Referendum	IP

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£0	£0	£0	£0	£0	£0
2004/5	£600,000	£600,000	£600,000	£600,000	£600,000	£0
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£600,000	£600,000	£600,000	£600,000	£600,000	£0



Summary of Key Points and suggested course of action:

Operational

A number of initiatives are underway within Transport Edinburgh's Communications Strategy. These include a Transport Edinburgh which will be available by 18/19 October. The next edition of Outlook will feature a 12 page supplement on Transport Edinburgh and three schematic maps of Transport Edinburgh. A general leaflet is in production and will carry details on TE and "How to have your say" in the forthcoming referendum. A referendum programme to include the drafting of a ballot information sheet, question, timeline and management of communications activity is underway. Bus Rears Advertising is progressing with the next tranche displayed throughout November and further displays throughout December. A public transport map is being developed and features a public transport network map and the three schematic maps of TE. This will be distributed freely to the Edinburgh public. A full communications programme has been devised to launch the Public Inquiry report. An invitation to attend the WEBS launch on 1 December has been sent to the First Minister's Office. A communications plan is being drafted.

Market Research into the voting intentions of the Edinburgh Public is at brief stage and three market research agents are being invited to pitch.

New photography is being commissioned for use by Transport Edinburgh.

On going media relations for Transport Edinburgh and Transport continues.

Financial

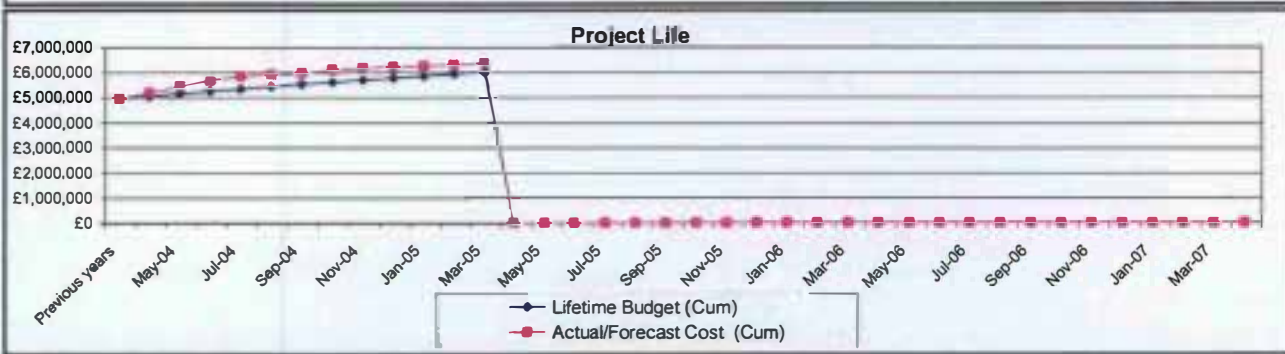
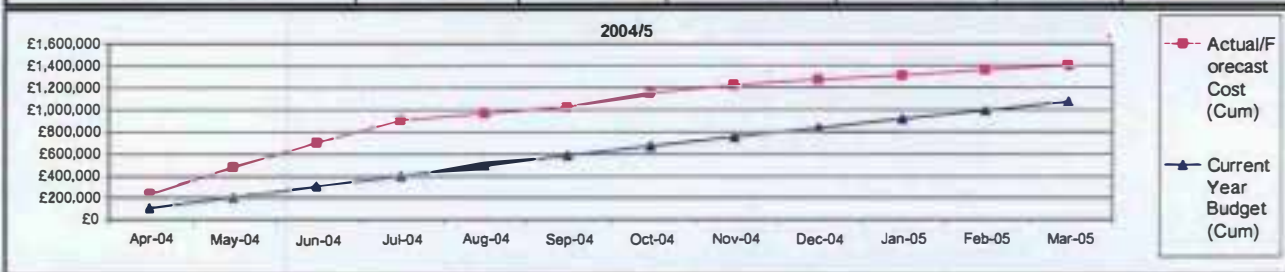
Most committed expenditure has come in under budget.

Project Manager's signature: Project Director's signature:

Date: 15/10/04 Date: 16/10/04

Project: Line 1 North Edinburgh Tram Parliamentary Order						
Report for Month Ending: 30-Sep-04			Project Manager: Kevin Murray			
Start Date:			End Date:			
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
		130%				
Progress Key:			Finance Key:			
On track for successful completion as programmed.			Within 10% of estimate			
Issues have arisen which may delay completion or require discussion/direction.			10 - 20% outside estimate			
Issues have arisen which will delay completion.			>20% outside estimate			
Critical Path / Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Prepare and Deposit Parliamentary Documents		1-Jul-02	23-Dec-03		C	
2. Support Parliamentary Process Leading to Royal Assent		1-Jan-04	24-Dec-05		IP	
3. DPOF Appointment of Operator		2-Jul-03	29-Apr-04		C	
4. Third Party & Stakeholder Liaison		5-Jan-04	20-Dec-05		IP	
5. Publication & Making of TRO's		6-Jan-04	1-Jul-06		IP	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£4,952,237	£4,952,237	£4,952,237	£4,952,237	£4,952,237	£0
2004/5	£1,072,763	£1,072,763	£1,072,763	£1,072,763	£1,398,010	£-325,247
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£6,025,000	£6,025,000	£6,025,000	£6,025,000	£6,350,247	£-325,247



Summary of Key Points and suggested course of action:

Operational issues:
The ETL1 Bill was introduced to the Scottish Parliament on 29 January 2004. 197 objections. The parliamentary committee has held 6 meetings and will reconvene after the autumn recess. The committee has asked for clarification and comments on a number of subjects and has submitted five responses on behalf of the promoter. A further response of written evidence answering fourteen questions will be submitted by 22nd October. It is anticipated the committee will then start to take evidence from a range of witnesses including the promoter.

The programme for the development and making of the Traffic Regulation Orders (TROs) is currently on hold pending the development of an integrated transport proposal, which is being developed by the tram operator in conjunction with bus operators. A strategy for the future interaction of CETM with the tram still has to be agreed with the Council. Additional design development work, for example liaison and development with Public Utilities and with Interfacing Projects (CETM, Capital Streets Project, etc.), is on hold pending release of the relevant budgets.

Financial issues:
The parliamentary process has lasted longer and required more detailed information than anticipated. In order to satisfy the parliament information generated and resources used in the development of procurement and operator involvement will be required. Additional development funding will also be required for 2004/5.

The ETL1 costing for 2004/5 including an element of cross funding from ETL2, which reflects work carried out on the common section and the significant issues requiring resolution in the city centre. Elements of project implementation work valued at £325,000 have been carried out in addition to the development work required to support the parliamentary process.

Date: 14/10/04 Date:

"I confirm that this report provides an accurate overview of the project progress and finance."
Project Manager's signature: [Signature] Project Director's signature: [Signature]
Date: 14/10/04 Date:

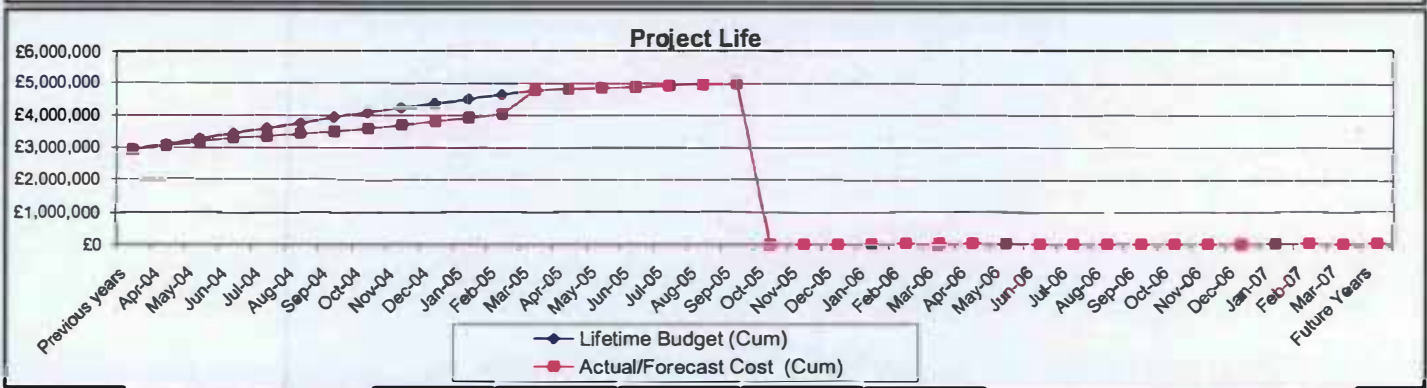
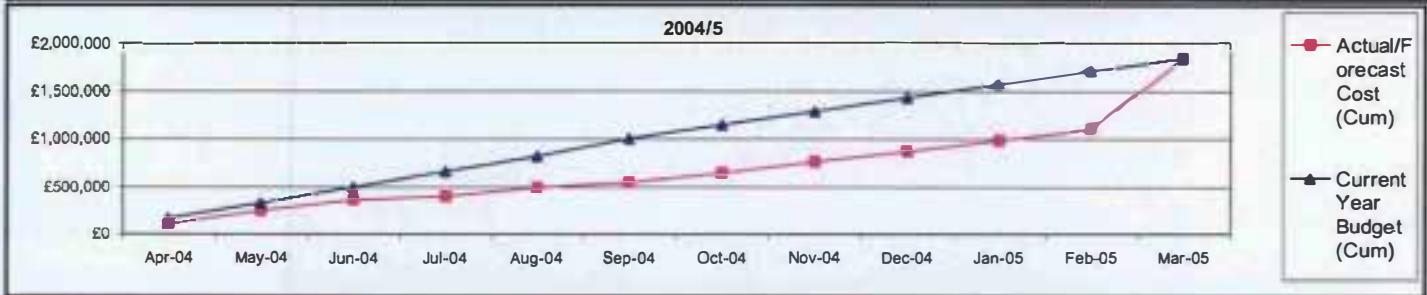
Project: Line 2 West Edinburgh Tram Parliamentary Order

Report for Month Ending: 30-Sep-04	Project Manager: Geoff Duke
Start Date:	End Date:
Overall Progress Status	Expenditure 2004/5
	100%
	Project Life Funding
	100%

Progress Key:	Finance Key:
On track for successful completion as programmed.	Within 10% of estimate
Issues have arisen which may delay completion or require discussion/direction.	10 - 20% outside estimate
Issues have arisen which will delay completion.	>20% outside estimate

Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Prepare and Deposit Parliamentary Documents	4-Oct-02	24-Dec-03		C	
2. Support Parliamentary Process Leading to Royal	1-Jan-04	20-Dec-05		IP	
3. DPOF Appointment of Operator	2-Jul-03	29-Apr-04		C	
4. Third Party & Stakeholder Liaison	5-Jan-04	20-Dec-05		IP	
5. Publication & Making of TROs	6-Jan-04	1-Jul-06		IP	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£2,940,316	£2,940,316	£2,940,316	£2,940,316	£2,940,316	£0
2004/5	£1,838,360	£1,838,360	£1,838,360	£1,838,360	£1,838,360	£0
2005/6	£221,324	£221,324	£221,324	£221,324	£221,324	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£0

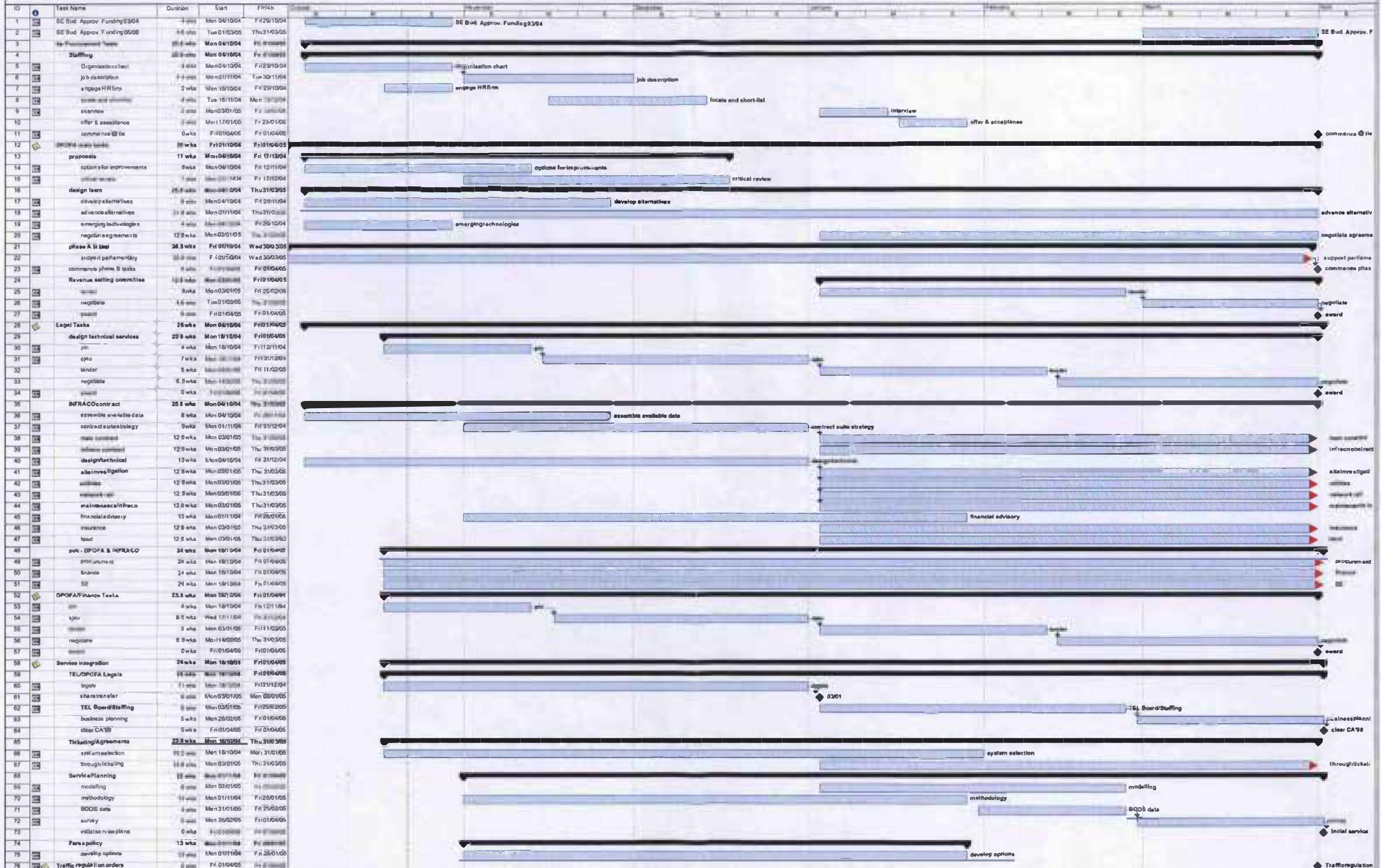


Summary of Key Points and suggested course of action:

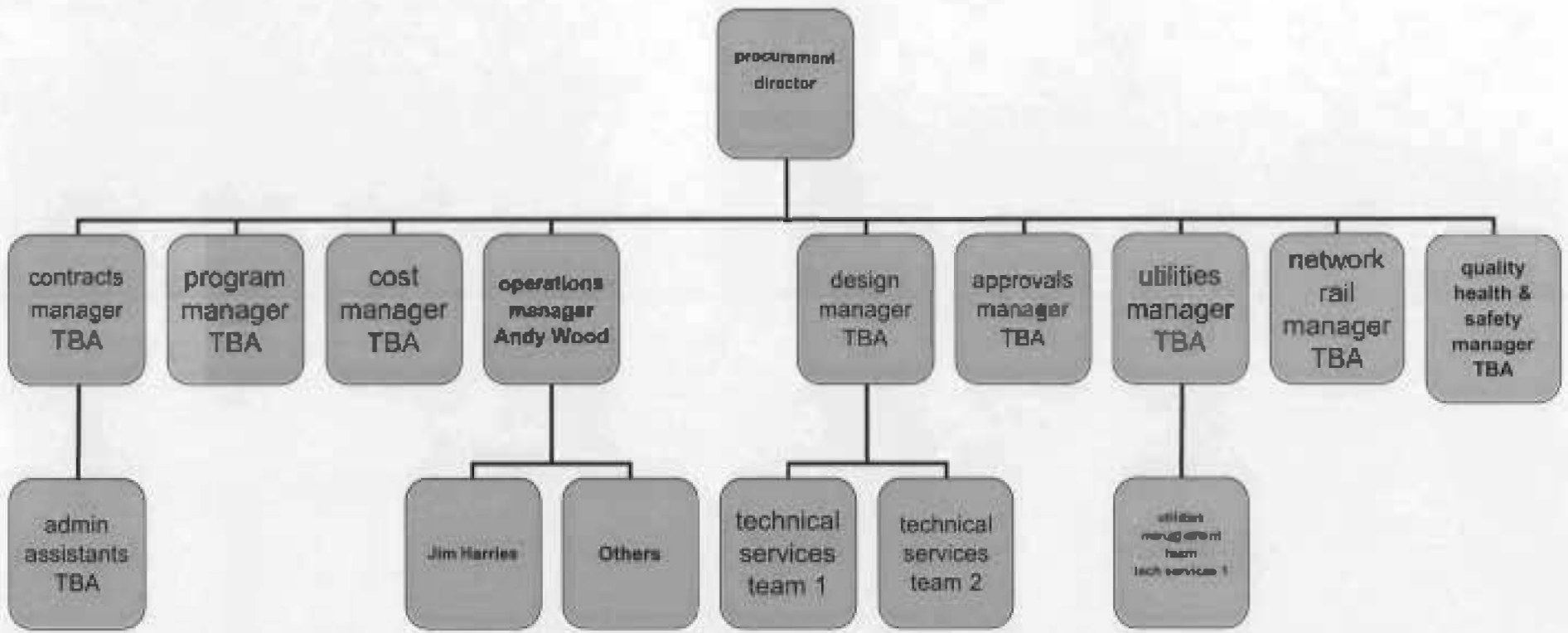
Operational issues:
 The ETL2 Bill was introduced to the Scottish Parliament on 29 January 2004 and 82 objections were received. The parliamentary committee has held 6 meetings and will reconvene on 27 October after the autumn recess. The committee has asked for clarification and comments on a number of subjects and tie has submitted 3 responses on behalf of the promoter. A further response of written evidence answering 15 questions, including the interrelationship of Line 2 and EARL, will be submitted by 22 October. It is anticipated the committee will then start to take evidence from a range of witnesses including the promoter. Negotiations are ongoing with objectors.
 The programme for the development and making of the TROs is currently on hold pending the development of an integrated transport proposal, which is being developed by the tram operator in conjunction with bus operators. A strategy for the future interaction of CETM with the tram still has to be agreed with the Council. Additional design development work, for example liaison and development with Public Utilities, is on hold pending release of the relevant budgets.

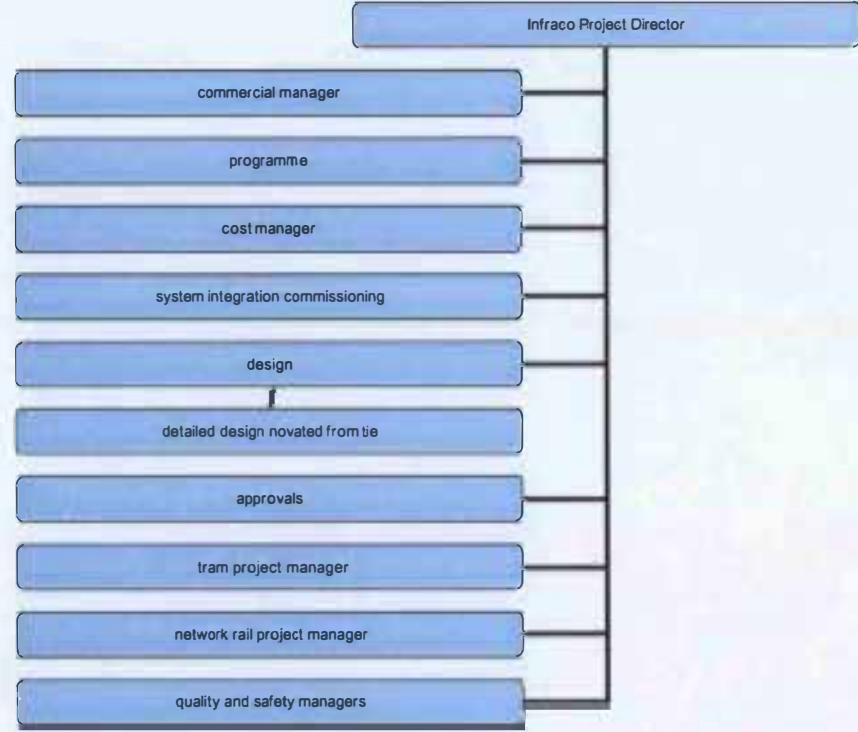
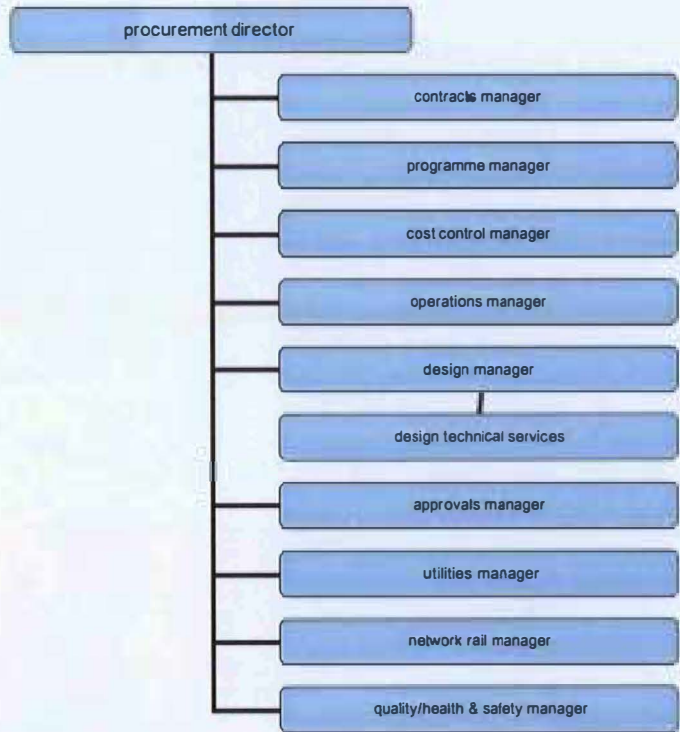
Financial issues:
 The parliamentary process has lasted longer and required more detailed information than anticipated. In order to satisfy the parliament, it is likely that information generated in the development of procurement and operator involvement will be used. Additional development funding will also be required for 2004/5. The original budget for this tranche of work developed with tie's advisors has been managed down and is being closely monitored. £163,220 has been transferred to the Line 1 budget. This reflects work carried out on the common section and the significant issues requiring resolution in the city centre. FM have submitted a claim for £175k for additional work incurred in meeting the programme for Bill submission. tie does not consider that this claim is justified.

"I confirm that this report provides an accurate overview of the project progress and finance."
 Project Manager's signature: [Redacted] Project Director's signature: [Redacted]
 Date: 13/10/04 Date: 14/10/04



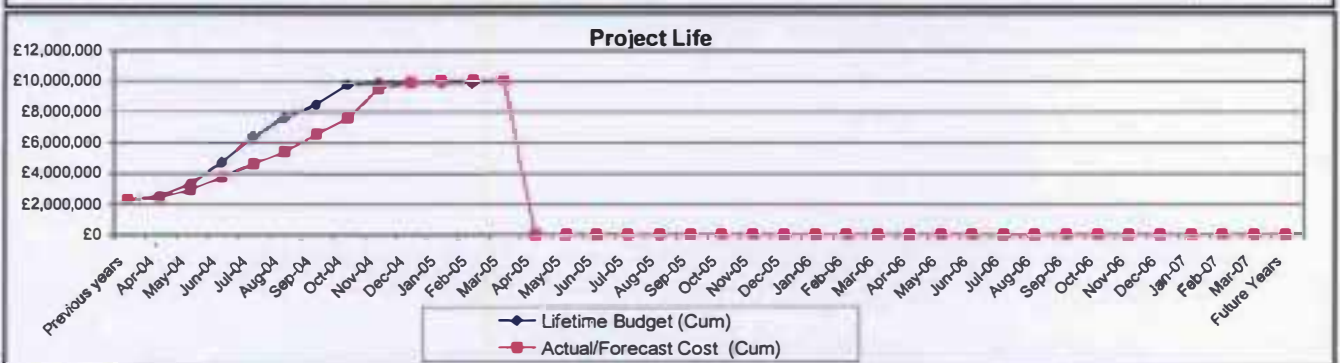
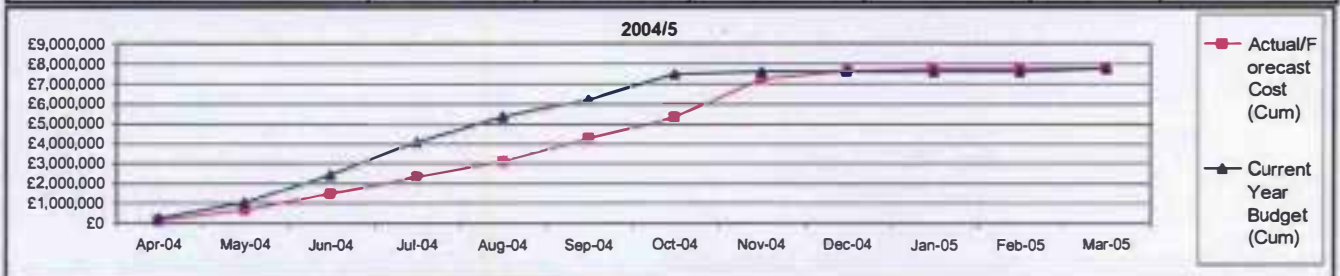
TRS00018644_0052





PROCUREMENT DELIVERY TEAMS AND INTERFACES

Project: West Edinburgh Busways						
Report for Month Ending: 30-Sep-04			Project Manager: Lindsay Murphy			
Start Date:			End Date:			
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
		100%		100%		
Progress Key:				Finance Key:		
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 – 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path / Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
2. Guideway Design		20-Jan-03	27-Jun-03	15-Sep-03	C	
3. Acceptance of target cost		27-Jun-03	11-Jul-03	3-Nov-03	C	
4. Guideway Construction		11-Jul-03	24-Mar-05	19-Oct-04	IP	
5. On Street Preliminary Design		5-Aug-02	7-Feb-03		C	
6. TROs		7-Feb-03	6-Feb-04	25-Oct-04	C	
7. On Street Detailed Design		7-Feb-03	1-Oct-03		C	
8. Appoint On Street Contractor		10-Mar-03	1-Oct-03	22-Apr-04	C	
9. On Street Construction		13-Oct-03	24-Mar-05	19-Oct-04	IP	
10. Driver Training		11-Nov-04	24-Mar-05	22-Nov-04	IP	
11. Buses Operating for Public		24-Mar-05	24-Mar-05	29-Nov-04	NS	
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£2,273,022	£2,273,022	£2,273,022	£2,273,022	£2,273,022	£0
2004/5	£7,771,578	£7,771,578	£7,771,578	£7,771,578	£7,771,578	£0
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£10,044,600	£10,044,600	£10,044,600	£10,044,600	£10,044,600	£0



Summary of Key Points and suggested course of action:

Construction of the Guideway is nearing completion. The Final Inspection by the HMRI has been rescheduled for early November. Following the last Operations and Maintenance meeting the Council were sent a letter of permission to test. ERDC are continuing with the on street bus priority measures contract with the widening of Stevenson Drive to accommodate a new bus lane. The programme has been revised to align completion with the guideway works. Some difficulties arose requiring design changes due to Fibre optic ducts hence some further costs have been incurred. TRO's were approved by the Council Executive on the 27th of July 04 reviewed at scrutiny on the 1st September 04 then referred to full Council on the 16th of September 04. Orders should be in place for the 1st of November.

An assessment of the remaining risks was undertaken and it was demonstrated that some contingency should be retained. In conjunction with Transport Planning, elements have been prioritised that were required to be added back in to the contract to deliver a fully configured and operational scheme. These considerable additional works are underway they include surfacing areas of Carriageway which were demonstrated to be sub standard before being painted for bus lanes. CCTV, Real time, further transport study work, network improvements to traffic signals which arose from the TRO and Safety Audit process and were highlighted as essential. These costs and contingencies are reflected in the revised profile.

Lothian have taken delivery of the first of their new fleet. Both the guideway and the on street bus priority measures contracts will be complete including HMRI approvals and considerable additional works in advance of the Launch. Discussions are underway with CEC and Lothian to define an operational start date, this will require a period of 4 to 6 weeks for driver training.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: _____ Date: 13/10/04

Project Director's signature: _____ Date: 14/10/04

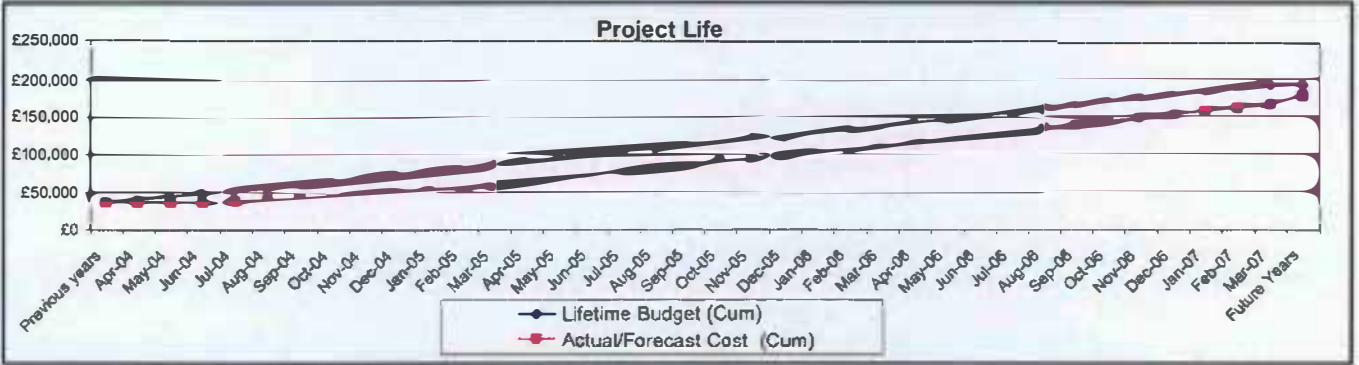
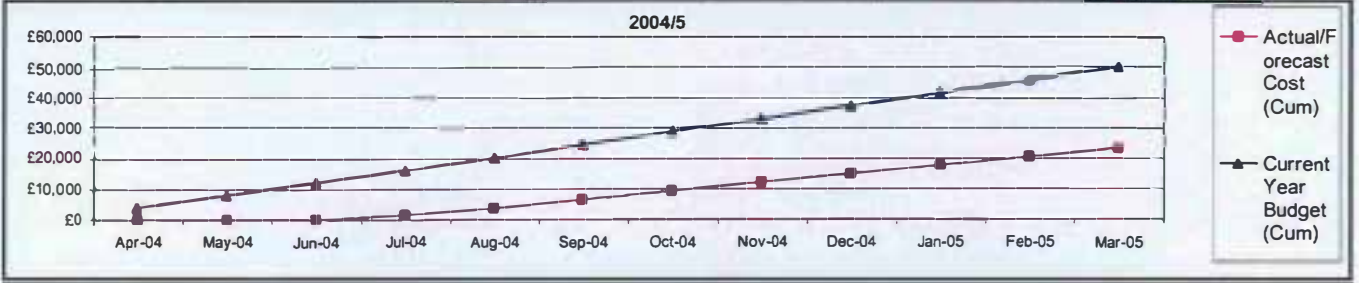
Project: "One Ticket"		Project Manager: Stuart Lockhart	
Report for Month Ending: 30-Sep-04	Start Date:		
End Date:	Overall Progress Status		
Expenditure 2004/5		Project Life Funding	
47%		108%	

Progress Key:
 On track for successful completion as programmed.
 Issues have arisen which may delay completion or require discussion/direction.
 Issues have arisen which will delay completion.

Finance Key:
 Within 10% of estimate
 10 – 20% outside estimate
 >20% outside estimate

Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Distribution & Marketing Strategy (Report)	1-Jan-03	28-Feb-03		C	
2. Project Start-Up	1-Apr-03			IP	
3. Appointment of Marketing Assistant / Administrator	14-Feb-03	28-Apr-03		C	
4. Implementation of Distribution and Marketing Strategy	1-Apr-03			IP	
5. Appointment of Marketing Assistant / Administrator	26-Sep-03	5-Nov-03		C	
6. Appointment of Business Development Manager	1-Jul-03	1-Apr-04	1-Jan-05	NS	
7. Appointment of Marketing Assistant / Administrator	6-Jan-04	6-Jan-04		C	
8. Business Planning (SE)	1-Jan-04	31-Mar-04		C	
9. Scotrail Involvement in Scheme	1-Apr-04	1-Apr-04	1-Apr-05	NS	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£36,365	£36,365	£36,365	£36,365	£36,365	£0
2004/5	£49,982	£49,982	£49,982	£49,982	£23,303	£26,679
2005/6	£51,982	£78,661	£51,982	£51,982	£51,982	£0
2006/7	£54,061	£80,740	£54,061	£54,061	£54,061	£0
Future Years	£0	£26,679	£0	£0	£12,282	-£12,282
Total for Project Life Cycle	£192,390		£192,390	£192,390	£177,993	£14,397



Summary of Key Points and suggested course of action:

No material change to financial prospects compared to June report

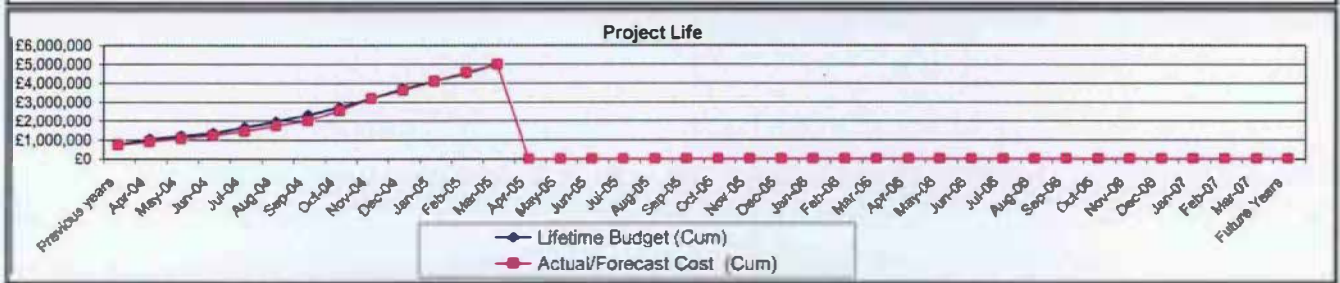
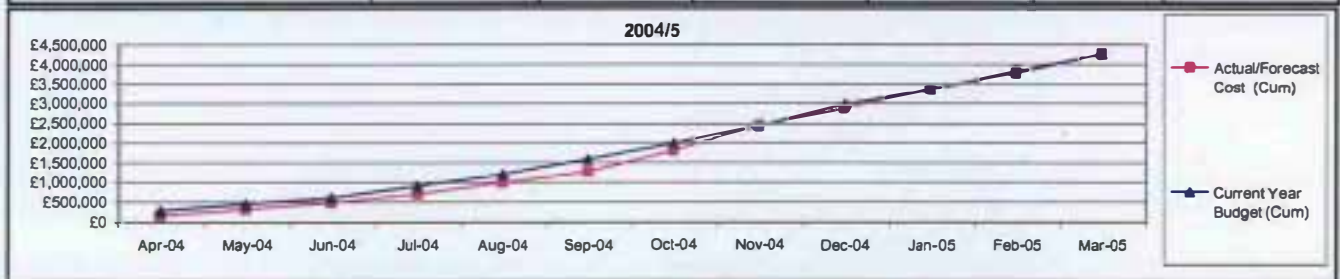
- The only costs incurred by tie are those relating to the employment of a Marketing Assistant/Administrator. The current incumbent, Ian Carter became a member of ties staff on 1st July 2004.
- The TAS Partnership carried out a fully funded business review and their final report is now available.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: [Redacted]
 Date: 11/10/04

Project Director's signature: [Redacted]
 Date: 14/10/04

Project: Edinburgh Airport Rail Link						
Report for Month Ending: 30-Sep-04			Project Manager: Susan Clark			
Start Date:			End Date:			
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
Progress Key:						
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 - 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path / Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Complete WP1		19-Jan-04	31-May-04	31-May-04	C	
2. Receive Marketing Tenders		27-May-04	27-May-04	27-May-04	C	
3. Receive Finance EOI's		25-May-04	25-May-04	25-May-04	C	
4. Award Marketing Contract		22-Jun-04	22-Jun-04	22-Jun-04	C	
5. Award Finance Contract		27-Jul-04	27-Jul-04	27-Jul-04	C	
6. Consultation Phase & Media Launch		13-Sep-04			Delayed	
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£744,204	£744,204	£744,204	£744,204	£744,204	£0
2004/5	£4,255,796	£4,255,796	£4,255,796	£4,255,796	£4,255,796	£0
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£5,000,000		£5,000,000	£5,000,000	£5,000,000	£0



Summary of Key Points and suggested course of action:

Update for month of September

Operational
The Minister has now agreed to the launch of Public consultation for EARL. A date for this is now being fixed and following this the programme will be reviewed to ascertain the full impact of this delay.

Technically, work has been progressing on production of engineering drawings and review sessions for these are being set up during November. Meetings have been held with HMRI and a letter of no objection to the concept has been received from HMRI. Meetings with the Fire Brigade arranged to discuss ventilation & evacuation measures for the tunnel. In addition a further contract for demand modelling has been awarded to review the work done by SKM. This will feed into the business case.

Procurement strategy work progresses with ideas now developing about early works. These will include further GI, potential minework stabilisation, utility diversions, tender preparation, land acquisition and environmental monitoring. A paper is with SE about some advance works required to allow the construction of the BAA East Pier.

Finally, there is still no word from SE concerning who is to promote the bill. This must be resolved to ensure the correct approvals are in place prior to the bill being lodged.

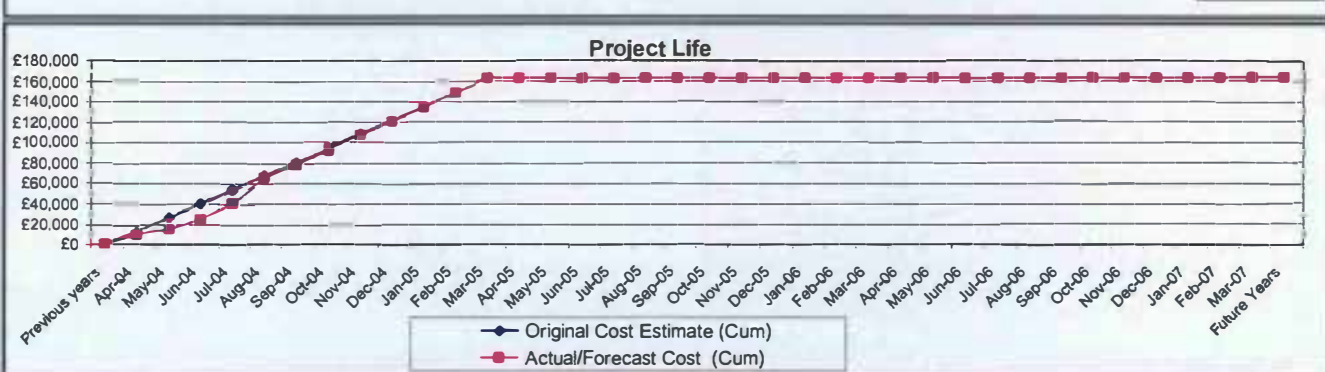
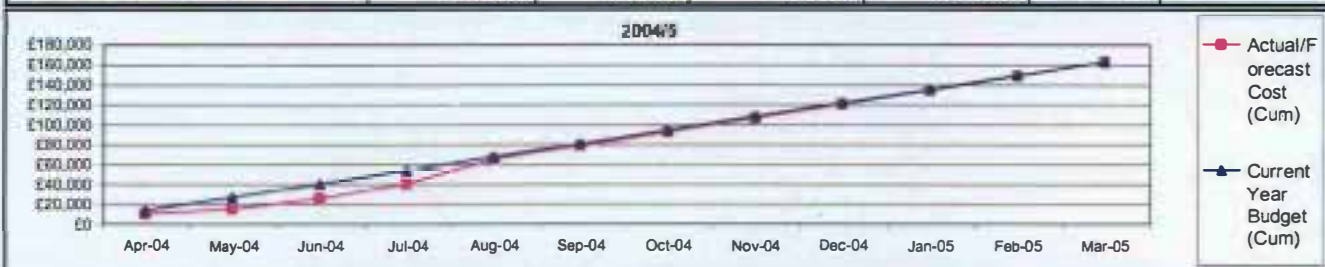
Financial
Project spend has increased due to all EARL advisors now being on board.
2003 Spend - £744,204.
Sept 2004 Spend - £328,583.
2004 Spend to Date - £1,328,601.
Projected spend for the year end £4,255,796.

“1

Project Manager's signature: [Redacted]
Date: 19/10/04

Project Director's signature: [Redacted]
Date: 19.10.04

Project: Stirling Alloa Rail Link						
Report for Month Ending: 30-Sep-04			Project Manager: Richard Hudson			
Start Date:			End Date: 30-Apr-06			
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
		100%		100%		
Progress Key:				Finance Key:		
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 - 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path / Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Parliamentary Approval		1-Jul-04	1-Jul-04		C	
2. Royal Assent		10-Aug-04	10-Aug-04		C	
3. Submit Commissioning Report		31-Jul-04	31-Jul-04		C	
4. Appoint GI Contractor		23-Jul-04	23-Jul-04		C	
5. Agree Asset Protection Agreement with NR		27-Aug-04	27-Aug-04		IP	
6. Agree Target Cost and Programme		25-Oct-04	25-Oct-04		IP	
7. Asset Protection Agreement Signed by NR		10-Dec-04	10-Dec-04		NS	
8. Completion - Phase 1		10-Dec-04	10-Dec-04		IP	
9. Commencement - Phase 2		3-Jan-05	30-Apr-06		NS	
10. Line Opening			30-Apr-06		NS	
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£0	£0	£0	£0	£0	£0
2004/5	£162,958	£162,958	£162,958	£162,958	£162,958	£0
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£162,958	£162,958	£162,958	£162,958	£162,958	£0



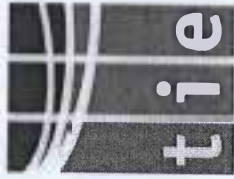
Summary of Key Points and suggested course of action:

- This project is currently under review.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: _____
Date: 19.10.04

Project Director's signature: _____
Date: 20.10.04



Agenda Item 4c



Congestion Charging Reporters' Report

The report of the Reporters' findings and conclusions from the Public Inquiry has now been received by the Council and in parallel with a Press Briefing held on Monday 18th October the findings have now been made public.

The report is fully supportive of both the proposal to introduce congestion charging in Edinburgh and all of the major elements of the proposal. The report concludes that there is a congestion problem that needs to be resolved and supports the concept of introducing a twin cordon based charging scheme, where motorists would be required to pay a £2.00 per day charge if they wished to cross any cordon during a charging period. They also concur with tie and the Council's view that the charge should be applicable Monday to Friday and that the outer cordon should operate during the morning peak period, whereas the inner cordon should operate from 7.00am until 6.30pm.

The Reporters do however make some recommendations relating to amendments that they feel should be made in relation to the exemptions, some of the cordon crossing point locations, the range of payment methods and arrangements, etc.

They recommend that, if the fair treatment criterion is to be met, it would be essential that the proposed exemption from outer cordon charges for those Edinburgh residents who live outwith the outer cordon should be removed. They also have suggested that the categories of exempt vehicles should be reduced to the minimum level that are prescribed in the as yet to be published SE Exemption Regulations. In relation to the detail of the proposal they have recommended changes to the locations of 8 cordon crossing points; some changes result from matters raised by objectors at the Inquiry and others are as the Reporters feel that moving the locations will produce a more equitable solution. Also regarding the proposed payment methods and arrangements they recommend that the time allowed for payment of the charge should be extended by 24 hours and they have also suggested that the practicality should be investigated of introducing a process of purchasing pre-paid licences that could then be used "as and when" required by the purchaser.

The Reporters' findings and recommendations, which feature as Sections 4 and 5 of their Report, are both appended for information to this report.

The Reporters should be thanked for conducting the Inquiry and throughout adopting a professional manner that ensured that they were able to adhere to the Inquiry timetable and also for the fact that they have subsequently been able to complete and present the report of their findings and recommendations in such a timely manner.

The Board is asked to note the position.
D Burns 19th October 2004

**Sections 4 and 5 from the
Reporters' Report
of the Findings and Conclusions
from the Public Inquiry into the
proposed Congestion Charging Scheme**

SECTION 4: OVERALL ASSESSMENT OF THE CONGESTION CHARGING SCHEME

Introduction

4.1 This section culminates with an assessment of the scheme against the policies and criteria set out or summarised in Appendix A. As a necessary stage towards those crucial conclusions, we have considered the practical effects of the scheme, as put to us by CEC/tie, objectors, and the smaller number of supporters of the scheme. It may be useful to explain that, with regard to the inquisitorial nature of the procedure and to practicalities where there is such a large number of objections, we have concentrated on topics that could have a material bearing on the ultimate recommendations. We have thus not seen it as necessary or appropriate to refer to every point in every representation, or on each issue to explain with elaborate reasoning why a particular point of view is accepted or rejected. However, in order to give fair consideration to all involved, in reviewing our conclusions we have had regard not only to the summaries of cases in sections 2 and 3 but to the whole body of evidence, written submissions and documentation, besides observations made on our tours of inspection within the city and its adjoining areas. We are satisfied that there is nothing, in all the material not specifically addressed in this section, whether or not touched upon in previous sections, that could materially affect the ensuing recommendations.

4.2 We have found it useful, and trust that it may be equally so for users of the report, to set out conclusions on preliminary issues as answers to a series of 20 questions, leading to overall assessment against relevant policies and criteria. Where reference is needed in these conclusions to an objective measurement of congestion, that regarded as most useful, from those available to us, is "observed vehicular flow at peak periods compared with nominal design, physical or environmental capacity of the highway link, expressed as a percentage".

(1) Is the Congestion Charge nothing more than a "tax" on motorists?

4.3 The Objection that the ECCS would be nothing more than a tax on road users passing inbound one of the inner or outer cordon of charging points strikes at the heart of the congestion charging scheme. It is no part of our task to review the current method of charging for the use of roads in the United Kingdom. However, the ECCS is clearly an addition to what is currently in place, and its relationship to the generality of charging arrangements was a matter of concern to both supporters of, and objectors to, the scheme. The essence of the objection is that the introduction of the charge would amount to double taxation because vehicle owners already pay for road usage by means of vehicle excise duty and fuel tax. The former is a fixed cost payable regardless of vehicle use; and the latter varies roughly in proportion to the number of vehicle miles travelled.

4.4 At the inquiry it was put to us by objectors to the ECCS, including the AA Motoring Trust, that for many years road users as a class have, through the levying of taxes, paid substantially more than has been spent on the provision and maintenance of the road network, all to the detriment of the economy in general and the interests of road users in particular. On the other hand supporters of the charge (Transform Scotland) drew on a variety of research to demonstrate: first, that road users as a class are not particularly heavily charged for road use when compared with those in other European countries; and, second, that when the social costs imposed by road users are taken into account motor vehicles as a class are under, rather than over, charged for their use of the road network.

4.5 Under the present system there is no direct relationship between the revenues generated by taxation and the capital cost of provision and the operating costs of maintaining the road network. Taxes on fuel and vehicle excise tax are not charges for road use; they are charges on road users

which it would be an offence not to pay. Road user charges, including congestion charges, differ from road taxes because what is paid is tied *directly* to what routes are being used and when and how they are being used.

4.6 We are aware of the current interest in developing a scheme of road charging to be introduced nationwide. This would be designed to ensure that road users pay the actual costs of their journey including the environmental costs (e.g. noise, carbon emissions) and social costs (e.g. accidents, time delays) that they impose on society. The underlying thinking is that if the individual road user has to pay to cover the costs of making a trip, this will enable informed judgments about which journey choice is the most efficient. Although the principles are clear, it seems that their practical application in a UK context is still a considerable way off. In the meantime the Scottish Executive has indicated its policy support for road user charging implemented by local authorities and the legislative framework has been put in place within which initiatives can be promoted in order to address local issues such as those which have been identified in Edinburgh.

4.7 There appears to be a prevailing consensus amongst those living and working in Edinburgh that traffic congestion on particular links of the road network, and at some times, presents a problem which has to be addressed. Although there is disagreement about the extent of the problem and, related to that, the appropriate forms of intervention which should be introduced, it is also widely accepted that the problem arises from an excess of demand from motorists for scarce road space at peak periods of traffic flow. The solution favoured by the Council is a policy package which has at its heart demand management in the form of a congestion charge designed to reduce congestion. The net revenues generated by the charge would be applied to the provision of alternative means of transport to the private car and the mitigation of any environmental impacts concomitant on the introduction of the charge. At the inquiry we received an assurance from the Council that the scheme which it proposes could be readily dovetailed technically and without excessive cost with any scheme which might be introduced nationwide within the life of the proposed ECCS.

4.8 Drawing these matters together, we are in no doubt that the proposed ECCS can be properly referred to as the form of road user pricing commonly called a congestion charge, and it would not be proper to refer to it as a tax.

(2) Has the problem of current and forecast traffic congestion in Edinburgh been exaggerated?

4.9 There was no dispute at the inquiry that congestion is caused by a lack of sufficient road space when compared to the demand for it. It results from a deficiency of road capacity relative to the number of trips that road users wish to make. It follows that the basic cause of congestion is not buses, accidents or road works. Traffic management schemes may ease or exacerbate particular problems as they arise. The underlying difficulty is trying to operate with traffic flows too close to the capacity of the network so that any transient incidents will have a disproportionate effect on traffic flows.

4.10 There is undoubtedly a strand of opinion, within the objections, that congestion in Edinburgh is not serious enough to warrant major efforts to deal with it. This is often associated with the observation that matters are certainly worse in many other cities, and with the view that any problems for car drivers in Edinburgh have largely been caused by the authorities' unjustified meddling with the roads in the interest of minority users. In that regard this second question relates closely to the third.

4.11 We have no difficulty in agreeing that on the vast majority of roads and streets within Edinburgh there is spare physical capacity at all times. However, problems arise on certain well

trafficked routes but, even then, only at particular times. Accordingly, what has to be dealt with is the well known "problem of the peak"; and small increases/decreases in traffic flow can have a disproportionate increase/decrease in congestion. On this basis there is much that can be achieved by encouraging those making trips simply to travel at other times when demand can be more closely related to supply. Where that is not possible (notably for the journey to work) then attractive alternatives to space expensive modes of travel (notably the private motor car) should be available (e.g. in the form of buses, heavy rail or LRT trams).

4.0 Looking to the future, the forecasts of future traffic flows in Edinburgh which were brought to our attention showed that these and the concomitant congestion will continue to increase over the next two decades. There is no serious dispute, apart from a few unconvincing suggestions that car use has already reached its 'natural' limits, that the volumes of motor traffic in and around Edinburgh can be expected to continue increasing, in the absence of measures to manage demand and at the same time provide attractive alternatives to the motor car and encourage their use. The CCRG suggested that a lack of urgency was indicated by predictions from the TEMPRO suite of traffic models that volumes of Edinburgh-bound car traffic would, without intervention, increase by less than 14% in the period 2001-2021. Even if that figure is accepted as reliable, it would indicate a growth in congestion, on important routes, of well over 14%. One consequence of continued growth of population and economic activity in outer parts of the city region, including parts of Fife, would be relatively greater car dependency in travel between those areas and Edinburgh, and concomitant further pressure on the road network, especially in west Edinburgh and its approaches.

4.0 We have found it useful to consider congestion as "observed vehicular flow at peak periods compared with nominal design, physical or environmental capacity of the highway link, expressed as a percentage". However, there is no generally agreed criterion for when congestion, even if measured as objectively as possible with the use of traffic data, is severe enough to warrant demand management to limit road use. Thus, we cannot make an objective calculation of whether conditions in Edinburgh have passed some externally set threshold justifying the introduction of the ECCS. It follows that, if current and likely future traffic conditions at peak times on many links of the road network in Edinburgh are held to justify a search for means of alleviating them, precision about traffic flows and travel times is of less importance than confidence in the proportionate effects on those flows and travel times, of the actions contemplated. (This matter is taken up again when we consider whether the modelling suite is fit for purpose.)

4.0 From all the material before us, and from numerous observations on various dates and at different hours of day, we are in no doubt that a complacent view of existing, and likely future, traffic conditions is not soundly based. Indeed that view is held by only a minority of private car drivers, and it is not generally shared by the business community for which efficient and reliable movement of people and goods is vital. Increasing car ownership and usage will lead to more congestion, by whatever reasonable measure or definition, once free flow capacity is exceeded.

4.0 Edinburgh is a city of European stature and it is perfectly understandable that the Council should seek to be in the forefront of efforts to limit congestion and the damage that it causes to business efficiency and quality of the environment. Since we see it as a reasonable judgement that action is needed to deal with present conditions, the justification for trying to avert an otherwise inevitable worsening of those conditions must be all the stronger. Accordingly the major issues that arise, and are implicit in questions addressed below, are whether the particular measures proposed would be effective in achieving their aims, and whether there would be significant undesirable side effects that would need to be taken into account.

(3) Are there viable alternative strategies for dealing with congestion?

4.16 From the evidence before us, it would appear that, in principle there are three ways in which the problem of current and forecast future congestion in Edinburgh could be addressed. These are: by redesigning the city, including the World Heritage site, to accommodate all those who wish to enter using their chosen form of transport (predominantly the private motor car); to allow traffic congestion to ration the allocation of scarce road space; or to try to devise a simple, fair, cost effective, reliable and enforceable set of measures which would make more effective use of existing road space while making provision for the greater use of vehicles (including buses and LRT) which provide alternatives to the space expensive motor car. At the inquiry it was repeatedly stated for the Council that "doing nothing is not an option". This almost self-evident proposition was not challenged by any organised body of objection, though it appears not to have been accepted by all individual objectors. The main matters of dispute emerged from the Council's preference for the ECCS and the associated ITI rather than some other package of measures designed to deal with the challenges of local transport strategy in Edinburgh.

4.17 We are in no doubt that the Council has given lengthy and detailed consideration to how best to deal with the problems presented by current, and likely future, levels of traffic congestion. While some addition to the supply of road space through the building of new and improved links in the network is not ruled out, demand management has emerged as the preferred way forward. The decision to work up a draft congestion charge was based on the conviction that this would be a potent means of meeting twin challenges: the high and rising demand for road space on certain routes in Edinburgh, and the funding of an adequate and suitably attractive array of alternatives to the use of the private motor car. There is a substantial body of objections which take issue with this approach. These can be usefully considered as falling into two main groups. First, there are those who acknowledge that traffic congestion is likely to increase, but consider that, at least for the medium term, there are other means available for funding the infrastructure needed to meet the problem. Second and, often related to the first, are those who consider that there is a raft of traffic management initiatives which, if implemented with sufficient expertise and vigour, would be sufficient in themselves to deal with current and foreseeable difficulties.

4.18 Turning to the first group, closer inspection reveals that the position is underpinned by an expectation that funding made available to the Council out of the Scottish Executive's block grant would be adequate, largely or entirely, to deal with the emerging difficulties. That expectation typically factors in recent allocations to Edinburgh including those for the proposed tram network. We can readily appreciate the reluctance of objectors, even if they accept that traffic congestion requires positive policy intervention, to accede to the view that the policy package requires to incorporate within it an additional source of funding. However, there is no guarantee of the level of Executive funding which will be allocated to Edinburgh in the future. In these circumstances, we agree with the Council that, in making its plans, it would be unwise to rely on a simple projection forward of past trends. We think that it is perfectly understandable that the potential for fund raising from other sources is considered worthy of examination

4.19 From the evidence brought to the inquiry, we find that the prospects of relying on commercial borrowing or on Public-Private Partnerships (PPPs) appear to be limited, particularly in the case of transport infrastructure based on public roads and paths. Despite the arguments for levelling the playing field between city centre retailing and out-of-town and edge-of-town retail parks, the local taxation of private non-residential parking is not at present a possibility in Scotland.

4.20 Subject to safeguards, the principle of requiring developers' contributions to transport infrastructure is endorsed in: national statements of planning policy, Policy TRAN 5(c) of the

structure plan, and in the LTS. However, there is nothing in the material presented to the inquiry, to indicate that this source of funding could be more than a useful but relatively small supplement to the funds needed for comprehensive improvement of the city region's transport operations and infrastructure.

4.21 Some of the suggested alternatives could singly, or in combination, contribute to the funding of transport infrastructure in the city region. However, of the other methods of raising revenue for transport investments, none seems to us sufficiently secure and practicable, and of sufficient scale to be a credible alternative to the stream of net revenue from congestion charging, envisaged by the promoting authority.

4.22 Moving on to the second group, it was suggested that bus lanes should be modified into 'HOT lanes' made available, at a charge, to drivers willing to pay for faster movement, as well as to multi-occupied vehicles. However, we find it clear from the information provided (principally by the AA Motoring Trust) that such facilities have been devised for, and may be appropriate in, circumstances of widely dispersed suburban development, multi-lane expressways and very limited public transport. They seem to have little to commend them by way of practicality or likely effectiveness in a historic and relatively compact European city such as Edinburgh, characterised by rather narrow roads with tight frontage development, and served by a dense network of bus services that would have to contend for HOT lane space with other users.

4.23 Several objectors were worried about bottlenecks within the city and suggested precision-targeting of investment in **tunnels and local diversionary routes**.. For the most part they were vague as to location, although a tunnel under Princes Street and west to Haymarket was proposed. These various propositions have not been backed by any analysis of costs and benefits, or of effects on the city's sensitive heritage of buildings and open spaces. The commended exemplars tend to be schemes too different in character to be clearly relevant to Edinburgh.

4.24 We recognise that the continued reservation of lanes for buses and taxis on several principal routes, and for movements at some junctions, might be a cause of annoyance for car drivers who would not, or could not, contemplate using public transport. However, there was no serious dispute at the inquiry that for those travelling by bus at peak times, such reserved lanes and privileged movements at junctions have provided improvements in speed, timetable reliability and even comfort. It is reasonable to assume that these benefits have attracted some road-users from their cars, thus limiting the growth in congestion for remaining drivers including those of heavy goods and local delivery vehicles. Cycle lanes in central areas linked to effective control of on-street parking are a significant advantage to experienced cyclists, though too intimidating to attract cycling novices. Dedicated phases at traffic lights, pelican crossings and footway build-outs have made a contribution to the safety and convenience of pedestrians.

4.25 Amongst the objectors are those who are convinced that the Council has deliberately contributed to traffic congestion by traffic management schemes designed to impede the passage of the private motor car, to give unwarranted preference to buses and thereby provide an excuse for road user charging. However, they have been unable to underpin their views by objective calculations of the results of returning the road space to car drivers. We find that these objectors have not made a convincing case that reversing the changes already made would do much to assist in making more effective use of road space.

4.26 We are in no doubt that buses contribute to traffic congestion, and can understand the arguments of those who suggest that the contribution is disproportionate. We reject the notion that their removal from the streets of Edinburgh would cure, or even substantially ameliorate, the city's

traffic problems. However, this leaves unresolved the contentious issue for some objectors that the reservation of particular lanes for specific users improves conditions for them but this is inevitably at the expense of other road users for whom the available road space is reduced.

4.27 At the opposite end of the spectrum of representations is the suggestion that massive reductions in car traffic could be achieved through the **re-regulation of bus operators**; this would provide the 'carrot' of much improved public transport without the need to resort to the 'stick' of congestion charging. The regulation of transport operators is a legislative matter not within the scope of this inquiry. Although the merits of Bus Quality Contracts within present legislation were convincingly explained, their contribution must be expected to be locally useful in better co-ordinating existing public transport, rather than able to bring about major investment in new links.

4.28 There is a considerable body of objectors who focus on the relationship between trip generation and the availability of car parking at or near the desired destination. Some of these advocate changes to the provision of parking, particularly in Central Edinburgh, as an alternative to the introduction of a the ECCS; others argue that the provision of more space (by implication at public expense) is the prerequisite of maintaining the viability and vitality of the city centre if the congestion charge were to go ahead in its present form. Once again, although these arguments were put with some force, there was little in the way of convincing factual evidence to support the views expressed.

4.29 We were told at the inquiry, and our own observations confirm, that relatively severe congestion can occur in central Edinburgh on Saturdays and Sundays - and on other proposed non charging days. On these days there are fewer commuting to work, there are fewer buses (concentrations of which according to some representations are a prime cause of congestion), and regulation of on-street parking is relatively relaxed. Given that conditions in central Edinburgh have not yet reached gridlock on week days when pressures are even greater, we can readily accept that strongly enforced **parking controls**, and relatively high **parking charges**, albeit unpopular with some motorists and of concern to businesses in the city centre, have made an important contribution to limiting congestion.

4.30 Further evidence of the deterrent effect of parking charges and limits on parking time is provided by the availability of on-street parking spaces in the city centre, particularly in George Street and the squares at either end, even at the busier weekday shopping times. On the other hand, there appears to be difficulty in finding parking in a wide band outside the **Controlled Parking Zones** (CPZs), especially in the vicinity of major places of employment. On this evidence, we doubt that raising charges or cutting the number of on-street spaces in the city centre would have much effect in limiting the attraction of traffic to inner Edinburgh. In any event the potential for raising revenue for major investment in transport infrastructure by increasing charges, extending inner city CPZs or providing further large-scale inner city parking would be much more limited than some objectors have appreciated, given that revenue from CPZs is currently relatively modest, while schemes such as underground or multi-storey car parks are very expensive.

4.31 Although it would make no difference for those from outside the City Bypass who would already have incurred a charge on entering the outer cordon, it is a fair assumption, built into the modelling done for **tie**, that the inner cordon of charging points would increase the tendency, already associated with the existing CPZs, for commuters from within Edinburgh to park outside the CPZs and walk or take a bus to city centre destinations. It is not difficult to see that adjustment to the CPZs would be a useful concomitant of an inner cordon, but it would not be appropriate for this report to suggest what particular changes there ought to be, as this matter would be dealt with under a separate statutory procedure with opportunities to object. We note in passing that suggestions to

discourage the use of cars by charging for on-street parking anywhere in Edinburgh run up against foreseeable difficulties of enforcement, besides problems of public acceptance and harm to businesses.

4.32 In considering the weight to be given to the various objections that there are viable alternatives to the propose introduction of the ECCS, it is important to recall that the charge would be introduced within the policy framework set by the LTS in association within the package of measures described in the ITI. Experience in Edinburgh suggests that there is much that can be achieved by conventional traffic management measures. Considered within that overall context, many of the strongly held objections can be seen in perspective and their constructive elements as capable of modified accommodation within an evolving transport strategy for Edinburgh. On the other hand, none of the matters raised persuade us that any alternative approach to the ECCS is realistic.

(4) Is the Scheme Belated or Premature?

4.33 The economic basis of congestion charging has been the subject of studies and official reports since at least the 1960s and the ECCS has been in gestation since the days of Lothian Regional Council. However, the required permissive legislation was only introduced in 2001; and proven technology for automated charging only become available with the introduction of the Central London scheme in 2003. Accordingly, it would be hard to fault CEC for being dilatory in introducing a congestion charging scheme in Edinburgh.

4.34 The question whether the scheme is premature in relation to a need to tackle congestion has been covered under question 2. Objectors have also argued that the promotion of the scheme is premature in terms of incomplete subordinate legislation on charging schemes, co-ordination of efforts with other authorities, impending reform of arrangements for transport planning and spatial planning, reliable technology for automated charging, changes to CPZs, measures to limit the effects of increased traffic on some streets that would be used to avoid charges on traditional routes, and availability of public transport improvements before the start of charging.

4.35 It would have provided greater certainty if all the subordinate legislation on detailed matters such as minimum categories of exempt vehicle had been in place. However, the absence of the promised Regulations (which are currently the subject of a consultation exercise) does not affect the principle of the scheme, nor is the final content of subordinate legislation likely to have more than a marginal effect on actual traffic volumes or the net revenues forecast to be generated from the proposed scheme.

4.36 That there is dispute between the Council as traffic authority and neighbour Councils, over the ITI in which is embedded the ECCS, is a much more serious concern. It would certainly have been more favourable to the scheme if - subject to any legal considerations referred to in Appendix E - arrangements had already been in place for the SESTRAN authorities to share revenue from the scheme equitably, and if there had been agreement over any concessions relating to the Edinburgh congestion charges and any congestion charge element of tolls at the Forth Road Bridge. It may be noted that this matter appeared to have been settled by the SESTRAN Steering Group on 22 June 2001, when a recommendation "(4) To agree that if congestion charges were to be introduced on the Forth Road Bridge, these should be offset against an Edinburgh charging scheme" was unanimously accepted (as reported on p12 of document T21). However, even if this particular matter remains unsettled it does not seem to us that agreements of the necessary kind are unattainable (though again we have to make due reference to legal submissions), given the kind of goodwill and co-operation that generally apply between the disputing parties. Moreover, in the situation where since the last

local government reform in 1996 responsibilities for transport planning in the city region have been relatively fragmented, it would seem unreasonable to give overriding importance to the possibility that unanimity might not be reached.

4.37 The Scottish Executive has indicated a strong prospect of future change to the administrative and institutional arrangements for city region-wide spatial planning and greater co-ordination of transport planning for the whole of Scotland. However, we are not persuaded that the ECCS can thereby be considered to be premature. These prospects are not yet in place and we can see no decisive bearing on the justification for a charging scheme to deal with traffic congestion in Edinburgh. Nor has there been any suggestion from the Scottish Executive that charging schemes should not be promoted until the new arrangements are in place.

4.38 We have already noted our acceptance of the view that a UK-wide road user charging scheme, whenever that is introduced, will not necessarily render entirely redundant what is now proposed to meet local difficulties in Edinburgh. On the other hand, we think it highly unlikely that the ANPR equipment to be used to assist in the implementation of the ECCS will remain in place for the full 20 year life of the scheme. There is ample evidence that superior technology, an interesting example of which was described to us by Professor Salter, will become available in a cost effective form to enable the implementation of refined forms of charging more directly related to the contribution made to congestion by particular vehicles, at particular times, and on particular routes. Although objectors have made many criticisms of the ANPR technology drawing on the experience in London, we have not found convincing reasons to defer any charging scheme for the emergence of more sophisticated and reliable technology enabling a more precise targeting of charges to actual congestion.

4.39 Valid points have been made by inner city residents about the need for the start of charging at any inner cordon to be co-ordinated with changes to CPZs to pre-empt problems for residents and businesses caused by use of streets outside the cordon and existing CPZs as unofficial park-and-ride car parks. However, we have received no evidence from which we could conclude that reasonably close co-ordination of timing could not be achieved. Similarly there may be significant tasks in preparing and carrying out the most essential traffic mitigation schemes before charging began at the intended date in 2006, but we cannot fairly conclude that this would be impossible.

4.40 We see much cause for scepticism about whether the minimum of improvements to public transport, and in particular provision of park and ride facilities outside the outer cordon, can be completed and tested beyond the inevitable stage of 'teething problems', so as to be fully functioning at the intended start of charging and able to provide an attractive service for additional users prompted to modal shift by the charge. It is understood, in particular, that the important park and ride site at Straiton would require the unusual procedure of a Compulsory Purchase Order by CEC, over land in Midlothian, and not at all clear that an alternative site within the CEC area could not suffer delays and obstacles. Whilst we accept that for reasons of financial practicality only a fairly modest amount of improvements can take place by the intended start date, it is all the more important for that reason that they be targeted most effectively at those bus and rail routes where additional demand would be likely to be greatest, particularly orbital bus routes within the city and radial routes from the areas outside the city, with suitable interchange points and probably further measures to enable efficient running of buses. This precision targeting of limited funds may require more detailed work on origins and destinations, and modes currently serving them.

4.41 Whilst the timetable is thus very tight indeed, and may indeed prove to be unrealistic, this is a matter to which the promoting authority would have to give very serious attention in progressing the scheme, rather than amounting to sufficient reason for an unfavourable recommendation at this stage.

Moreover, since the inquiry could not be a forum for detailed examination of for instance, signalling constraints on train traffic on the Forth Rail Bridge or the state of preparations for new park and ride facilities, there is no sound basis for going beyond scepticism about the timetable to certainty about insurmountable obstacles.

(5) Is the Modelling an adequate basis on which to proceed?

4.42 Throughout the development of the ECCS there was extensive use made of a suite of transport, land use and economic models. These were of assistance to the Council and tie in the design of the scheme and in the appraisal of its evolving stages. The modelling work has particular relevance for an understanding of the likely impacts of the ECCS at various geographical scales and on particular groups. This in turn has bearing on the assessment of the scheme's compliance with national, regional and local policy and with the 4 policy criteria set out by the Scottish Ministers.

4.43 We note in passing that the modelling suite did not include any attempt to forecast in money terms the stream of benefits to be forthcoming from the scheme and relate these, suitably discounted, to the costs of its introduction and operation. We understand that such an exercise was undertaken before the introduction of the congestion charge in London, and there is no reason, in principle, why such an exercise should not have been conducted in this case. We also note that the modelling suite is focussed on the strategic scale and was admitted to be less reliable at the finer scales of individual links on the Edinburgh road network.

4.44 The modelling suite was the subject of considerable criticism from objectors who appeared at the inquiry. We have sympathy with those who found difficulty in understanding the explanations of the workings of the suite which were presented by the Council's witnesses. Our review of the precognitions, and the relevant documents, reveals that the internal workings of the models, the detail of their inter-relationships and the assumptions on which their inputs were based were never spelled out in the clear and coherent fashion which is the norm for the presentation of technical matters at public inquiries. The transcript of the answers given to the extensive questioning undertaken by the Reporters, and by those representing the objectors, reveals that the inquisitorial process was not entirely successful in remedying these deficiencies. In short, we can well understand the evident irritation of some objectors at the difficulty they have experienced in getting behind the fragmented description of what has been a complex, lengthy and expensive process for the Council.

4.45 It is our understanding that at the heart of the modelling suite is the LUTI model (which uses the DELTA computer package) to which was later attached the LEI model (which uses the TRAM computer package). The combined LUTI/LEI component of the suite models at the strategic scale. However, the LUTI model is capable of disaggregation by means of Detailed Assignment Models to provide forecasts of transport impact at a more detailed scale (T37, T38). The output from the LUTI/LEI was used as input to a financial model devised to contribute to the preparation of a Business Case and, in particular, to test the financial viability of implementing the Preferred Strategy as set out in the LTS.

4.46 As we understand it, the assessment of the impact of the ECCS and the associated ITI on traffic, the economy and land use is based on modelling the situation without that form of intervention and the situation after the package has been implemented. Accordingly, it is the difference between these two forecasts which is important in establishing the effectiveness of the policy package in achieving its objectives. It follows that the forecasts themselves should not be the focus of attention and it should come as no surprise that they differ from for instance the forecasts prepared for structure plan purposes. If our understanding is correct, then this is a reputable and well established approach to policy evaluation. However, it carries with it presentational difficulties

which the Council has apparently not overcome either in its consultation with neighbouring authorities or in its presentation of evidence to their expert witnesses at the inquiry.

4.47 The Council's position is that at each stage in the modelling process which it adopted, and for each component of the modelling suite, it has had sufficient in the way of further independent validation of the approach adopted by its consultants to justify continuing with the approach adopted by them. On that basis, and lacking convincing evidence to the contrary, we must accept that the internal integrity of the models which make up the suite and the relationships between them are adequate and fit for the purpose for which they have been devised. Accordingly, with that in mind, we must set to one side the argument of those objectors whose position is that the modelling suite as a whole and its component parts are so fundamentally flawed that the suite cannot form a sound basis for the appraisal of the scheme or support for its proceeding.

4.48 Nevertheless, within that general context, there are a number of matters which cause us concern. First, we are in no doubt that the LUTI/LEI modelling was undertaken by the consultants without taking full advantage of the local knowledge and understanding of officials in Edinburgh and the neighbouring Councils most likely to be affected by the introduction of the charge. This has led to misunderstandings and difficulties some of which have emerged as objections to the introduction of the charge.

4.49 Second, the complexity of the models and the inter-relationships between the component elements of the modelling suite were presented as a strength of the approach adopted. However, on the basis of the evidence which was brought to the inquiry we are left wondering whether it has emerged as a weakness: the elaborate modelling exercise has simultaneously attempted too little and too much. The complicated forecasts of post-ECCS traffic changes, economic impacts and population and employment levels throughout what is effectively a city region are ambitious and apparently difficult to describe let alone explain. The modelling has generated some outputs which are counterintuitive, and it has attracted cogent criticisms. Thus, for instance, no convincing explanation has been provided to aid an understanding of why the model runs continue to use population data updated from the 1991 census now that the 2001 census data are available. If the reason for this obvious deficiency is no more than the time and expense involved then the complexity of the model has emerged as a hindrance rather than a help in decision making. Then again, if the assumptions built into the DELTA and TRAM packages are open to doubt, the errors generated by one sub-model will be transferred to, and perpetuated in, the others. If these errors are large the outputs from the system as a whole become unreliable for policy purposes: the outputs will be exact but exactly wrong.

4.50 Third, the ECCS is, at root, a traffic management scheme, albeit on a considerable scale. Seen in that light, we are left wondering whether the focus on strategic level by the LUTI/LEI model was sufficient to deal with the matters of detailed traffic allocation at street level within Edinburgh. Rather more modest survey, analysis and projection procedures might have sufficed and provided not only adequate forecasts of future traffic on the various links of the network, with and without the ECCS, but also sufficient in the way of forecasts of the net revenues from the charge which would fund the Additional Investment Package. A simpler approach might be more readily and less expensively updated.

4.51 While we have reservations about the modelling we note that the Council takes the view that it is no more than a sophisticated tool to assist appraisal and even a suite of this complexity is a considerable simplification of reality. Its outputs will contribute to its decision making but they will not be a substitute for it. We note also that the Council is committed through work currently in progress to refine the modelling process. If the scheme is progressed to introduction in 2006, the

Council has also committed to monitor the effects of the charge and will propose changes if its actual effects are not as forecast by the models. On this basis we conclude that the deficiencies in the modelling revealed by the inquiry process are not so deep seated or incapable of remedy that they preclude the outputs from the suite as forming a helpful contribution to the assessment of the merits of introducing the ECCS.

(6) Is the ANPR technology the appropriate choice?

4.52 Congestion charging could be implemented with a variety of technologies: the ideal system would have the ability to vary the charge by the individual link on the road network, the time of day, the type of vehicle and the degree of congestion, and even to detect when air quality is poor. At the inquiry we heard that Global Positioning System (GPS) might perform these and related functions for a road user charge introduced nationwide sometime in the future; and there are other technologies still at the trial stage which might emerge as attractive alternatives, one of which is being developed at Edinburgh University. However, until these have been proven in use we can well understand the Council's decision to proceed with a technology which has a track record in London. Although its adoption necessarily constrains the choices readily available for relating the level of charge to the level of congestion on the road network, and the result is a set of arrangements which fall short of the ideal, we are satisfied that the technology is fit for the purpose for which it is intended. Since ANPR requires no equipment on vehicles except valid number plates, it seems likely to avoid problems of technical incompatibility with any UK-wide scheme that may emerge.

4.53 Notwithstanding the problem that has emerged in London with number plate cloning, and is shared with enforcement of speed limits through speed cameras, the experience of this technology thus seems, on the evidence available to us, to have established that it is sufficiently robust and accurate for the intended job of recording vehicles that enter cordons during charging hours.

(7) Is a licensing or a zonal scheme preferable to a double cordon?

4.54 A damaging criticism to the credibility of the charging scheme is that it would leave a majority of journeys within Edinburgh uncharged and would allow unlimited driving on orbital and radial routes, at all hours, in the area between the cordons. Consequently it would do nothing to limit the contribution of such journeys to congestion, air pollution, and harm to the local environment from noise and severance by busy traffic; arguably it would even tend to encourage them by reducing traffic from outside Edinburgh on the radial routes, although it is difficult to see that as a major effect. Because of the limitations of a cordon scheme it is in our view unlikely to be a satisfactory form of congestion charging for the intended duration of 20 years.

4.55 Accordingly there are attractions in the idea of a more intricate, 'zonal' scheme, with the city divided up by screen lines on radial routes in order to record chargeable journeys on orbital routes within the bypass. However, there are also major drawbacks, which effectively rule out this option at present. The additional investment in ANPR equipment for a reasonably fine-grain zonal scheme, together with administration costs for a more elaborate scheme than is now proposed, would have an adverse impact, perhaps very considerable, on the net revenue available for application in the Additional Investment Package. This would have consequences not only in Edinburgh but also for the other SESTRAN partners. The concerns expressed by the Council about local severance of communities by charging for the crossing of radial routes are less convincing, given that an important aim in reducing congestion and encouraging modal shift from cars must be to persuade able-bodied people to walk, cycle or take buses for short journeys, or at least to use cars at less busy periods, instead of driving at the more congested times. However, a valid and compelling consideration, in view of the need for a charging scheme to have public acceptance, is that many

people not opposed in principle to congestion charging are likely to be repelled by the relative complexity and apparently Draconian nature of a zonal scheme, and resulting fears of being caught out unexpectedly with liability for charges.

4.56 Our attention has been drawn to the supposed merits of area licensing schemes, as in London, where charges are triggered by the presence of a vehicle on a public road within the scheme area, within charging hours. Without a system of personal discounts for residents who keep cars on-street, such a scheme bears heavily on residents regardless of how little they contribute to pollution, noise, and hindrance to traffic flow by driving their cars. Such discounts are expensive to administer, and the charging of parked cars tends to duplicate established arrangements for residents' parking permits in inner city areas. The proposed system for Edinburgh of having charges triggered solely by passing a cordon has the merits of both conceptual and administrative simplicity. Whatever may have been the reasons for adopting the area licensing principle in London, we find no persuasive reason for preferring it in Edinburgh. Despite its limitations, the cordon basis of charging is the only practicable one at present.

4.57 Drawing these matters together, we accept that in several years' time technology enabling more precise charging in proportion to contributions to congestion might well be worthy of consideration as the basis of a revised scheme for better managing road space for orbital journeys. However, we are satisfied that for the time being any advantages in principle of an area licensing scheme do not overwhelm the administrative, cost and other considerations which have convinced the Council that cordons of charging points are a satisfactory way forward for the ECCS.

(8) Is a single cordon of charging points preferable to a double cordon?

4.58 Some objectors have argued that one or other cordon would be acceptable, but not both, and it is notable that the idea of the outer cordon came into the picture relatively late in the scheme's evolution. However, this is a reasonable response to changes in traffic patterns within recent years, not least the growth in traffic volumes and congestion in suburban areas, especially west Edinburgh. Even if a wide margin of error is assumed as to absolute figures, the greater growth in traffic in outer than in central Edinburgh is tellingly indicated in Table 1a of document T121. Whilst objectors have pointed out that predominantly car-oriented retail and office developments in outer suburban Edinburgh have resulted from decisions by the planning authorities since the 1980s, that would not be a valid reason for drawing back from action to mitigate their effects on transport efficiency and the environment, and to improve transport choice retrospectively.

4.59 Notwithstanding that relief of congestion must be the primary aim of any charging scheme, it is also necessary to consider the effect on sharing of revenue with neighbouring Council areas if the outer cordon were deleted. With both cordons the proportion of revenue returning to areas outside CEC would, on the best figures available to us, be over 40%. After the removal of all journeys by vehicles registered outside CEC's area, which would have incurred a charge at the outer cordon but would not pass the inner cordon, this would be reduced to a much smaller proportion of revenues that would, on the assumption of the same intended level of charge, be themselves greatly reduced.

4.60 We conclude that, for reasons of both principle and pragmatism, there is a strong case for a cordon at the inner side of the City Bypass. At the same time the city centre remains a strong generator of traffic and congestion can be seen to be locally variable in time and place, but to occur frequently. The city centre is also of course of international importance for its built heritage, as well as in many parts a densely populated residential area. It would be inconsistent to propose congestion charging for any part of the city, without paying special attention to the sensitivity of the city centre

to the effects of congested motor traffic. Accordingly we find the two-cordon basis of the scheme to be soundly established, if a scheme is to proceed at all.

(9) Are the charging points appropriately sited?

4.0 Taking first the most radical specific suggestion for altering a cordon boundary, we can appreciate the concerns of Historic Scotland about traffic diversion through Holyrood Park (Queen's Park); however, to include within the inner cordon this large area of open land would be anomalous and confusing when the cordon would otherwise be quite closely aligned, with fair logic, on the tightly developed city centre as defined for the status of World Heritage Site. The positioning of charging points would also be unduly complex because they cannot be placed within the royal park, as Crown land. The exclusion of Edinburgh Park from the outer cordon would similarly detract from the simplicity of the City Bypass as a boundary to the charging scheme, and it would fail to discourage car use in an area where traffic congestion is growing.

4.0 The more detailed requests for changes to boundaries are considered as follows (numbered as in paragraph 3.26 in section 3):-

(1) The principle of including the whole of the historic Old Town within the inner cordon is compelling. However, it seems to us to be technically impossible to include the new Parliament for the simple reason that to extend charging control to intercept any journeys from the Queens Drive to the new building would require ANPR equipment to be set up at two points, either within Crown Land on the approaches to Holyroodhouse or within Holyrood Gait, such that charging would be imposed on roads over which the City Council has no jurisdiction and over which there is no provision in the relevant Regulations.

(2) There is a strong case for moving the Melville Drive cordon point I-18 further northwest to Brougham Place northwest of Drumdryan Street, thus avoiding a disproportionately heavy impact of charging on residents of a number of dwellings on a one-way system south of Brougham Place, who could not make any out-and-back journeys wholly within or outside the inner cordon. It is recognised, however, that this could have implications in encouraging rat-running for cordon avoidance. An additional cordon point would also be needed at the entrance to Panmure Place off the north-eastern side of Brougham Place. (Lonsdale Terrace, farther to the south-east and next to the Meadows, is one-way into Brougham Place, so would not need a charging point.) An alternative solution would be an area-specific concession using a similar drafting device to the Outer West Edinburgh exemption in the draft Order.

(3) Although the Hermiston Retail Park served by Hermiston Gait is a relatively small commercial enclave, it is in principle no different from neighbouring industrial and commercial destinations within the outer cordon. As with the Gyle Centre, impacts on trade from inclusion within the outer cordon would be minimal, since the dropping of the proposal for evening charging on the outer cordon. It would be simple to remove the anomaly by inserting an additional charging point O-10b just off the public roundabout, as with the existing proposal for point O-10a at the 'Edinburgh Park Southern Access' (which we also see as reasonable, subject to avoidance of private ground for the placing of ANPR equipment or signage, as was a concern of the owners). However, that would not be sufficient to provide for the charging of buses entering WEBS, off the same roundabout. Moving charging point O-14a to a position before the entrance to the Hermiston Gait roundabout off the M8/A720 junction would bring within the charging scheme the Edinburgh Park Southern Access, an access currently fenced off and potentially serving a development site, WEBS, and the retail park.

(4) Excising Maybury Road (A902) from the outer cordon would necessitate moving points O-16 and O-17. This would create several anomalies. One would be the need to impose charging at the entrance to Maybury Drive which would accordingly result in all car journeys having origins or destinations within a very substantial residential enclave west of Drum Brae being liable to charging on entry during charging hours, such is the discontinuous network of roads between orbital routes A902 and B701. There is no obvious candidate for a replacement site for point O-17. A further difficulty would be the necessity of imposing additional charging points at several places in Cramond and Barnton. A valid consideration is the possibility of temporary and unforeseen blockage of the A8000 which performs a roughly complementary orbital traffic function. However, we conclude that the provisions of the Order make adequate allowance for the temporary lifting of charging functions in such circumstances.

(5) The effect of excluding the Stockbridge Colonies from the inner cordon would probably be to divert some orbital movements from Henderson Row (B900) on to the far less suitable Glenogle Road. However, we were made aware of proposals for traffic calming of this street, which at a site inspection we could see carrying relatively high traffic volumes for its low environmental capacity. The balance of advantage may in future, therefore, move towards adjusting cordon points in this area. Our overall conclusion is that the extent of the inner cordon and positioning of charging points I-01, I-02 and I-04 (see later comments) should be reviewed in the Stockbridge EH3 area, possibly in further consultation with local residents.

(6) The positioning of charging points O-15 and O-16 is necessitated by the ECCS design requirement to exclude the A720 City Bypass from the outer cordon and the fact that congestion charging cannot be legally imposed on it in any case. Our conclusion is that this unfortunate anomaly, whereby returning eastbound on Glasgow Road from the Comet store or the Gyle Shopping Centre would be chargeable but return by more devious routes would not be, is created by the local layout design of the Maybury Junction (A8-A902) and the resulting access arrangements of frontage property. We see no way of rectifying the situation without considerable expense to the local highway authority. In view of the limited, and early, hours of charging at the cordon in this location, no alteration to the charging points would be justified.

(7) There is a serious anomaly in relation to passage between the A70 and the A720, which could be addressed by the relocation of points O-12 and O-13. This measure should also rectify the anomalous position of the Baberton Mains estate in relation to local facilities at Juniper Green. A solution requires five charging points instead of two, and would mean that addresses in the triangle bounded by the A70 Lanark Road, B701 Wester Hailes Road and the A720 City Bypass, and on the opposite side of Lanark Road from that triangle, would be treated as if they were outside the Bypass. We do not consider that this anomaly would be as significant as those created by the draft scheme. The replacement charging points would be: facing south-west on Lanark Road northeast of the B701 junction; facing north-west on Gillespie Road southeast of that junction; facing south-west on Clovenstone Road north-east of the roundabout junction with Wester Hailes Road; facing south-east on Wester Hailes Road north-west of that junction; and facing south-west on the bridge of Westburn Avenue over the City Bypass.

(8) It is undoubtedly a disadvantage that charging point O-11 would be a deterrent to use of the Dreghorn Link services, by City Bypass traffic, between 7:00 and 10:00 on weekdays. Moving the charging point north of the roundabout on Dreghorn Link would avoid that problem but introduce another, in that (if the OWE exemption were dropped and subject to a

possible amendment arising from the previous finding) households living in the recent substantial developments served by roads off that roundabout would be the only city residents within the City Bypass to have to pay a charge for passing the outer cordon in charging hours. A balance has to be struck between these conflicting considerations; in our view the existing proposal is preferable.

(9) The anomaly at Eyre Place Lane would be avoided if Eyre Place could revert to two-way traffic. Setting aside such a solution, which would not be within the scope of the Order, the small number of badly affected residents would have a strong case for favourable treatment as in item 2.

4.63 There remains the matter of the request of the Dean Village Association (DVA) regarding the anomalous effects of the CETM scheme which would force returning daytime trips to cross the inner cordon. In many ways, this is comparable to the Eyre Place and Brougham Place anomalies reported above. The anomaly may be capable of being addressed by the making of appropriate traffic orders, but it is not within our remit to make conclusions on what these might be. We accordingly cannot find that any particular change should be made to charging point I-27 or I-28. With regard to the DVA objection about the visual impact of ANPR equipment within the UNESCO World Heritage Site, we would make two comments: the experimental equipment illustrated in documents T133 (Dean Bridge) and T134 (Home Street) appears rather crudely functional and in need of some attention to aesthetics, but is not widely different in character from customary street furniture; and it would be for CEC as planning authority to consider whether such installations would be 'permitted development' under planning legislation or would require planning permission.

(10) Is £2 an appropriate charge?

4.64 The standard economic theory upon which the Council relies for its justification for the introduction of the proposed ECCS provides that for road space to be used efficiently it must be charged at marginal social cost. It is intuitively easy to accept that in making the decision to undertake a journey only the private costs of the trip maker are taken into account; and it is equally easy to see that, in congested conditions, each vehicle imposes delays on all others. These delays are social costs of congestion borne by the occupants of other vehicles; and, under the current arrangements for road user charging in the UK, the trip maker is not obliged to factor them in when deciding when to travel, where to travel, and by what means. The basic theory to which the Council subscribes requires that for effective use of scarce resources in the general interest, these external costs imposed by trip makers (predominantly the drivers of private cars) should be internalised by the application of a charge equal to the costs imposed. That charge would encourage the driver to reconsider the time, place and mode of the trip, and also provide a stream of net revenues hypothecated, if deemed appropriate, to fund alternative forms of transport sufficiently attractive to encourage mode shift.

4.65 While the Council has been able to draw on a general consensus about the principles involved, there is less help readily available from the world of theory about matters of detail and their practical application. In these circumstances we can well understand the Council's commitment to a pragmatic approach guided by what is possible rather than what is ideal. As in many other aspects of devising a satisfactory approach to the ECCS, the best should not be allowed to emerge as the enemy of the good. Although we can accept that the application of a second best solution may be better than no solution at all, we do not underestimate the importance of setting the congestion charge at an appropriate level.

4.66 The Council has indicated that in Edinburgh during periods of congestion the charge required to cover marginal social costs might be as high as £8. Leaving aside how that estimate was arrived at, this is considerably above the £2 proposed in the draft Order. There are powerful arguments to be deployed in favour of imposing a higher charge. As we have seen, it is the preference of the trip maker for space expensive personal transport which is a key target for policy intervention designed to make more effective use of the existing road network. Without doubt, the advantages of the motor car, including door to door conveyance in privacy, in comfortable and congenial surroundings, are a formidable obstacle to change. Accordingly, if the charge is set too low there would be insufficient incentive for car users to reappraise their habitual patterns of behaviour. There would also be insufficient in the way of net revenue to fund improvements in alternative forms of transport. These twin deficiencies would strike at the heart of the viability of the scheme, and they would destroy the "stick and carrot" approach adopted by the Council. If the strategy is to be successful then the charge must be sufficiently high to ensure that car users at least consider alternative means of transport. It must also fund improvements in these alternatives sufficient that they are attractive in terms of the generalised costs incurred and a further package of quality factors including comfort, safety and convenience. On the other hand the charge cannot be set so high that it is seen to be unreasonable and by that test unacceptable by those who will be affected by it.

4.67 Turning to the practicalities, the Council's assessment suggests that with a charge of £2 the revenue collected from chargeable vehicles over the 20 year life of the project would comfortably exceed the capital expenditure and running costs incurred in setting up and operating the scheme. Taking the revenue side first, everything depends on the adequacy of the forecasts of traffic passing the charging points, upon which the Council has pinned its faith. These were the subject of considerable questioning at the inquiry. While we are satisfied that the modelling on which they are based is not fatally flawed for the purposes of deciding whether the scheme is worthy of progression, we have made clear our reservations and the need for further work. In the light of our reservations, it will be appreciated that we cannot endorse the detail of the Council's projection of the revenues likely to be forthcoming from the scheme. They may be higher or lower depending on circumstances.

4.68 With the difficulties of forecasting future revenues firmly in focus we turn to the cost side. We were disappointed that the Council decided, apparently for reasons of commercial confidentiality, that the inquiry should hear only limited information on this aspect of the scheme. There is plainly much scope for unexpected events to influence costs; and the experience of the London scheme confirms that substantial over runs cannot be excluded. This presents a further difficulty for those whose task it is to set a charge which will ensure that all costs are covered with a sufficient surplus to fund the improvements to transport infrastructure considered necessary to secure the desired package of transport improvements whose prime purpose is to achieve modal shift. Drawing these matters together, on the evidence before us, we must accept that the scheme is fundable and that revenues will exceed costs. However, we cannot say by how much.

4.69 With that concern stated, we can consider the related matter of the level of charge likely to be acceptable to those on whom it will impact. We understand that acceptability was a key determinant in the Council's decision to set the charge at £2. Representations on the level of charge vary between a wish to see an initial daily charge of at least £5 (as for cars in London), and the view that £2 a day would already be punitive for regular payers on low incomes with no real option but to use cars. We note that the Road Haulage Association (2850) doubted whether a £2 charge would reduce car traffic enough to make movement around Edinburgh significantly more efficient for the Association's members.

4.70 We can readily accept that a charge of £8 would meet with such stiff resistance that the ECCS would be unacceptable to the citizens of Edinburgh. On pragmatic grounds alone we think that there is merit in pitching the charge for this pioneering initiative at the lower end of the scale. On the other hand, when compared with the price of even a short journey by bus or train, a charge of £1 would be too low to have a radical effect on modal shift. Whilst regular payment of £2 a day (slightly less with bulk licences) could impinge significantly on the finances of some low-paid car users and could even affect decisions as to whether paid work was worthwhile, it has to be borne in mind that £2 does not go far in terms of the public transport fares which have to be paid by non-car users. The main hospitals in Edinburgh do not provide free parking for staff (however low paid), patients or visitors (T162). A comparison with purchases related to trip making, including hourly parking charges or even a cup of coffee, suggests that an addition of £2 to a journey to work or to shop would not be disproportionate.

4.71 In principle a congestion charge should be varied to reflect (ideally anticipate) the traffic conditions which it has been introduced to ameliorate. In that context, we accept as the correct approach the Council's preference for subsidising cleaner engines rather than contributing to congestion by offering a discount to vehicles using them. We have already accepted that the technology which the Council has decided to adopt, while not ideal, is adequate for the purpose intended. That decision has narrowed the options open to the Council for varying the charges to be imposed as vehicles pass the charging points inbound. As we have already stated, we would be surprised if the current approach to charging were to last unaltered for the lifetime of the scheme; and technical advances can be expected to facilitate the application of variable charges. In the meantime, a £2 charge applied "on/off" at particular times is relatively crude but it has the overwhelming merits of simplicity and operational efficiency. We note in passing that varying charges with respect to vehicle occupancy or engine size would make monitoring and enforcement unduly complicated and expensive.

4.72 When we review the evidence, we note that there is no suggestion by the Council that the introduction of a £2 charge would remove congestion from the streets of Edinburgh or that it would internalise in their entirety the external costs imposed on others by road users. We cannot be confident that a £2 charge would provide the ideal balance between the primary aim of congestion reduction, and the secondary of raising revenue. Equally, however, we have no basis for concluding that the £2 charge would produce results so divergent from those intended, that the scheme should not be progressed. We recognise the concern of those who see the charge as an "anti-motorist" device which might in the future escalate in an unpredictable and unreasonable fashion. With that in mind we welcome the Council's assurance that the operation of the scheme as a whole, including the level of charge applied and its method of application, would be continuously and closely monitored. By our reading, any increase apart from the percentage uplift in accord with changes in the retail price index would have to be the subject of a new charging order. Any proposals for variation of the Order, concerning this or any other matter, which the Council might bring forward would have to satisfy the consultation and decision making requirements set out in the relevant Scottish Executive Regulations in place at the time.

(11) Are the methods of payment sufficiently customer friendly?

4.73 Article 7(6) of the draft Order requires any one-day licence to be paid for by the end of the day when the charging event takes place. At the inquiry we heard evidence to the effect that, with inner cordon charging hours up to 18:30, this could mean considerable inconvenience especially for those who saw no practicable alternative other than to pay at an approved retail outlet or machine. Thus, for example, during the winter months, for those unable or reluctant to use online, text message or telephone payment options, the need to pay within a few hours of an early evening return

home to within the inner cordon could mean being out in the dark in any weather, with cash or bank card, to pay at a retail outlet or a self-service machine. We can appreciate that, for vulnerable groups including the elderly, this could be a source of considerable anxiety and discomfort. Also carrying weight in our considerations is the likelihood that some persons responsible for chargeable vehicles might simply forget to pay the charge before the stipulated deadline, but remember on the next day. Over zealous enforcement in cases where there was no intention to evade payment would not only be unfortunate; it would be counterproductive insofar as it would bring the whole scheme into disrepute.

4.74 A reasonable, readily understood and cost effective way of dealing with these and related matters would be to extend the period allowed for proper payment by one chargeable day. Thus, for instance, a charge incurred on a Tuesday would normally have to be paid by the end of the Wednesday, and a charge incurred on a Friday by the end of the following Monday. An intervening 'free day', as specified in the Order, would also extend the period accordingly. These adjustments, which would render the scheme more customer friendly and avoid unnecessary antagonism amongst otherwise law abiding citizens, would not in our opinion add significantly to the complexity or costs of the scheme. Our reasoning applies to the inner cordon rather than to the outer cordon where morning charging only is proposed. However, it could cause confusion to have different payment periods for the two cordons.

4.75 The draft Order, in article 7(8) and (9), provides for payment in nearly every feasible way that could be envisaged, including use of credit and debit cards. With one minor exception there is no evident way in which further options could be added to the methods of payment, to make the scheme more customer friendly. The exception is in relation to recurrent 258 day, effectively yearly, licences, where there is no obvious reason why an option of direct debit should not be offered. Allowing the extra day in a leap year could be regarded as a very small discount for using this method of payment.

4.76 There is, however, cause for concern about the rigidity of the proposed pre-purchased licences for 5, 20 and 258 days, in that these days must according to article 8 of the draft Order be consecutive, whether or not the vehicle licensed actually passes a cordon at a chargeable time on a given day. Once such a licence had been purchased, it would in principle be an incentive to use the vehicle at chargeable times, contrary to the scheme's prime aim of reducing congestion. However, the discount for bulk licences is so low (£480 as against £516 at £2/day for 258 days) that it would probably only be attractive to those regularly using vehicles in the city. The proposed arrangements would not be attractive to individuals or other irregular users who might wish, for convenience, to pay in advance for a number of journeys. We therefore see merit in suggestions that pre-payment should also be possible for numbers of days, to be 'spent' as and when the licence-holder finds the cost of a chargeable journey justified. There are counter-arguments: that licences without fixed expiry dates might make administration more complex and increase costs, and that licence-holders would be more likely to lose track of when they needed a new licence. However, the latter point would be for potential customers to balance against the convenience of not having to pay separately for every chargeable event, whilst the tracking of 'spending' on flexible multi-day licences may be well within the capabilities of the technology to be used in the charging scheme.

4.77 Under article 12(3)(c) of the draft Order penalty charges are to be set by CEC in accordance with guidance to be provided by the Scottish Ministers. Since the level of penalty charges is thus not known, no comment can be made on whether they would be proportionate to failure to pay a charge timeously. However, they would have to be high enough to be a real incentive to pay charges on time. The need to avoid impressions of harshness and injustice, if persons who would not have deliberately tried to evade payment are caught by penalty charges, adds to the reasons given above for extending the period for payment. There might also be advantages, both for public acceptance

and as an incentive to payment, if there were substantial discounts to penalty charges paid within, say, 7 days rather than 28 days from the serving of a notice; but this matter would be within the scope of advice from the Scottish Ministers. Other than these points, and to observe that proposed powers to immobilise and to remove vehicles are no doubt regrettably necessary, no further conclusions can be drawn under question 11.

(12) Are the Charge times set appropriately?

4.78 There was persuasive evidence brought to the inquiry that traffic, notably but not exclusively in the city centre, does not now peak around the traditional times of starting and finishing work. An investigation into peak flows in Edinburgh (T145) found notably little variation in inner Edinburgh during weekdays and even the presence of midday peaks in several areas, including Leith Walk and Queen Street; this is consistent with our own observations. Whilst some objectors have suggested much restricted charging hours, to limit traffic in the very busiest periods, the obvious effect would be to redistribute traffic and congestion to periods that are at present not dramatically less busy. A soundly devised charging scheme thus has to pre-empt that effect by charging within the whole period when significant congestion would occur in the absence of any scheme or as a result of displacement of traffic by a scheme covering shorter periods.

4.79 In principle, therefore, we find justification for an all-day inner cordon. Given our understanding of typical trip making behaviour on weekdays, a start time of 7:00 is not unreasonable. We are persuaded that a 7:30 start would be likely to prompt a new peak before that time and any later would miss a significant part of the currently busy period. For the inner cordon the council now propose a finishing time of 18:30 in the light of concern that 19:00 would deter patronage of cultural and entertainment venues in the evening. We have heard no overwhelming objection to what appears to be a reasonable compromise, avoiding unnecessary harm to important aspects of the city centre's character and economy while still discouraging car travel at the most congested times.

4.80 There are attractions in outward charging during the evening peak at an outer cordon, to deal with tidal flows. However, we accept that with the currently available technology 'tidal' charging would be significantly more costly to set up, administer and maintain, besides having more visual impact than equipment and signage for inbound-only charging. Charging inbound at the outer cordon during the early evening peak, despite the predominant flows being generally in the other direction, was a feature of the earlier publicised draft scheme. To judge from objections still before us, although no longer directly relevant to the present scheme, that proposal aroused considerable resentment. It was seen as perverse and was contributory to the belief, apparently widely held, that the scheme's prime aim is to extort money from motorists.

4.81 We note that limiting the chargeable hours to the morning would limit the number of trips diverting to orbital routes within the outer cordon in order to avoid paying for use of the A720 City Bypass in travel from one part of the city to another. Additional, induced traffic in suburban areas would generally be more objectionable later in the day, when residents or others with reason to be in a particular area would be more likely to be out of doors or using local roads. Environmental impacts of noise and air pollution are considered in more detail below, but we conclude provisionally that inbound-only and morning-only outer cordon charging has a reasonable basis, given the characteristics of the available technology for recording cordon crossings. As with the inner cordon 7:00 commends itself as a reasonable start time, while 10:00 may seem rather late but would take account of displacement from earlier journey to work times if the finish time were set at 9:30. Any earlier time than that would miss much of the busiest commuter traffic.

4.82 In recent years there has been a remarkable rise in leisure and shopping trips made at weekends, including Sundays, when severe local congestion can occur in central Edinburgh and on routes serving main suburban shopping centres. Thus we are not surprised that some objectors seek an extension of charging to weekends. We agree that, in principle, a congestion charge should be applied wherever and whenever congestion arises; and with a charging scheme in place it is for the trip maker to decide what amounts to an essential or non-essential journey and when it is made. We find that the council's stated position that there should be "charging holidays" and that charging should be restricted to weekdays and normal working hours owes more to a judgement on what is likely to be acceptable to Edinburgh residents than any other reasoned justification. No doubt this is a matter which could be kept under review in the light of changing patterns of road use and the incidence of, and tolerance to, daily congestion in Edinburgh over the 20 year life of the scheme.

4.83 The suggestion that fixed starting hours for charging could prompt a dangerous 'mad dash' by drivers to avoid charging, just before the start time, seems plausible. However, there is nothing in any of the literature about existing charging schemes that has been brought to our attention, or in comments on the London experience, to suggest that a significant safety problem of this kind is likely in practice.

(13) Are the non-chargeable vehicles/exemptions correctly identified?

4.84 The Council proposes that the exemption from the ECCS should include emergency vehicles and disabled persons' vehicles including blue badge holders'. To these are added motor cycles, buses, licensed taxis, registered City Car Club vehicles, and vehicles owned by residents of Edinburgh domiciled outwith the outer cordon of charging points. There are a very large number of objections to these proposals. One group consists of individuals and organisations in the private, public and voluntary sectors who argued variously that the particulars of their situation merited a special exemption from the general application of the charge. The other objected to what was seen as favourable treatment for Edinburgh residents outside the outer cordon when compared with that of those of residents of neighbouring authorities also resident outside of the outer cordon and in some cases closer to the centre of Edinburgh. It was notable that this 'Outer West Edinburgh exemption' also attracted much resentment from Edinburgh residents within the outer cordon, a number of whom pointed out, for instance, that this exempt class would be able to travel in and out of the outer cordon at will during charging hours, whilst residents between the cordons would in effect have to pay to use the A720 City Bypass as part of an orbital journey between a home and a workplace in the city.

4.85 The exemption of emergency vehicles and blue badge holders is proposed in the Draft Regulations to be made under Section 54 of the Transport (Scotland) Act 2001 and the Council must ensure that the final draft Order will be in accordance with the Regulations when they come into force. The Council's current position is based on three propositions: all vehicles which accommodate road users may contribute to congestion; exemptions to the charge should be kept to a minimum in order to constrain the cost of administrating the scheme and of enforcing violations; and the test for the identification of non-chargeable vehicles should be "whether there is an overwhelming reason justifying exemption on the ground of common sense/ public acceptability/ public support". We consider that the Council's approach is reasonable and have adopted it in our consideration of the merits of the objections.

4.86 We take as our starting point the principle that it is vehicles rather than people who are non-chargeable. Of course disabled persons who are blue badge holders are an exception to this rule. We can accept that this is reasonable and commands public support. We are also sympathetic to the suggestions made that trips made by other persons such as voluntary workers, ministers of religion in the course of their duties, hospital out patients and public service workers such as nurses should also

be exempt from the charge. However, we understand that personal exemptions as a class are very costly to administer and their use cannot readily be monitored in order to prevent the sort of abuses which could bring the scheme into disrepute. Accordingly, on these grounds alone, we could not recommend the extension of personal exemptions to other groups beyond blue badge holders. Similar practical considerations would apply at least as strongly to car-sharing, even if that could be regarded as justifying an exemption in principle.

4.0 Turning now to proposed exemptions for vehicles we return to the fact that all means of transport can contribute to congestion at periods of peak traffic flow. We can readily accept that motorcycles use less road space than cars, so that there is some justification for exempting them, in addition to a specific policy on powered two wheelers (PTWs) in the LTS. However, it seems to us a matter of common sense that all other motor vehicles, with the exception of emergency vehicles as may be defined in Regulations, should be subject to the charge if they make demands on road space when it is in short supply. We are in no doubt that, rightly or wrongly, there is a deep seated perception amongst private car owners in Edinburgh that the Council is "anti-motorist". From the evidence before us, we consider it likely that the exemptions for buses, taxis and even registered City Car Club vehicles will confirm for that large group that the primary objective of the Council in introducing the charge is not, after all, to constrain traffic congestion by constructive demand management but rather to pursue an agenda which is perceived as giving priority to ideological preferences.

4.0 We can understand that, in the interests of making more effective use of scarce road space, the Council wishes public transport, and taxis, to emerge as an attractive alternative to the motor car. With this in mind we have considered what the impact of a £2 charge imposed once per day on a bus might be even if this were passed on in its entirety to fare paying passengers. We are driven to the conclusion that the impact would be insignificant. In the same vein we have considered the impact on taxi operators and we conclude that there would be little difficulty in accommodating the £2 daily charge within the fare structure. It is difficult to see why buses and taxis would become noticeably less attractive if they were charged in the same way as other vehicles; and, conversely they would not be any more attractive if they were not. In short, for practical purposes, the effect on the modal shift, which the Council states as its secondary objective in introducing the charge, would be imperceptible.

4.0 We have given careful consideration to the carefully crafted evidence of the groups who believe that they would be disadvantaged by the application of the proposed charge. A common theme linking these objections is the conviction that the vehicle user would have to bear the entire burden of the charge. In certain cases that may be so. However, in very many others the likely situation is much more complicated than that. We can think of numerous possible examples. Thus, for instance, as far as employees are concerned, it may be that the employer would absorb the charge by applying an "Edinburgh weighting" in pay and salary negotiations. Then again a road haulier or own account operator would as a matter of course, although with varying degrees of success, investigate the possibilities of passing on the charge to customers. Other organisations might examine work practices and find it possible to absorb the charge through efficiency gains. The incidence of the charge would depend on the particular circumstances of the user of the vehicle. In these circumstances we find considerable difficulty in distinguishing between a necessary journey and one which is unnecessary, between one trip which is worthy of exemption and another which is not, and between one vehicle and another all of which in congested conditions impose delays on each other. In the absence of a common sense criterion which would command public support and be capable of application and enforcement at reasonable cost we cannot recommend that the Council accede to any of the requests for special treatment which have been drawn to its attention through the objection process.

4.90 Drawing these matters together, and bearing in mind the test of public acceptability/support, we find in favour of the removal from the draft Order of the proposed exemptions for buses, trams, licensed taxis, breakdown or recovery vehicles and registered City Car Club vehicles. If the Council elected to reject such a recommendation then an anomaly could be avoided by extending the exemption for taxis to private hire vehicles. Although we understand that operators of these vehicles are subject to separate forms of regulation, from the point of view of their contribution to the congestion which the charge sets out to constrain they seem to us to be inseparable.

4.91 The proposed exemption to apply to those residents of Edinburgh domiciled outwith the outer cordon involves about 16,000 cars and other vehicles and would involve a loss of revenue estimated at £20m over the 20 year life of the scheme. The exemption for citizens of Edinburgh who are resident outside the outer cordon is proposed to ensure equity of treatment for all Edinburgh residents. Councillor Burns summarised the Council's reasoning for the exemption as follows: *"Thus, we believe, to be fair and equitable to all residents of Edinburgh, this "wedge" of residents (who number around 30,000) should be exempted from any charge on the outer cordon only. This will treat all Edinburgh residents as fairly and equitably as feasible."* (Precognition paragraph 4.7)

4.92 We are not convinced by this reasoning. The Council has stated its primary purpose as being a reduction of forecast levels of congestion on well trafficked links on the road network. Its chosen method is by means of twin cordons of charging points which will require a single payment per day when vehicles pass them inbound. This scheme falls far short of the theoretical ideal but we consider it to be a pragmatic approach to a difficult problem. It is a step in the right direction taken in a manner and direction of the Council's own choosing. A secondary objective is to provide attractive, less space expensive modes of transport thereby achieving a modal shift which would make even more effective use of scarce road space. It is clear that providing an exemption for residents of Edinburgh would do nothing to reduce the congestion to which their trip making would contribute. It is also clear that there would be no contribution to the net revenues made available to fund transport improvements and mitigate the impact of the charge. Accordingly, the exemption runs contrary to the fundamental objectives of introducing the charge.

4.93 We can accept that an exemption for Edinburgh residents passing the outer cordon inbound places them on an equal footing with those domiciled between the inner and outer cordons who are not charged for trips made on orbital routes. However, as it was explained to us, not charging for these trips is a matter of technical difficulty and administrative convenience rather than one of principle. No such considerations apply to the proposed exemptions. In these circumstances we must give considerable weight to treating all those who live outside the outer cordon of charging points as fairly and equitably as feasible. We can see no justification for differential treatment on the basis of which local authority area the trip maker happens to live in. The crucial question is simply "has the trip maker chosen to pass the charging point and thereby contribute to the problem which the ECCS and its associated investment package is designed to solve?" If so the charge must be paid and it is unfair to exempt some and not others. We consider that these considerations are of such importance that the proposed exemption must be removed. Otherwise we are driven to the conclusion that the proposed scheme would be unfair and inequitable not because of characteristics endemic in an otherwise acceptable set of arrangements but because the Council had deliberately made it so.

4.94 There have been a number of requests for (usually) 90% exemptions for residents inside the inner cordon, for which objectors point to a similar concession in the London scheme. The justification for that in London clearly relates to the nature of that scheme, which charges for the presence of a vehicle in the chargeable area whether or not it has been driven past an entry point, or is in use at all. This does not apply in the Edinburgh scheme. Whilst it is a recurrent point in

objections that any journey to a superstore from within the inner cordon, for typical weekly shopping, would have to pass a cordon point on the return, charges would be avoidable by doing such trips after 18:30 on weekdays, or at weekends. City centre residents also have access to the densest network of bus services in the city, besides, in many parts, access to varied local shops within short distances of their homes. By deflecting some weekday shopping trips by city centre residents away from suburban or out-of-town locations to city centre department stores and other shops within the area, the inner cordon might indirectly make some contribution to maintaining the vitality and viability of the city centre's shopping function, partly offsetting adverse effects.

4.95 Although central area residents who own cars already have to pay for use of on-road parking space in CPZs, and charging of numerous recreational or more urgent journeys would doubtless be unavoidable, we do not consider that the charge imposed on individuals would be disproportionate to the marginal social costs of the use of cars during the relatively congested charging hours. A remarkable number of representations (also concerning the outer cordon, particularly before CEC's decision to drop evening charging) opposed in particular the liability to pay a charge on the way home by car. It is possible to understand that for some this could seem to be an infringement of the sanctity of the home; yet it would be inconsistent to give such considerations any weight when there is no practice or custom of providing free bus or taxi rides for those nearing the end of homeward journeys.

(14) Are the amount and content of the Pre-Charging Investment Package adequate?

4.96 The Pre-Charging Investment Package is set out in Table 5.1 of CEC's LTS 2004 (reproduced for convenient reference at pages 19-20 of Appendix A). In total it amounts to intended capital spending of approximately £127.4 million in 2002-06, besides unspecified revenue spending on bus improvements and road maintenance. Some of the items are described as already under way or complete. We have already noted, under question 4, and made conclusions on our scepticism about timeous completion particularly of park and ride sites, for which estimated completion dates of 'Spring 2005', '2004 subject to planning consent' and 'for phase 1: late 2004/ early 2005', for sites south of the Forth, seem optimistic. However we have no particular reason to doubt completion of the West Edinburgh Bus System (WEBS) by about Christmas 2004, or other more diffuse projects by the approximate dates given, though it is notable that no completion date is given for 'Cross-Forth [rail] improvements (capacity, rolling stock, access)'. It is understood, however, that the lengthening of station platforms in Fife to take 6-coach trains, as part of this project, is already well advanced.

4.97 Taking Table 1 as an apparently well integrated series of projects, we find that it is sensibly targeted at increasing options for public transport, and making public transport more convenient and secure, in anticipation of congestion charging. Given that many of the projects are not site-specific, there may yet be time for fine-tuning details and locations in response to more detailed information than hitherto available, on travel patterns. We note that the projects include variously funded substantial investments in Fife, West Lothian and Midlothian, and we cannot agree that the package is unduly dominated by projects which would benefit Edinburgh residents.

4.98 The constraints on capital spending by CEC and other councils are well known and cannot be wished away, and we have no reason to suggest that the funding of the package could realistically have been more generous. The real test of the Pre-charging Investment Package could only come on Day One of charging when it would become clear whether there was sufficient capacity within the integrated network to accommodate whatever modal shifts were induced by the introduction of the charge. We expect that the arrangements would be the subject of close scrutiny during the 'STAG 2' process (see paragraph A.2.8 in Appendix A) in the light of all the information available at that time. Whilst we have reported on some relevant evidence heard at the inquiry and made comment upon it,

it would be rash and unjustified of us to offer a firm opinion on the adequacy of the Pre-charging Investment Package.

(15) Is the amount of the Additional Investment Package adequate and is it sufficiently defined and genuinely additional?

4.99 For the purposes of this report we have been required to pay attention to the views of those who have conflated their concerns about the introduction of the ECCS with wider issues more relevant to the associated array of policies contained in the LTS and the contents of the indicative array of projects packaged in the Additional Investment Package. A considerable part of the inquiry was spent dealing with these matters. Under this heading and the one which follows we have drawn together our views on some of the more relevant issues.

4.100 The Additional Investment Package (AIP), as set out in the Statement of Case, Appendix 5 and in the LTS 2004 (with a more detailed and updated statement in Appendix B of document T102), depends upon estimates of net revenue with unavoidably wide, but not readily quantifiable margins of error. The greatest of these must be in the gross revenue from charging, in advance of experience of how much of a deterrent to vehicle use a £2 charge would be. The ratio of charges paid between CEC and the rest of SESTRAN would only emerge with precision from experience of the scheme in action. However, since public transport alternatives to use of cars are less developed than in central London, there is less scope in Edinburgh for an unexpectedly great modal shift from cars as occurred when congestion charging began in London; and hence less scope for CEC/tie's expectations of gross revenue to be massively over-estimated.

4.101 Similar uncertainty applies to the costs of operating the scheme. It is also an implicit assumption, but not necessarily a reliable one, that no dramatic change would take place, during the life of the scheme, to the availability and cost of fuels to power motor vehicles.

4.102 Hence the total AIP figure of £780 million (LTS and SoC) during the life of the scheme, split £431 million to CEC and £349 million to the rest of SESTRAN, can only be regarded as a very rough indication of what would be likely to happen. For this reason and since circumstances and opportunities would inevitably change over the two decades of the scheme, it would be unsound to expect precision about intended spending, especially in the scheme's later years. In all the circumstances a 25% 'downside', in regard to revenues, as used by financial consultants in testing the scheme's robustness (T102), seems to us prudent and not excessive.

4.103 Of the projects listed in the AIP, most appear to be 'scalable' according to variations of net revenue from the figure presented in the documents. Those which would be least scalable are the 'South Edinburgh Tram' (£177 million, CEC) and 'Tram Extensions and Rail Projects' £144 million, SESTRAN), followed, at a much lower spending level, by 'Park and Ride Sites (£13 million, SESTRAN). The largest projects depend not only on net charging revenue being somewhere near expectations but on approval and implementation of tram lines 1 and 2 under separate procedures, and - to be realistic - their proven success after implementation. These are the kind of unforeseeable circumstances because of which it would be unwise to demand much precision or unwavering commitment in the AIP. In the meantime it is not unreasonable to envisage that tram lines 1 and 2 will be implemented and will be successful in attracting car users, so that the extension of line 2 west of Edinburgh and creation of a further line to the south-east are proper matters for inclusion in the AIP. In principle the use of charging revenues for revenue support for trams would be no different from revenue support for buses.

4.104 The inclusion of £8 million in 'Grants to reduce pollution from buses and taxis', through use of more modern engines, is a subject of objection on the basis that this would be a subsidy for private

commercial interests in competition with other forms of transport. There is some validity to this point, but we accept that it is outweighed by the need to deal with the problem that increased use of buses and taxis, as a result of congestion charging, would result in increased emissions of pollutants from these vehicles if this step were not taken as part of the scheme.

4.105 The 'City centre improvements to street environment', £6 million, and especially 'City Centre Marketing measures', £15 million, may also seem at first sight to be strange items to find in a list of transport improvements to be funded by congestion charging. However, the former is only half the amount for the same purpose in the Base Investment Package (BIA). Both items have a direct relationship with the charging scheme since they are intended to counteract an expected tendency of the charges to discourage residents outside the inner cordon from coming to central Edinburgh by car for shopping or other activities.

4.106 Two other items also raise questions about their appropriateness in the AIP: '20 mph zones', within the category '20 mph zones, improvements for pedestrians and road safety schemes' (£13 million, CEC, with £8 million in the BIP); and 'Additional Maintenance on Main Routes' (£50 million CEC and £59 million SESTRAN). 20 mph zones are being set up gradually around the city already, while maintenance has to be carried out constantly so that it is not immediately plain how maintenance could be genuinely additional to what would happen without the charging scheme.

4.107 These are accordingly matters to which close attention was paid at the inquiry. As a result we accept CEC's explanations that because of the need to balance funding priorities the introduction of 20 mph zones could only be relatively slow and intermittent without the use of congestion charging revenues; that such additional zones would have a genuine relationship with the prime purpose of the charging scheme in that they would serve to enhance the choice of cycling and walking, including walking to public transport pick-up points, as alternatives to use of cars; and the proposed additional spending on maintenance would reflect in particular the need to prepare roads for increased use by buses, particularly where reserved inside lanes had in the past received relatively little use. We are thus satisfied that the 'obvious' inappropriateness of these items is not borne out by closer examination.

4.108 The promoting authority for a congestion charging scheme is obliged by the Transport (Scotland) Act 2001 to ring-fence the revenues for the purpose of policies in the authority's LTS (see Appendix A, paragraph A.1.5). Spending thus must be additional to what would otherwise have been available. Given the uncertainty about the net revenue from congestion charging and to a lesser extent about the split between CEC and the rest of SESTRAN, besides the need for continued good faith by central government in regard to the additionality of investments to be funded from congestion charging, it has to be concluded that the scheme broadly passes the tests posed by question 15 as well as any scheme could, at this preparatory stage. Some concerns about particular categories of transport investment are noted under the next question.

(16) In particular has sufficient thought been given to cycling, walking, car parking, park and ride, and heavy rail?

4.109 A number of objections to the charging scheme consider that any special provision for cycling is a waste of money and road space. This view runs contrary to national planning guidance and long established policy in Edinburgh. Accordingly, on those grounds alone, we would have to reject this viewpoint. However, that leaves open the question of whether the current and likely future configuration and condition of the cycle network is adequate to fulfil its potential in encouraging modal shift in accordance with the objectives of congestion charging.

4.110 The North Edinburgh Cycle Network is clearly a remarkable facility for leisure and functional journeys and, provided it receives enough revenue spending on maintenance, compares well with the best off-road urban routes on the mainland of North-West Europe. Despite the fears of some objectors, its value for cycling does not appear to be seriously threatened by the proposed tram line 1, beyond some loss of amenity over about 3 km between Roseburn and Blackhall, provided the cycle path retained the use of existing bridges. Elsewhere in the city and its environs, we have found that provision for safe and pleasant strategic cycling routes with smooth surfaces is much more sparse, patchy and disjointed, limiting the potential for cycling to become a common mode of transport for regular daily journeys between about 2 km and 10 km each way. The lack of a continuous and attractive east-west route through Leith east of the Water of Leith is particularly notable, with the river marking an abrupt end to the North Edinburgh Cycle Network; while connections between north-west Edinburgh and the Forth Road Bridge include sections that are makeshift, indirect, or of hazardously low specification. This absence of attractive linkage for regular journeys of cyclable length between the major employment venues in the north-west of CEC's area and the 'Bridgehead' area of Fife means that the potential of cycling to make a contribution to relieving pressure of motor traffic on the Forth Road Bridge is not at present realised.

4.0 Despite the benefits which might have accrued from even modest additional investment, such as provision of proper drainage and tarmac surfaces on some existing paths, the potential for cycling to become a common mode of transport for regular daily journeys remains unfulfilled. Accordingly, it is not surprising that some objectors were concerned that cycling might not receive due recognition in the allocation of congestion charging revenues. To a degree this is borne out by the figures for the CEC area in the AIP: The indicative figure of £13 million for 'Cycling networks and promotion' for Edinburgh is very small compared with the planned expenditure on other forms of infrastructure and there is no specific provision made for improved cycling facilities elsewhere in the SESTRAN area. The absence of any stated intention to contribute to improving cycling links beyond the CEC area is surprising since there is potential for some substitution of cycling for car usage in semi-rural areas where the provision of frequent bus services may not be commercially viable. There is also potential for cycle paths to act as feeders to park and ride sites on the edge of the city, or to railway stations and tram stops more generally.

4.0 It is recognised that cyclists benefit from signalling and layout changes on roads, which come under other budget headings, and that some facilities may be provided or improved through developers' contributions or as part of other transport investments. We are also well aware that the content of the investment packages is not our primary concern in forming conclusions on the draft Order. However, the representations on cycling were part of the array on which we are required to comment. We conclude that they appear to have raised valid concerns that will need attention in due course if the charging scheme proceeds further.

4.0 Most urban walking routes run alongside public roads, or are off-road and shared with cyclists - an arrangement that can work reasonably well provided the paths are wide enough. It is thus fair to expect that pedestrians would also benefit from many improvements in provision for cycling; while the BIP and AIP contain measures that would directly or indirectly improve conditions for pedestrians - as would a reduction in overall levels of motor traffic through the charging scheme. At the small-scale level of light-controlled crossings and other features to aid pedestrians, our travels around Edinburgh did not suggest that pedestrians are by any means neglected, although there remains ample scope for area improvements such as additional 20 mph zones proposed in the AIP. We understand that many trips by motor car are over small distances and of short duration. Clearly, for these trips, modal shift will be encouraged if journeys on foot can be made more attractive and congenial.

4.114 Views on city centre car parking, in representations, have varied between a wish to have existing numbers of parking spaces reduced and a suggestion of a ring of new multi-storey car parks around the central area. It was argued by those in favour of the provision of further centrally located spaces that the aims of reducing congestion largely caused by use of private cars, and of maintaining a commercially strong and vibrant city centre, tend to pull in different directions. We accept that in the medium to longer term public transport improvements paid for through congestion charging revenue, on top of those in the BIP, should make alternatives to the private car more attractive and more practicable for some suburban and outer areas of the city region that are not now well served by public transport. Accordingly the need for parking spaces might in due course decline, but not immediately. In the meantime we note that further more detailed studies about the impact of the charging scheme on the most sensitive sectors of the city's economy are under way, and it would be premature to anticipate what recommendations might result as regards city centre parking.

4.115 The existing impact on residential amenity and daily life from commuter parking outside the existing CPZs has been noted by many objectors, often with the fear that such conditions would become more severe and widespread as a result of inner cordon charging. We accept from evidence at the inquiry that the Council is well aware of the potential problem and that it is a contributory reason for considering extension of the CPZs. Because the operational details of the proposed changes which follow approval of the Central Edinburgh Traffic Management scheme (CETM) are subject to separate procedures, they are not matters on which we make further comment.

4.116 Only two of the proposed pre-charging ring of six park and ride sites outside the outer cordon are in operation; Ferrytoll in Fife is exceptional as lying well outside the city. The four remaining sites are an important part of the preparations for the charging scheme. Their strategic positions, for convenience to commuters and others using main roads from outlying areas, appear to be straightforward choices. An objection concerned about the environmental impact of the proposed Hermiston park and ride, and conversely a suggestion that there should be several multi-storey park and ride garages on what would very probably be green belt sites, serve to remind that park and ride installations are not without environmental impact, or always uncontroversial. It also has to be borne in mind that a journey partly by car and partly by public transport is, in policy terms, second best to one made entirely by public transport or by other means such as cycle.

4.117 With one eye on the opportunity costs of foregone improvements to other modes, we are in no doubt that investment in park and ride sites should be limited to what is necessary to attract car users for the part of their journeys where the external costs are clearly highest. Given the manifest under-usage of the Newcraighall site, and the lack of any compelling evidence that the promoting authority has under-estimated the likely demand for park and ride facilities on Day One, we cannot conclude that the proposals should have included more park and ride sites around the City Bypass. An objector has usefully pointed out that park and ride bus services should not be treated as catering only for outskirts-to-centre journeys but as serving intermediate destinations and interchanges, including stations on the South Suburban Railway if this were restored as a passenger line in accordance with CEC's stated intentions. It is also evident that the effectiveness of park and ride facilities will depend on their attractiveness to a wide range of potential users. Careful configuration (including, for example, cycle access and the secure all-weather cycle storage absent at Newcraighall) is the prerequisite for success along with provision of reliable, strictly enforced bus lanes within the city. However, these are operational matters beyond the scope of any recommendations in this report.

4.118 The use of residential streets as unofficial park and ride car parks around the existing CPZs has been a matter of much discontent in objections. However, organised park and ride sites around the inner cordon would have the disadvantage of encouraging use of cars for radial journeys within

the area between the cordons of charging points, thereby discouraging the use of public transport for the whole of journeys. A still more compelling obstacle is likely to be the physical shortage of potential sites outside but close to the inner cordon, and the high land value of any such sites for commercial or residential use.

4.119 It is clear from the various LTSs and other material that all the neighbour Councils as well as CEC regard heavy rail as an important alternative to use of cars, but one limited sometimes by gaps in the availability of stations on existing lines and sometimes by the need to reinstate long discontinued rail lines. To a large extent such investments, dependent on major changes to track and signalling at Waverley station, also depend on funding from the Scottish Executive and from within the rail industry, and on approvals through separate statutory processes. The lead-in period for such large infrastructure projects is inevitably long, and investments not already committed and under way would be unlikely to be completed before the intended start of congestion charging. They can therefore have practically no relevance to consideration of the transport improvements to be in place before charging.

4.120 The matter of heavy rail investments through revenue from the charging scheme cannot be of such direct interest to us. However, given the rather dismissive content of the recent consultants' report (T173) on the South Suburban Railway, a possibly unique chance to reinstate for passenger trains a heavy rail link within Edinburgh, we are concerned that its potential to act as a fast orbital link in a system of orbital-radial links with main radial bus routes may have been under-estimated.

(17) Would the scheme achieve its objectives in reducing congestion and/or noise and emissions?

4.121 Traffic congestion, however defined, is not directly an aspect of environmental impact. Strictly speaking, it is the effects of vehicular traffic congestion upon the urban environment that need to be considered. The main effects are noise pollution and the pollution of the atmosphere. These are respectively the function of the speed, volume and composition of vehicular traffic and the cumulative length and duration of vehicle movement.

4.122 Noise and atmospheric pollution adversely affect not only people on the move, by whatever mode, but also on occasion and to a greater extent, the resident and employed populations, in their housing and workplaces. Although they do not appear to have been the subject of much study in the preparatory work for the ECCS, from our reading of the objections increases in ambient noise, street by street, affecting the areas inside the outer cordon and outside the inner cordon are a matter of considerable public concern.

4.123 It appears to us that atmospheric pollution is a lesser problem than noise, the available evidence pointing to lower levels of conventional pollutants than is common within cities the size of Edinburgh. Moreover, it is a problem that is specifically addressed in the ECCS, through support for replacing older, more polluting diesel engines in public transport. Modelling results (Table 2b of T121) appear to show the kind of modest decrease in nitrogen oxides (NOX) that might be expected from the concomitantly predicted reductions in traffic volumes; though it was not clear how far this table had taken into account the intended use of charging revenues to speed up the change to cleaner engines in public transport.

4.124 There was much discussion at the inquiry of the concept of 'margin of error' in the modelling of traffic and other effects of interventions. A figure of 'up to 30%' attracted attention. Such a figure has to be treated with great caution and does not imply that every output figure could be 30% higher or 30% lower than that calculated by a model; for instance +30% or -30% if the output figure is zero. We accept the explanation of a CEC/tie witness that, with the massive proviso of input data

being accurate, a 30% margin of error refers properly to a percentage of the output figure; hence 10% with a margin of error of 30% means a range of 7% to 13%.

4.125 In the case of an intervention such as charging for use of certain road links at certain times, common sense also has to be applied to the concept of margin of error. Since the overall effect must be to reduce volumes of chargeable traffic on those links, not even a huge margin of error around calculated figures for traffic reduction could be interpreted as indicating an increase in chargeable traffic passing cordon points, caused by charging. As noted above, probably the greatest uncertainty before a charging scheme came into operation would be the degree to which it would induce modal shift from cars and enable freer flow on congested roads for remaining vehicles. Thus even the most sophisticated and detailed traffic modelling, using the most accurate data possible on traffic volumes at a recent base date, would have to depend on untested assumptions about drivers' behaviour.

4.126 Accordingly, and taking into account criticisms of the level of accuracy and detail in the modelling, we can only regard the figures for 'time lost due to congestion', in Table 1b of document T121 (scenario T4 being most relevant), as being very rough estimates. However, they are almost incapable of being in the wrong direction, in aggregate. It is also notable, and an indication of the limitations of the present charging scheme based on two cordons, that the predictions are of a restraint on increases in congestion that would still occur, and not of progressive reductions in congestion during the life of the scheme. The restraint of overall traffic growth in the city would be even more modest. However, equally notable, and credible, is that the greatest restraint on traffic volumes and congestion would be in the city centre as defined by the inner cordon (Table 1a in T121).

4.127 Although we cannot conclude that the scheme in its present form is an ideal solution to the problems posed by the levels of congestion forecast for Edinburgh and its surrounding region we can readily accept that it is a step in the right direction. In sum, we see the scheme as likely to provide worthwhile alleviation of increasing congestion, especially in the environmentally and economically sensitive city centre.

4.128 The major reservation to this overall expectation of reduced traffic volumes and congestion must relate to the increases of traffic on some orbital routes that could be used to avoid passing cordon points at chargeable times. These have been among the most frequent, and valid, concerns in objections, besides being the object at the inquiry of technical criticism of the opaqueness of the modelling which produced figures for increased orbital traffic as in Table 1a of T121, and the lack of detailed attention to the capacities of roads, relative to flows. The problem of induced traffic on orbital routes has been recognised in the proposals for mitigation measures, set out in document T135. The inherent uncertainties about the size of this effect also reflect the lack of relevant experience of a similar two cordon scheme and how it changes drivers' behaviour. However, a major concern about the consequences of induced traffic increases on orbital roads inside the outer cordon has been much reduced by the restriction of outer cordon charging to the morning.

4.129 On the basis of the mitigation proposals in T135 and the traffic assignment figures underlying them, it is notable, and of some concern, that measures to prevent 'rat-running' would result in significantly increased peak hour traffic on two congested radial routes, the A70 and A90, as well as on Peffermill Road which is classed as orbital but has some of the function of a radial route and can be very congested at peak times. There would also be some large absolute and proportionate increases on a small number of inner urban streets, of which the worst affected would be Annandale Street northwest of Leith Walk. There can be little doubt, therefore, that residents and other users of some streets in Edinburgh would suffer increased traffic and associated noise and local air pollution as a result of the charging scheme. In some areas around the inner cordon there could be further

pressure on on-street parking through use as unofficial park and ride sites, if care were not taken to coordinate the charging scheme with changes to CPZs. The scheme would thus have other 'losers', besides those who paid charges and any who might be affected by loss of car-borne business or staff.

4.130 Nevertheless it seems probable that most of the road network in the city would experience less traffic and associated noise and air pollution, and that those adversely affected would be a small minority. The study of noise impacts (T212), which was provided during the inquiry in response to our dissatisfaction with the information previously available, suggests an increase in noise levels (L_{10} , 18 hr) at the partly residential Annandale Street of 8.9dB(A) after mitigation (which would actually channel traffic through Annandale Street, for the benefit of other streets, rather than directing it away), and, in the second worst case, 7.4dB(A) at Bankhead Crossway North in an industrial/ commercial area. To keep the worst case in proportion, however, the resulting level of 65.4dB(A) is shown as slightly less than the present level of 66.7dB(A) in the nearby Montgomery Street, and less than at present in many other residential streets in inner Edinburgh. We see such figures as giving a broad indication of the likely effects of the charging scheme for those worst affected, although derived from traffic flow information which (even in the more detailed form provided late in the inquiry, in documents T208 and T212) received some telling criticism at the inquiry, on matters of technical detail.

4.131 We are thus satisfied that the most likely result of the scheme is useful though not necessarily dramatic overall reductions in traffic congestion and noise and air pollution from traffic, compared to what would happen in the absence of a charging scheme. There are, however, enough doubts about the quantification of effects generally, and in particular about the accuracy of predictions of local impacts on traffic flow and the environment on some streets, to justify the cautionary observation that these matters would need close attention before and during the STAG 2 process. These doubts, and the need for closer scrutiny than was possible or appropriate in an inquiry focused on the draft Charging Order, are reinforced by the indications, from the detailed 'with and without charging scheme' traffic figures provided late in the inquiry (in T212), primarily in relation to noise assessment, that measures to reserve traffic lanes for public transport would at some pinch points tend to cause new congestion by channelling other traffic into single lanes.

(18) What would be the impacts on local and regional economies and spatial planning?

4.132 Conclusions under this question reflect our view of the modelling used in preparation for the charging scheme, as discussed under question 5.

4.133 The modelling predicted modest restraint on total economic growth within Edinburgh, and some redistribution of population within Edinburgh and more significantly from Edinburgh to outer parts of the city region. It is entirely understandable that neighbouring Councils, which already have difficulty in accommodating overspill of Edinburgh's housing demand without strain on physical and social infrastructure and declining environmental quality, should be seriously concerned about the implications of such an effect. We would agree that a tendency to increase the dispersal of housing and employment growth around the most pressurised parts of the city region would be undesirable, not least because it would tend to increase car dependency and local traffic congestion, which is already not confined to Edinburgh, besides adding to the urban sprawl which affects parts of the region. However, the modelling suite, for all its complexity, depends on a limited selection of inputs and on generalised formulas for outputs; indeed, a claimed merit of these was greater robustness from the background of data sets from several areas as compared to using only local data.

4.134 We share the suspicion of a senior CEC official that the indications that the £2 cordon charges would influence the pattern of regional development to a noticeable degree fail to take into

account the strength of the city's economy and the demand for housing and commercial land. A wish to avoid inbuilt 'optimism bias', seen to be common in strategic planning documents, appears to have been a main motive in rejecting existing structure plan data sets and models in favour of other sources and methods. However, in view of experience with the Lothian Structure Plan 1994 and the demand for development which actually occurred and has been taken into account in the replacement structure plan, any fear of optimism bias was misplaced. Hence it is plausible that the modelling carried out for the charging scheme had, on these matters, an unnecessary degree of inbuilt 'pessimism'. Overall we do not consider that the modelling results can be held to indicate any significant adverse effects on the city region's economy. If, nevertheless, the congestion charging scheme tended indirectly to divert wealth and development to less economically strong areas outwith Edinburgh's pressurised commuter hinterland (including former mining areas in Fife and western West Lothian), this effect would be desirable in terms of intra- and inter-regional equity. Areas closer to Edinburgh are already under such development pressure that it is difficult to see an encouragement by the scheme to development outside the outer cordon as making much practical difference.

4.135 With the possible exception of a very few streets, it seems unlikely that traffic changes caused by the scheme would significantly restrain the general growth in property values in Edinburgh. The greatest likelihood of changes would relate to new development opportunities for commercial development around new public transport nodes created by investments from congestion charging revenue.

4.136 The consequences of cordon charging for the retail and related sectors within Edinburgh have to be a major concern, not least because the modelling identified these as the most vulnerable sectors, on the basis of quite generalised data. With the dropping of evening charging at the outer cordon, we are satisfied that charging at this cordon up to 10:00 on Monday to Friday only would have minimal effects on trade at outer suburban retail locations such as South Gyle, or at smaller local centres and freestanding stores within the area between the cordons. The concern is effectively limited to the city centre within the inner cordon, where shops, not least distinguished and distinctive department stores, are an indispensable contributor to the character as well as the economic viability and vitality of the area.

4.137 We are not entirely convinced by the evidence presented to us by the CCRG on loss of business at Oxford Street, a principal shopping street in central London, alleged to have been caused by the congestion charging scheme there. Not all department stores have complained of harm to trade due to congestion charging (T209, newspaper article on Selfridges' store, though we note that this was in the context of a possible takeover). A more academic study has provisionally concluded that there was very little impact (T210). Notwithstanding the integrity of studies (CCRG3) which concluded to the contrary, there is great difficulty in unravelling the effects of the scheme from other deterrents to visiting Oxford Street in the relevant period, including an extended closure of the Central underground line and security fears relating to terrorism and the invasion of Iraq, which approximately coincided with the start of charging.

4.138 We can easily appreciate why the recent performance of Edinburgh city centre in competition with other shopping locations is a matter of local commercial concern. However, the recovery of Falkirk and Stirling and other sub-regional centres cannot be regarded as undesirable. Western parts of West Lothian are almost as near to the larger city centre of Glasgow, so it is unsurprising if that attracts significant expenditure from Lothian. 'Leakage' of comparison expenditure from Lothian to Newcastle/ Gateshead was recorded at 2.9% in table 2 of the Lothian Shopping Survey (CCRG2), the same as the combined figure for Falkirk and Stirling. This figure is not unduly alarming, particularly when it is borne in mind that the figures were compiled in the 1990s when Gateshead had the most

northerly IKEA store in the UK and a large modern covered centre, whose relative attractiveness will have declined with recent enlargement of the Gyle Centre, expansion of retail parks in and around Edinburgh, and additions and refurbishments to the modern shopping complex north of the east end of Princes Street. In the longer term, though not instantly, improved public transport through congestion charging revenue could markedly enhance the attractiveness of the city centre for travel by public transport.

4.139 However, the apprehensions of experienced traders in the city centre, about its continued attractiveness to shoppers at least in the shorter term, are worthy of respect. Before taking the charging scheme further it would be essential for CEC to consider the results of the more detailed work on sectoral economic impact now being carried out. In this context we note that it is the footfall of potential purchasers along with their spending power which is crucial rather than the number of trips made to the centre by whatever means of travel.

(19) Has the process of consultation been inadequate?

4.140 Consultation relates in different ways to public bodies and to the wider public, but complaints about its adequacy have come from both. At the inquiry they were put most forcefully by the three Councils who took part as objectors. Having considered the conflicting evidence and relevant documents, we can see that the Councils felt they were being hurried along by CEC with unseemly haste, while CEC and the City may have had the impression that the Councils' lack of enthusiasm for the emerging scheme was tending towards entrenched opposition and delaying tactics. The choice of background data for the modelling for the scheme, different from those generally used by the Councils in spatial and transport planning, was also presentationally inept, even if it seemed technically sound, as it was always likely to be seen as implying a lack of trust and unwillingness to share information. It is thus unfortunate that the usually co-operative relations between the neighbouring authorities became more confrontational, though witnesses at the inquiry clearly made it known that they regarded this as likely to be a passing phase.

4.141 From the information before us there is one detailed matter on which it appears that consultation with a neighbouring Council was not of the full and open kind expected: namely the manner in which previous indications that tram line 3 might extend into Midlothian were dropped in favour of an extension to Musselburgh in East Lothian, without adequate opportunity for Midlothian Council to influence the selection process. This, however, is only tenuously related to consultation on the Order itself, and concerns a scheme that in any form is at best several years away. The urgency of the timetable for the charging scheme, including the inquiry, was such that approval of the final draft Order by CEC coincided with approval of a revised LTS whose policies the scheme would have to further; there was no opportunity taken for consultation with the other Councils specifically on the LTS beforehand. We can only assume that this timetable was driven by other considerations within the City of Edinburgh Council, rather than by a need to deal with extreme congestion as an emergency situation. However there has been no serious suggestion that the LTS is thereby invalid, and the ample documentation of meetings and correspondence, at officer and organisational level, satisfies us that previous consultation on the substance of the LTS and the Order was comprehensive and not unduly curtailed.

4.142 As regards consultation with the general public, we accept that great efforts were made to disseminate information and invite comment widely in the city region. However, we are in no doubt that the results were patchy both geographically and to a lesser extent in quality. We do not find the leaflets brought to our attention to have been factually misleading, although their tone is clearly favourable to the idea of congestion charging, particularly as a way to raise revenue for transport improvements. Conversely a representation (2042) complains about inaccurate information about

the scheme from West Lothian Council, giving the impression that West Lothian charge payers would be supporting transport investments only in Edinburgh. We find no evidence to support claims that the public consultation was deliberately obscure in content and fragmented in delivery, in order to distort the public reaction to congestion charging. Overall, the problems experienced appear to have resulted from the size of the leafleting exercises, and reliance on actual delivery and on a presumption that the material would not be thrown out as junk mail. It may be that a less elaborate exercise, more akin to publicity for a proposed structure plan, would more successfully have achieved more limited targets, but doubtless this would have attracted complaints that CEC was not fully informing the regional public about the scheme.

4.143 We note that the power to hold a referendum on a matter such as congestion charging appears to be limited to within a Council's own boundaries. If that is correct, it would therefore require the co-operation of CEC's neighbours if the intended referendum were to cover those residents outwith CEC's area, who would be most affected by liability to pay charges and the prospect of better public transport. In principle that would be desirable, although there could be a practical difficulty in identifying a cut-off boundary for eligibility to vote within Fife. In any event, we have no remit to make recommendations to any authority other than CEC. Any difficulties over the adequacy of electoral registers available for use in a congestion charging referendum (as suggested in representations) are not matters on which we could usefully comment.

4.144 Drawing these matters together, with some reservations about the compressed timetable of events just before publication of the final draft Order and the LTS 2004, but bearing in mind the practical impossibility of perfection in such a novel and complex matter as a congestion charging scheme, we consider that CEC could not have done a great deal more to meet the expectations for consultation, in paragraphs 20-22 of the current Scottish Executive Guidance (T81).

(20) What effects would there be on the problem of social exclusion?

4.145 As the primary aim of a congestion charging scheme must be to reduce congestion, it would contradict that aim if overriding attention were paid in a scheme to improving accessibility to jobs, education facilities, shopping and leisure for social groups and communities suffering disproportionately from the kind of problems that come under the term 'social exclusion'. However, effects on social exclusion figure in LTS policies, and they have to be considered during STAG 2 appraisal. They are therefore relevant for generalised comment at the present stage.

4.146 Individuals who do not use cars, including disproportionately those with the lowest incomes, cannot be adversely affected by congestion charging, except insofar as they may be less likely to receive lifts in the cars of others, whose use of cars is reduced in response to charging. Those drivers who have disabilities resulting in eligibility for blue badges would not be affected, except favourably by having less traffic congestion to contend with. Improvements to public transport, accelerated at the pre-charging stage and thereafter only achievable through revenues from charging, would tend to improve accessibility between less advantaged areas and potential workplaces and other destinations, particularly for non-car users. The same would be true for improvements to the network of safe and pleasant routes for cycling and walking.

4.147 The worst effects in regard to social exclusion would be felt by those who had no reasonable alternative to use of a car, but who were at the margins of being able to afford to run it. These could include both low paid workers living in areas relatively remote from public transport and persons with some physical discomfort or limitation in mobility, but not enough to be eligible for a blue badge. In the short term these categories would be among the most significant losers from the

charging scheme. In the longer term many of these should benefit from a closer network of reasonably frequent public transport, with buses easier to board for those with restricted movement.

4.148 While not belittling the significance for some of having to pay £2 daily charges, overall we have to conclude that, unless revenues fell far short of reasonable expectations, the transport improvements achievable by congestion charging would tend to reduce rather than increase problems of social exclusion.

COMPLIANCE OF THE CHARGING SCHEME WITH THE RELEVANT NATIONAL, REGIONAL AND LOCAL POLICY FRAMEWORK

Section 49(3) of the Transport (Scotland) Act 2001 and Consistency of the Charging Scheme with CEC's Local Transport Strategy (2004)

4.149 As noted at the beginning of Appendix A, the LTS has a special importance under section 49(3) of the Transport (Scotland) Act 2001. CEC passes the low hurdle of subsection (3)(a) simply because it has an LTS. Since the present LTS was approved at the same time as the charging scheme and in part virtually used that as a template, it would be remarkable if there were significant disparities between the intentions of the two. The important task for us is therefore, under subsection (3)(b), to assess whether the likely results of the charging scheme would be "desirable ... for the purpose of directly or indirectly facilitating the achievement of policies in that strategy". We have assumed that this wording requires an overall assessment of whether the effects in practice would broadly serve to achieve the policies, rather than a search for even marginal failure under any single policy, which would be fatal to the scheme. Realistically, unless the likely effects of the scheme would actually be at odds with the intentions of the policies, there could be no reason for finding inconsistency with them. The requirement that the scheme be "desirable", however, goes beyond a merely neutral consistency with the policies.

4.150 On that basis, there can be no difficulty for the scheme under policies (set out in paragraph A.3.4 in Appendix A) TN1, PT1 to PT15, CA1, CA2, CF1 to CF4, P1 to P8, W1, W2, W8, W11, W12, C1, C2, C6, C7, C11, MC1 to MC3 (note that congestion charges for PTWs would be inconsistent with this policy), RN1 to RN3, M1, SR1, TA1, TA2, FR1 to FR4 (even if many freight operators would prefer matters left as they are), LD1, A1 to A4, S3, CO1, CO2, LUP1 and AQP1, besides those policies of too little possible relevance to be listed in Appendix A. Of more significance is assessment under the policies marked in the margins in paragraph A.3.4: DM1, DM2, R1 and R2.

4.151 In terms of the introduction to policy **DM1** a charging scheme has been developed, and consultation with the public and relevant authorities has taken place, albeit imperfect. Parts (a) and (b) of the policy are prospective, and there is no compelling evidence that the net revenue of the scheme would not be ring-fenced as required by (a), or that net revenue would not be treated as additional, in the way required by (b). Insofar as much of the capital funding that would be expected in any circumstances would be provided by way of the Scottish Executive, this would not be within the control of CEC; although fears of objectors that the Executive would take advantage of congestion charge funding to reduce its contributions are understandable, they would not be a substantial basis for concluding that part (b) of the policy could not be complied with.

4.152 Part (c) sets no qualitative or quantitative criterion for the range of public transport improvements to be in place before charges are introduced. With reservations particularly about the prospects for achieving sufficient park and ride and orbital bus route improvements by the intended start of charging in 2006, we are satisfied that significant improvements should be in place before charging began. It is important to appreciate that such pre-charging improvements would inevitably

be limited compared to what should over the following two decades be achieved by investment that could not take place without charging revenues.

4.153 The requirement under part (d) for transparency in accounting is again prospective, and there is no evidence that the charging authority intends to, or is likely to, or would lawfully be able to if it wished, be less than transparent with regard either to neighbouring authorities or to the public. Likewise the requirement of a referendum under part (e) is prospective, and there is no reason to suppose that CEC intends to renege on its undertaking to hold a referendum of the Edinburgh population. On this point we would note that a referendum of registered electors resident within CEC's boundaries appears to be the minimum requirement.

4.154 Under part (e) we acknowledge that there is a certain logic in trying to treat residents within CEC's boundaries outside the city bypass the same as those living within it. However, our considered view is that this is vastly outweighed by the inconsistency of treatment between residents of places which functionally, and in terms of traffic movements, are similarly related to the city, but for historic reasons are in different local authority areas. We are not convinced that this feature of administrative geography is of compelling importance. Obvious examples are Queensferry and Dalkeith, or Kirkliston and Loanhead, but the principle applies to the whole of the 'Rural West Edinburgh' area as compared to commuter areas of Fife, East Lothian, Midlothian and West Lothian. On this basis the draft scheme cannot meet the requirement in part (f) of policy DM1, for fair treatment. There are also a few small areas on the margins of the inner cordon, where some groups of households would be affected unduly severely as a result of cordon-passing enforced by one-way street systems, and remedies should be sought. In other respects, and with regard to the impossibility of charging anyone precisely in accordance with benefits received in a public scheme of this nature, we do not find that the scheme would create any anomalies so severe that it could not meet the requirement of part (f). Recommendations for adjustments to the list of exemptions are made below in an effort to refine the scheme if it is to proceed, rather than because policy DM1 (f) would be failed without those adjustments. It may be noted that the policy does not require a precise balancing or ranking exercise between potential categories of exemption from the scheme, to assess their fairness as against one another.

4.155 Policy **DM2** acknowledges the role of spending outwith CEC's area. Part (a) presupposes that there would be agreement between CEC and other SESTRAN authorities about the apportionment of revenue according to relevant proportions of charged journeys, and hence that an adequate and agreed monitoring regime would be in place. Clearly such an agreement is not in place already, as would have been far preferable, but there is no reason to suppose that, with the kind of co-operation that has been evident in the past, it could not be devised in such a way that it would equitably reflect the needs of the other SESTRAN authorities for improved alternatives to the private car, not least in areas of new development. Although there is no suggested mechanism whereby existing authorities beyond the SESTRAN area could influence spending on "schemes relevant to longer distance travel in the appropriate corridor", there is no evident reason why, with transparent accounting of revenue and expenditure and monitoring of traffic, this aspect of equitable allocation of revenues could not also be assured.

4.156 With regard to the two points in part (b) of policy DM2, the packages so far promoted (i) are consistent with Scottish Executive guidance and statements on transport, and (ii) would facilitate the other policies in the LTS. Indeed, given their common background, they could scarcely do otherwise. Part (c) simply gives a discretion to set aside funding for strategic regional projects, and is not a requirement against which prospective spending could be assessed.

4.157 Policy R1 is no more than an undertaking to work with SESTRAN and other bodies to deliver transport projects. There is no reason to doubt the good faith in this regard, of those currently involved at CEC and tie.

4.158 Policy R2 adopts the “RTS in place from time to time”, in relation to spending of net revenues on schemes in the “SESTRAN region outwith Edinburgh”. The implication is that investment packages might need to be adjusted if the terms of the RTS changed significantly. Such future compliance is not a matter on which any conclusion can be drawn now. It is concluded below that the scheme is consistent with the present draft RTS.

4.159 Accordingly, and subject to further study on some of the side-effects of the proposed scheme and to adjustments of which removal of the ‘Rural West Edinburgh exemption’ would be far the most significant, we conclude that it is reasonable for CEC to treat the charging scheme as “desirable ... for the purpose of ... facilitating the achievement of policies” in the LTS, in terms of section 49(3).

Consistency with Draft SESTRAN Regional Transport Strategy 2003

4.160 Subject to the observation that safety must depend on detailed design as well as broad principles, the charging scheme and in particular the pattern of proposed investment would serve all the stated objectives of the RTS. Since the wording of the draft RTS strongly reflects the terms of the charging scheme and is written partly as a justification for it, it is unsurprising that they are consistent with one another.

Consistency with Local Transport Strategies of Adjoining Authorities

4.161 This is not a requirement of statute or otherwise, but it would doubtless be a matter of some interest if there were significant discrepancies in approach. Unlike CEC, the contiguous authorities have not updated their LTSs in 2003/2004, apparently, and not unreasonably, preferring to await revised formal guidance from the Scottish Executive. The LTSs that are in place are varied in style. However, they share with each other and with CEC’s as well as with the charging scheme a concern for reducing traffic congestion and improving the availability and attractiveness of alternatives to the private car. East Lothian Council’s LTS is hardly less than enthusiastic about the principle of congestion charging in Edinburgh, and Fife Council’s supports the principle. West Lothian’s treats congestion charging revenues as a possible source of funding, and only Midlothian’s LTS is particularly cautious about the effects on residents of its area. In general, and given that detailed transport investment programmes are always subject to fairly frequent revision, the charging scheme is not in conflict with these LTSs. Its intention to charge private hire cars but not taxis is, however, at odds with the equally favourable, ‘public transport’ role accorded to private hire cars in the Midlothian and East Lothian strategies.

Consistency with Development Plans and National Planning Policy

4.162 It is important to note that, unlike the case with planning applications, development plans have no special status in relation to a congestion charging scheme. This is not to say by any means that the implications of the present scheme for spatial planning and future development control are unimportant.

4.163 Failure to conform to the letter of local plans several years old is thus of negligible significance. The charging scheme is reflected in the terms of the recently approved structure plan and the associated non-statutory Action Plan, while the scheme’s investment proposals in West

Edinburgh are broadly consistent with the emerging local plan and the Scottish Executive's West Edinburgh Planning Framework.

4.0 Given that national planning policy is much concerned with avoiding car dependency and improving effective choice in personal transport, but not with the operational detail of schemes authorised by the Transport (Scotland) Act 2001, it can only be concluded that the charging scheme would tend to serve those aims.

4.0 A proviso to the last two conclusions is that the scheme should not have side-effects that would undermine planning policies at national, regional or local level. It is therefore necessary to consider the broader economic and land use effects as predicted in the modelling work for the promoting authority. Insofar as there might be a tendency to divert a small proportion of growth in economic activity and population from the Edinburgh city region to other parts of Scotland which are generally less prosperous and may have declining populations, but without loss to Scotland as a whole, this could actually be seen as a redistributive benefit. It would also reduce severe pressure on the environment of areas close to Edinburgh. A tendency to more dispersed development around the city region would, however, encourage car dependency and conflict with the aim of achieving more sustainable patterns of movement. Given the strengths of the city's economy and its attractions as a place to live, and assuming a continuation of strong controls on greenfield development, we are not convinced that the dispersal effects predicted by the modelling would be as strong even as the rather modest levels predicted.

4.0 On a more detailed point of economic impact, we would however stress the potential importance of work, to be carried out after the inquiry, on impacts on city centre retailing and related activities. Any finding of likely significant impact on the city centre's retail vitality and viability, even after measures such as environmental improvements, would be contrary to the intentions of NPPG 8. We are aware that CEC will give the results of such studies consideration alongside this report.

Consistency with National Policy and Guidance on Transport

4.0 Current UK and Scottish transport policy statements favour measures to improve transport choice, tackle car dependency, and reduce emissions that contribute to global warming. Both now specifically envisage the use of congestion charging. Of more specific relevance than the various general statements of policy is the Scottish Executive's guidance on '**Delivering Integrated Transport Initiatives Through Road User Charging**' (T81 - extracts in paragraphs A.2.1 to A.2.5 of Appendix A to this report).

4.0 The advice on consultation, in paragraphs 11 to 13 of the guidance, is particularly apt, not least in the comment (in paragraph 12) that "any consultation process will have to strike a balance between being as inclusive and open as possible and manageability". Looking at the requirements set out in paragraphs 13 and 20, we find that these have been adequately observed by the promoting authority, and we are satisfied that the relatively small number of objections, out of the potentially affected population, is more likely to reflect relative public apathy or resignation about the need for congestion charging, rather than ignorance of the charging proposals through a failure by CEC to consult thoroughly or widely enough. In view of the uneven effectiveness of the public consultation process through mass leafleting, it may be that the ambitious effort can be more fairly accused of unmanageability than lack of openness and inclusiveness. This view is qualified by the observation that the manner of presentation in leaflets (FCP19, FCP20) could have been more impartial and with less resemblance to commercial 'junk mail', but we are not convinced by suggestions that there was deliberate distortion of facts.

4.0 As regards the 'detail' of the proposed ITI, the consultation was clear on the length of the charging scheme, exemptions and concessions, the level of charge, timing of charges and the area or roads covered. On 'transport improvements and timings' we do not regard precision as possible, because of the inevitable uncertainties about charging revenue and other sources of funding, and about the proportion of congestion charge funding due to other Council areas, besides changes that might occur over the years in what is seen as the best ways to use them. In the run-up to charging and in the earlier years of the scheme, if implemented, much of the detail would relate to bus improvements where service changes would have to be negotiated with deregulated operators. Given the practical limitations on the detail that could realistically be given, we accept that the requirement in relation to transport improvements and timings has been met in the public consultation. Despite difficulties and imperfections in consultations with neighbouring local authorities, we do not consider that any more laborious and time-consuming approach would have been likely to bring any different result.

4.0 It is implicit in paragraph 17 of the guidance that preparation and completion of the LTS is expected to precede final preparations for a charging scheme, rather than be simultaneous. This was not the process in this case, but there does not appear to have been any actual prejudice to the public or to other Councils as consultees. In accordance with paragraph 21 of the guidance, the process of formal notice - objection - inquiry has taken place after the consultation stage. Clearly the inquiry has been held in advance of any submission to the Scottish Ministers for in-detail approval, as envisaged in paragraph 22 of the guidance.

4.0 Turning to the requirements in paragraph 23 of the guidance, we note that these are for an in-detail submission to the Scottish Ministers. It is evident that CEC's Statement of Case and other material for the inquiry have been closely modelled on this list of requirements, though a few matters, notably effects on the retail and related sectors of the local economy, and methods of monitoring and accounting in concert with SESTRAN partner authorities, would still have to be resolved before any in-detail submission.

4.0 Above any other content in the guidance are the **Four Ministerial Criteria** in paragraph 4. As the culmination of this section of the report we now turn to these. Our views are presented in summary form, drawing on the conclusions formed above on more detailed matters:-

(1) **"That the scheme will reduce congestion and/or noise and emissions"**

We are persuaded that the scheme would be likely to have beneficial effects overall in all these categories, mainly by reducing traffic flow on the more affected radial routes and in the city centre, although the nature of the two-cordon scheme would mean little total reduction in car travel and would require mitigation measures to deal with cordon-avoidance traffic on some orbital routes, and with induced car parking in some areas round the inner cordon. Even with mitigation measures, a few streets would have worse environmental conditions as a result of the scheme, but these would be greatly outweighed by benefits elsewhere and even the worst case would remain similar to residential streets in its vicinity. It is important to note that, on the evidence presented to us, 'reduction' of congestion would not be shown in any absolute decrease, except initially, but would be relative to the expected increase in congestion, over time, due largely to increased car ownership. Moreover, the generally favourable scenario, which we have found broadly credible though with substantial qualifications, would still require to be confirmed by the more detailed and technical scrutiny of STAG 2 appraisal before the scheme could be implemented.

(2) "That the net revenues from charging will be additional"

We are satisfied that CEC has a genuine intention, as well as a legal obligation, to ensure that revenue from congestion charging would be used for transport investments not achievable in its absence. The indicative contents of the Additional Investment Package are intended to achieve what would otherwise not be possible. However, for all the reasons outlined above, in regard to this criterion it is not possible to form any conclusions on future facts rather than present intentions.

(3) "That there is fair treatment of those who pay the charge (and/or suffer the congestion or environmental problem) and those who benefit from the scheme"

Clearly a perfect balance of costs and benefits among all individuals affected by the introduction of the ECCS would be as unattainable in the matter of charging for use of roads as in any other area of public administration. In this case beneficiaries would include those who never or seldom use private motor vehicles, but who would receive improvements to their alternative forms of transport. The arguable unfairness of this is mitigated by the consideration that such people suffer the environmental effects of traffic congestion, while contributing less than others to its causation. Whilst there would be a minority of losers in terms of residential environment, the degree of loss would be too moderate to be regarded as unfair in view of the overall benefits. One of the least satisfactory aspects of the scheme is the relative unfairness of charging for even short radial journeys through cordon points, while those living between the cordons would be free to drive at will in the area between the cordons. We have accepted, however, that there is no practicable alternative at present to the two-cordon approach, and do not consider that this degree of unfairness need be fatal to the scheme. What ought to be fatal to the scheme in its present draft form is the exemption for residents of the CEC area outwith the outer cordon. We can see no justification for basing any exemption on a class of persons rather than classes of vehicles, except in the special case of disabled blue badge holders. The exemption makes an unjustifiable and unfair distinction between residents of areas which in all respects, except local authority boundaries which are a historic legacy, are very similar in relation to the city within the Bypass. With the reversal of this exemption, the scheme could meet criterion 3.

(4) "That a range of public transport improvements are in place before charging is introduced, with further improvements to follow"

We have expressed strong reservations about the achievability of the timetable for the Pre-charging Investment Package (PIP), without being able to conclude that it definitely cannot be met. It may be that by the time of a formal application to the Scottish Ministers for in-detail approval there would be further information to confirm that the timetable was realistic; otherwise it is difficult to see that such an application could usefully be made. Whilst the PIP is limited in scope, this is inevitable in advance of any revenue flow from charging, and we would take it that it is from recognition of this limitation that the criterion demands only "a range of ... improvements" and not comprehensive improvement of public transport, before the start of charging. The scheme meets the first part of this criterion, in that it includes proposals, of several kinds, for pre-charging improvements to public transport. Since it also includes more far-reaching proposals for improvements thereafter, it also meets the second part of this criterion.

SECTION 5: RECOMMENDATIONS

5.0 From the foregoing conclusions we make the recommendations set out below.

General

5.0 Subject to consideration of studies of sectoral economic impact, which we understand should be complete in late 2004, the City of Edinburgh Council should '*proceed with caution*' with a Charging Order amended in regard to exemptions, arrangements for payment of charges, and detailed charging points. This caution should also relate to any adverse findings in preparations for the detailed and comprehensive 'STAG 2' appraisal of the congestion charging scheme as a large scale traffic management project; to any setbacks in implementation of the Pre-charging Investment Package; and to a continuing need to revise and refine the Additional Investment Package in the light of changing circumstances, and in order to ensure that the potential of all alternatives to use of the private car is realised, including non-motorised transport modes.

Exemptions

5.0 As an essential measure in order to achieve fair treatment of those paying the charges, the exemption from outer cordon charges of residents of the Council's area outside the outer cordon (as described in Annex 2 Part I of the draft Order) should be abandoned.

5.0 The categories of motor vehicle exempt from charging should be reduced to the minimum as may be prescribed in Regulations by the Scottish Executive, together with Powered Two Wheelers should these not be included in such Regulations. In particular, unless their exemption is prescribed by Regulations, buses (Public Service Vehicles) and taxis should not be exempted.

5.0 If the exemption of taxis is prescribed by Regulations or the Council is not minded to accept our recommendation in regard to taxis, private hire cars licensed by local authorities should also be exempted.

Arrangements for Payment of Charges

5.0 The time allowed for payment for a daily licence should be extended to the end of the day following the date of the chargeable event, not counting any intervening 'free day' or days.

5.0 The Council should investigate the practicability of pre-paid licences for numbers of days, to be 'spent' as and when required by the licence holder; and, if the indications are favourable, so amend the Order.

5.0 The Council should investigate the practicability of direct debit payment for recurrent payments for one year (258 chargeable day) licences, with validity extended to any additional chargeable day that may occur in a leap year; and, if the indications are favourable, so amend the Order.

Details of Charging Points

5.0 The following changes should be made:-

- (a) The Melville Drive charging point I-18 should be moved to Brougham Place north-west of Drumdryan Street (to be 'I-18a'), and a new charging point ('I-18b') should be placed at the entrance from Brougham Place to Panmure Place; or, if this should be considered impracticable

because of implications for cordon-avoidance traffic through residential streets or encouragement to enter the one-way Lonsdale Terrace illegally, a concession based on the 'qualifying address' concept in the draft Order should be considered in regard to those addresses in the one-way street system south of Brougham Street, from or to which no out-and-back trip could be made without passing through cordon point I-18 or I-21.

(b) A similar concession should be considered for the small number of addresses with journeys through a charging point enforced by the one-way system at Eyre Place.

(c) (i) As a consequence of the recommendation not to exempt buses, which would use WEBS, as well as the conclusion that the Hermiston Gait Retail Park should be included in the charging scheme, it is recommended that charging point O-14a be moved to Hermiston Gait between the exit from the A720/M8 junction roundabout and the entrance to the roundabout on Hermiston Gait. (ii) Should the Council be minded nevertheless to retain the exemption for buses, it is recommended that an additional charging point 'O-14b' be placed at the entrance into the retail park from the Hermiston Gait roundabout.

(d) The position of charging points in the vicinity of the Stockbridge Colonies should be reviewed in the light of local consultations and of proposals for traffic calming on Glenogle Road.

(e) (i) Charging points O-12 and O-13 should be replaced by five new charging points: facing south-west on Lanark Road northeast of the B701 junction; facing north-west on Gillespie Road southeast of that junction; facing south-west on Clovenstone Road north-east of the roundabout junction with Wester Hailes Road; facing south-east on Wester Hailes Road north-west of that junction; and facing south-west on the bridge of Westburn Avenue over the City Bypass. (ii) As a consequence if that recommendation is accepted, consideration should be given to a 'qualifying address' concession for those who as a result would be the only residents within the City Bypass who would have to pass a charging point in order to travel in a chargeable vehicle in the area between the City Bypass and the inner cordon.

(f) Further consideration should be given to the relationship between the inner cordon charging points and the Central Edinburgh Traffic Management (CETM) scheme in the vicinity of the Dean Village.

Appearance of Equipment at Charging Points

5.0 Before the installation of any ANPR equipment at charging points, efforts should be made to refine its visual appearance by comparison with the previous experimental installations.



Agenda Item 4d



T1 & T2 Parliamentary Progress/Objectors report

Both bills are currently under consideration by their respective parliamentary committees. Details of the committees each of which is made up of five MSP's can be found at;

<http://www.scottish.parliament.uk/business/committees/tram-one-bill/index.htm> &

<http://www.scottish.parliament.uk/business/committees/tram-two-bill/index.htm>

The committees first consider the bills in principle after which the parliament will vote. The committees then enter the consideration stage and consider detailed objections to the bill.

So far the committees have considered the supporting documents submitted with the bills and asked a series of questions, which tie has and is responding to. The committees have also asked all the objectors to the schemes to comment on tie's submissions and tie to comment on all the objectors' submissions. This latter activity involving 290 detailed responses has had a considerable and unforeseen impact on the scale of resources tie has had to mobilise and has given rise in turn to a series on additional questions.

The committee has also heard evidence from the NAO in the light of their report on trams earlier this year. They have also visited the new Nottingham tram system and plan to tour the routes for lines one & two on 26th & 27th October respectively on their return from the autumn recess.

The committees have now agreed a work programme of weekly committee meetings to consider oral evidence and review any accompanying documents. This runs from the beginning of November until 18th January in the case of line one and from the beginning of November until 15th December for line two. Line one meets on Tuesday mornings at 09:30 and line two on Wednesday mornings at 09:30. The proceedings can be followed live on; <http://www.holyrood.tv/committee.asp>

The format of the hearings will be inquisitorial with the committee asking questions of organisations and individuals they have invited. There will be no cross examination by the objectors or the promoter, but the promoter will be interviewed last. No further programme has been provided and there is no indication whether the current programme will provide the committees with enough evidence to progress beyond considering the projects in principle. This lack of a finite programme coupled with the uncertainty of the input required has presented tie with a considerable challenge in planning and mobilising the appropriate resources, and makes providing a detailed budget for the remainder of this financial year problematic.

tie has a detailed protocol in place for preparing responses to the parliament and organising witnesses to respond to any questions that the committee may

ask. It is anticipated that evidence will be given on behalf of the promoter by the Council, tie and a series of expert witnesses drawn from tie's advisers. tie has retained the same legal team as used in the Congestion Charging Inquiry namely Malcolm Thomson QC supported by Trudi Craggs of Dundas & Wilson and in this case also supported by Bircham Dyson Bell, the parliamentary agents, to advise and support on the preparation and presentation of evidence.

The Board is asked to note the position.

Andrew Callander
19th October 2004



Agenda Item 4e



Tram Funding and Implementation Update

This report follows on from the submission of the Outline Business Case in July 2004 (Reported on at the August Board), which supported the release of initial tranche of funding to support the procurement and design phase of the tram project over the next two financial years of £4 million for 04/05 and £13.2 million for 05/06.

As reported at the September Board there was a continuing clarification process with the Scottish Executive in support of the funding application, this has been concluded.

It is understood that there is an agreement in principal at least on the initial tranche of £4 million, but as yet **tie** has not received a letter to this affect. Equally at present **tie** is unaware what (if any) constraints or caveats may be attached to the release of funding.

Once the final letter is received, subject to any constraints, **tie** proposes to commence the procurement of advisors for the Design Client Technical Representative, Finance and Insurance (Legal and property are already in place). The preparation of contract documentation for these is well advanced and can be released as soon as clearance of funding has been received. The existing advisors will be used to progress work meantime until the new advisors are in place. A search for additional staff to support the implementation phase has commenced and agreement has been reached with Ian Kendall on fulfilling the role of tram Procurement Director. The other sources and application of funds are outline below :

TRAM PROJECT DEVELOPMENT BUDGET:	
	OPENING 2004/5
Previously Approved Funding (Net)	£1,542,000
Committed Expenditure 03/04 & 04/05	-£800,430
Incremental SE Funding 04/05	£4,000,000
Total	£4,741,570
Operational	
DPOFA - Main Tasks	£538,203
DPOFA - Legal Costs	£269,102
DPOFA – Finance Costs	£107,641
Ticketing agreements	£80,731
LITL –(Staffing and Advisors)	£247,573
tie procurement team (Inc overheads)	£586,641
PUK	£96,877

Item 4e – Commercially Confidential

DPOFA	£1,926,768
<u>INFRACO: Construction Expenditure</u>	
PUK	£193,753
Infraco contract budget	£322,922
tram contract budget (Vehicles)	£215,281
third party agreements (Network Rail/Utilities)	£322,922
TTRO & TRO	£269,102
Tram Technical Advisors (tie continuity)	£ 189,705
DESIGN - emerging technology report	£107,641
DESIGN - site investigation	£ 322,922
DESIGN COSTS	£493,813
Land consultants	£107,641
Infraco procurement costs	£2,545,701
Contingency	£269,102
Total	£4,741,570

The funding application was net of already committed expenditure of £800 k hence the application for £4 Million. The contingency of £269 k is considered to be prudent given the nature of the development being undertaken.

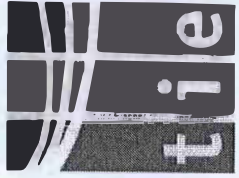
It should also be reiterated that the application for funding was to support the procurement of the tram network and that any additional parliamentary support through 05/06 would be subject to a separate funding request.

The Board is asked to note the position.

Pat Diamond
19th October 2004



Agenda Item 4f



Agenda Item 4f



One-Ticket Limited



An Overview

tie Board Meeting Paper

Monday 25th October 2004

Prepared by

Stuart J Lockhart

20th October 2004

Contents

	Page
Executive Summary	3
1 Background	4
2 Integrated Ticketing in SESTRAN	5
3 Company Structure	7
4 Administrative Services	9
5 Distribution & Marketing Strategy	10
6 Current Issues and Initiatives	12
7 Areas of Focus	18

Executive Summary

This paper sets out details of the One-Ticket Limited (formerly SESTRAN Traveltickets Ltd) "One-Ticket" project.

It covers the development of the "One-Ticket" project from inception to where it is now and where it hopes to be in the future. This includes embracing technology both in its distribution of tickets and in their usage.

The impact of various Scottish Executive initiatives and their view on "Integrated Transport and Ticketing in Scotland" has potential for expanding the project beyond the SESTRAN area. The move towards a "Transport Scotland" agency may also impact on the business.

The background to "One-Ticket" is summarised in Section 1. Section 2 deals with Integrated Ticketing in SESTRAN and Section 3 on the One-Ticket Limited Company Structure.

An overview of what tie provides to the project is in Section 4, while the development of a Distribution & Marketing Strategy is set out in Section 5. Section 6 outlines the Current Issues and Initiatives and how these will provide future challenges for the business. The "Areas of Focus" and the issues needing addressed are detailed in Section 7.

1 Background

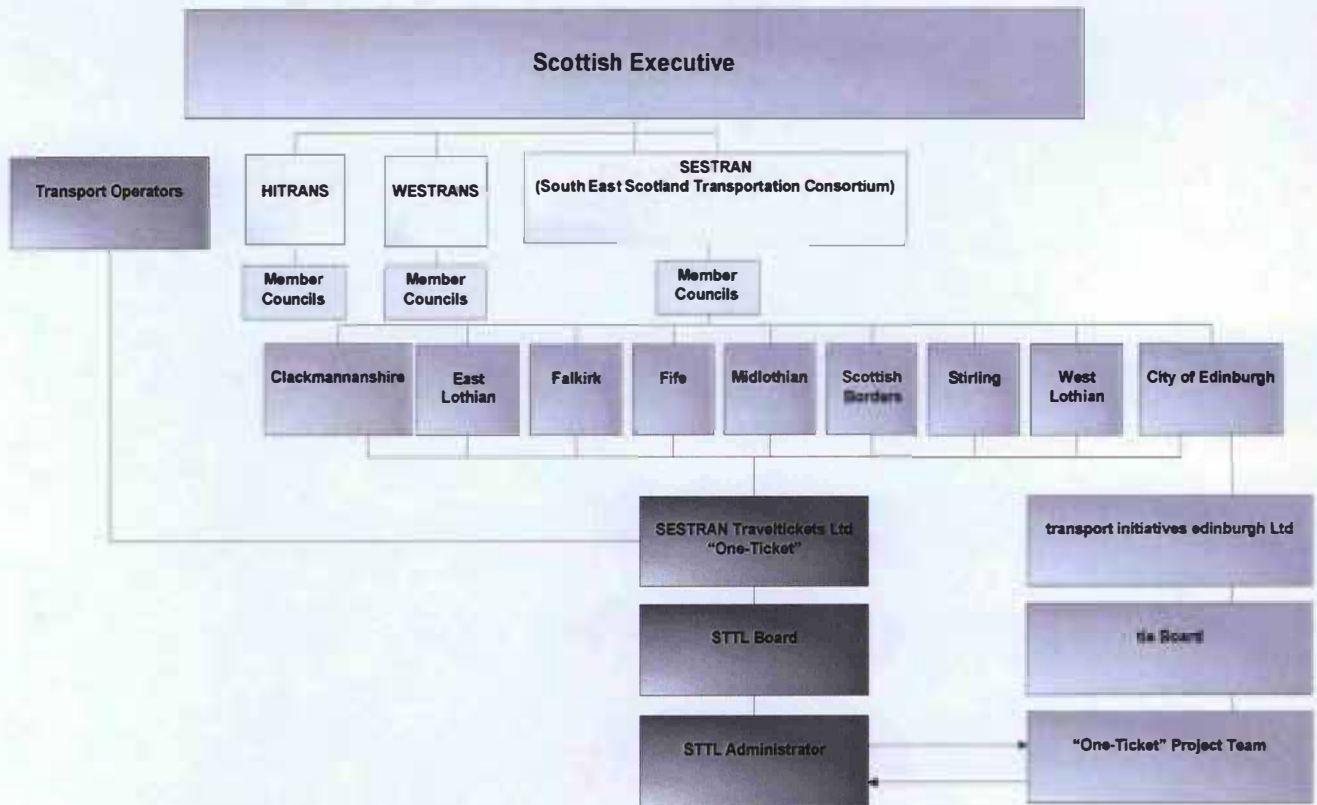
1. ONE-TICKET is the multi-modal multi-operator Traveleticket for South East Scotland. Full details of the customer offering are outlined on the website www.one-ticket.co.uk.
2. The scheme was established in May 2001 and has been developed with financial support from the Scottish Executive. In the medium term, the business is intended to be **commercially self-sufficient** on a stand-alone basis.
3. The main objective of ONE-TICKET is to increase the use of public transport and achieve **modal transfer from car use** to public transport within the SESTRAN area. The Memorandum of Association clearly states "*The Company's objects are to promote, develop and implement a multi-modal, multi-operator scheme or schemes of fares and tickets on public transport operations in partnership with those transport undertakings and transport procurers which are members of the Company*". It is NOT the intention of the scheme to transfer current public transport users to ONE-TICKET but rather to use the **customer benefits** of the integrated ticket (value for money and convenience) to encourage new public transport use, unless users are already using more than one operator's services for their journey. **Marketing** initiatives since tie became involved in April 2003 have focused heavily on reaching car drivers, for example through advertising on bus backs and on the reverse of parking vouchers issued from parking ticket machines, and the use of road facing posters to promote ONE-TICKET.
4. Sales of ONE-TICKET are **growing** and are currently running at around £12,500 per week, equivalent to £650,000 per annum on an annualised basis (the years ended 31st March 2003 and 2004 are reporting sales of £152k and £508k respectively).
5. The current **bus market** for the SESTRAN area is estimated at around £120 million (Lothian Buses recently reported annual turnover of £60m and patronage of 100 million passengers). Given the strong single operator products available and the price premium of 20-30% for One-Ticket, it is not anticipated that One-Ticket will capture a huge share of this market. One-Ticket will attract those customers who value convenience, choice and ease of use. These benefits should appeal not only to current bus users but to a whole new set of customers. A **market penetration** for One-Ticket of between 2% and 5% ought to be achievable based on experience elsewhere in the UK.
6. One-Ticket must provide real growth to the public transport market rather than substitutional growth from other public transport products. The **primary target** segments for One-Ticket are regular car drivers commuting into Edinburgh, usually either non-users of public transport or occasional users, regular public transport commuters for whom the One-Ticket proposition provides value and tourists and visitors to the city.
7. ONE-TICKET is currently heavily focused on Bus travel, with only **limited involvement** of Rail. It is intended that Rail should become an integral part of the offering during 2005, now that the new franchise agreement is in place. It is also envisaged that trams will be included in the longer term (2009 onwards).
8. An initial Distribution and Marketing Strategy for ONE-TICKET was produced in the early part of 2003, and has been implemented during this past year. The strategy involves the business becoming more customer focused and getting best value for money for the limited marketing budget available. The distribution network has been expanded to include direct sales via the internet and by debit/credit card over the phone. PayPoint were appointed as a sales agent in September 2003 and, following a trial within West Lothian, Midlothian and Scottish Borders at 103 sites, is currently in the process of rolling out the distribution of ONE-TICKET to approx. **500 sales locations** across the SESTRAN area.

FARE TABLE

Travelarea	Mode	Adult Day	Adult Week	Adult 4-Week	Adult Annual
Edinburgh 1	Bus only	3.10	15.00	44.50	480.00
Edinburgh 1	Rail+Bus	5.50	23.00	75.00	785.00
Edinburgh 2	Bus only	4.70	17.50	62.00	616.00
Edinburgh 2	Rail+Bus	8.50	34.00	112.00	1,176.00
Edinburgh 3a	Rail+Bus	10.00	41.00	136.00	1,430.00
Edinburgh 3	Bus only	7.00	28.00	98.00	1,060.00
Edinburgh 3	Rail+Bus	11.50	48.00	159.00	1,670.00
Edinburgh 4	Bus only	9.80	33.60	115.00	1,250.00
Edinburgh 5+6	Bus only	10.80	33.60	115.00	1,250.00
West Lothian	Bus only	4.10	17.20	61.00	630.00
Central (1)	<i>Bus only</i>	<i>5.50</i>	<i>23.50</i>	<i>84.00</i>	<i>810.00</i>
Fife	<i>Bus only</i>	<i>6.00</i>	<i>24.00</i>	<i>95.00</i>	<i>1,000.00</i>
Scottish Borders (2)	<i>Bus only</i>	<i>5.75</i>	<i>25.00</i>	<i>85.00</i>	<i>825.00</i>

There is now in place a basic integrated ticketing scheme, to provide a jumping-off point for further development. There is a public transport network across the SESTRAN area, instead of a set of routes. A foundation has been established for the development of new integrated public transport schemes in South East Scotland – be that Edinburgh Tram Schemes, the reopening of the Waverley and Alloa lines, rail access to Edinburgh Airport, new park-and-ride schemes, enhanced bus schemes, etc. – to offer alternatives to the private car (whether with road charging or not).

3 Company Structure



The Company is a "partnership" between the member Councils of SESTRAN and the transport operators who operate within the SESTRAN area.

The Company's share capital is divided into Ordinary shares, "A" Ordinary shares and Deferred shares. Only the Ordinary shares have a right to participate in any profits of the company available for distribution. The Ordinary shares are owned by Don Prentice Coaches, E&M Horsburgh, Stagecoach, First Group, EVE Cars & Coaches, Alexander Wait & Sons, Lothian Buses, Munro's of Jedburgh and Perryman Coaches. The "A" Ordinary shares are owned by City of Edinburgh, Clackmannanshire, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils. Falkirk and Stirling have yet to subscribe.

Participating Transport Operators

In addition to those owning shares, Bryans of Denny, Bulldog, BusKers, Davidson Buses, GNER, HAD Coaches, Henderson Travel, Houston Travel, MacTours, Myles Mini Bus Hire, Royal Mail Post Bus, ScotRail, Scottish Borders Council, SD Travel, Swans and Telford's Coaches participate in the scheme. An invitation to participate has still to be accepted by Scottish CityLink.

Board of Directors

J Elliot (Chairman) Traveline Scotland
RG Andrew Stagecoach Scotland
WW Campbell Lothian Buses plc
P Coupar First Group
N Hampshire East Lothian Council
SJ Lockhart **tie** limited
NJ Renilson Lothian Buses plc
GH Torrance First Group

Chief Executive
Deputy Managing Director - Scotland
Operations Director
Commercial Projects Director - Scotland
Councillor
Finance Manager
Chief Executive
Managing Director - East of Scotland

4 Administrative Services

An operating agreement was entered into between **tie** and One-Ticket to enable **tie** to provide administrative services from 1st April 2003. This service includes dealing with ticket agents, acting as a travelticket agent, dealing with participating operators, dealing with overall functional matters and dealing with company matters.

Resource

tie appointed a Marketing Assistant/Administrator in April 2003. This position is currently filled by Ian Carter on a part-time basis. Ian became a member of **tie**'s staff in July of this year.

The **tie** Finance Manager's costs are not charged to One-Ticket.

tie's approved Business Plan for 2004-2005 has also allowed for the appointment of a full-time commercial manager. This appointment however is subject to One-Ticket Board approval and approval will, most likely, not be given until ScotRail are fully involved in the scheme. This is likely to be Spring 2005.

Budgetary Considerations

tie's approved Business Plan for 2004-2005 has also allowed for the aforementioned two full-time positions. This equates to an annual cost of £49,982. **tie** overhead costs have not been allocated to the One-Ticket project.

One-Ticket agreed a budget for 2004-2005 at their AGM on 30th June.

Risks & Mitigations

Mark Bourke has previously identified the following for consideration of the One-Ticket Board:

- Intellectual Property Rights – confirm ownership for system design including web-site
- Data Protection– verify use and handling of databases complies with Act including proposed Company Name change
- Quality Assurance & Audit –actions from Audit implemented e.g. Agent Returns
- Traditional Agents – need to get further evidence and develop systems
- Potential Fraud - need to move towards photograph ID and/or laminated cards/tickets
- Funding – review of alternative funding sources

5 Distribution & Marketing Strategy

An independent consultant, Declan Lannon, was appointed by **tie** in January 2003 to assist the company to fully **launch the product** and achieve its sales potential. In support of this objective it was necessary to put in place an effective distribution network supported by effective marketing and promotional activity. A limited distribution network existed, consisting of both agents (mainly transport operators and local authorities) and direct sales (by post). A certain amount of promotion had taken place during the various phases of the product's development, however little marketing was undertaken due to **budget constraints**.

Distribution Strategy

The key consideration was to make it easier for customers to find out about One-Ticket and to purchase the product. The advantages over the local authority/bus operator agency agreements include a lower overall distribution cost, easier administration and a wider coverage throughout the SESTRAN area. The main channels are:

- **Internet sales** (supported by *ticketingsolutions* (ts.com) who provide both an internet sales capability and also a mechanism to accept payment direct to **tie** for sales via a Call Centre). The debit/credit card transactions are processed by RBS/Streamline.
- Sales through a **call centre** (some of the benefits include 7 day coverage and extended opening hours, communication with customers can be optimised and standardised so that the customer receives a more uniform purchase experience, ticket purchase reminder calls can be initiated and a low cost base). An **0845** rather than 0131 phone number was initiated in order to help communicate One-Ticket as a product with wider coverage than just Edinburgh. Abtel in Dunfermline started to handle these calls in September.
- Physical **distribution outlets** at 500+ PayPoint locations across the SESTRAN area. (The service went live on 2nd September 2003 on a "pilot" basis in West Lothian, Midlothian and Scottish Borders, and is currently available from 103 PayPoint agents. Agreement has been reached to expand the service across the entire SESTRAN operating area. A major re-launch is scheduled for late October/early November).

PayPoint locations tend to be in medium footfall retail outlets such as Co-op and Scotmid supermarkets. The following extract from their website (paypoint.com) summarises their offering:

"PayPoint is the UK's leading branded national network for collecting payments 'over the counter'.

There are already over 10,000 PayPoint outlets located in newsagents, convenience stores, supermarkets, forecourts and off licences across the UK. All are conveniently located close to customers' homes and many outlets are open for extended hours.

The PayPoint service is free of charge to the customer.

Over 2 million customers use PayPoint regularly every week and the number is growing by the day.

Over £1 billion worth of payments are collected by PayPoint each year on behalf of over 200 Client companies including BT, British Gas, Vodafone, T-Mobile and London Electricity."

There were a number of advantages to using the PayPoint network as a distribution channel for One-Ticket rather than the traditional local authority/bus operator distribution channel. These include good coverage within the SESTRAN area, a lower rate of commission than the current 8% (2%), low administrative cost to **tie**, improved cash flow and credit risk, possible

improved ticket security and production cost, easy to communicate to customers and customer data capture may be possible.

- A small number of **traditional agents** at locations not covered by PayPoint, including mobile coffee and newspaper kiosks in the city centre of Edinburgh (these kiosks are located in high footfall areas of the city centre. This channel would target tourists and office/retail workers who may have commuted into Edinburgh from outlying areas, perhaps by car). Thus far this channel has been unsuccessful.
- **Ticket machines** (given the relatively high capital cost, the diverse product range and the high cost of cash collection, they are unlikely to prove cost effective on a stand alone basis. A limited range of tickets (Day Tickets only) could be considered by local authorities in conjunction with their plans for other ticketing machines, e.g. parking meters, where the cost of cash collection and other administration could be shared. Key locations for consideration would include Edinburgh Airport, Bus and Rail Stations and major bus interchange areas. Given the investment required, this is considered to be a longer- term initiative).

Marketing Strategy

The key elements within the marketing strategy include:

- **Direct targeting** of regular car commuters into Edinburgh.
- **Indirect targeting** of potential customers through intermediaries (key intermediaries include endorsement by a senior figure, transport related groups, council initiatives, Edinburgh City Centre Management Company, Edinburgh Chamber of Commerce, Traveline, major employers and employer organisations, guide book publishers, Tourist Boards and hotel owners).
- Achieving best value for money for marketing spend (includes point of sale & advertising messages, sales promotions & offers, local radio, local press, other targeted press advertising, shopping till receipts, parking meters, bus stop information panels, bus back advertising, direct mail, website including links, leaflets & other promotional material for agents and sheet posters).
- An easy-to-communicate message to potential customers.
- A strong focus on sales.

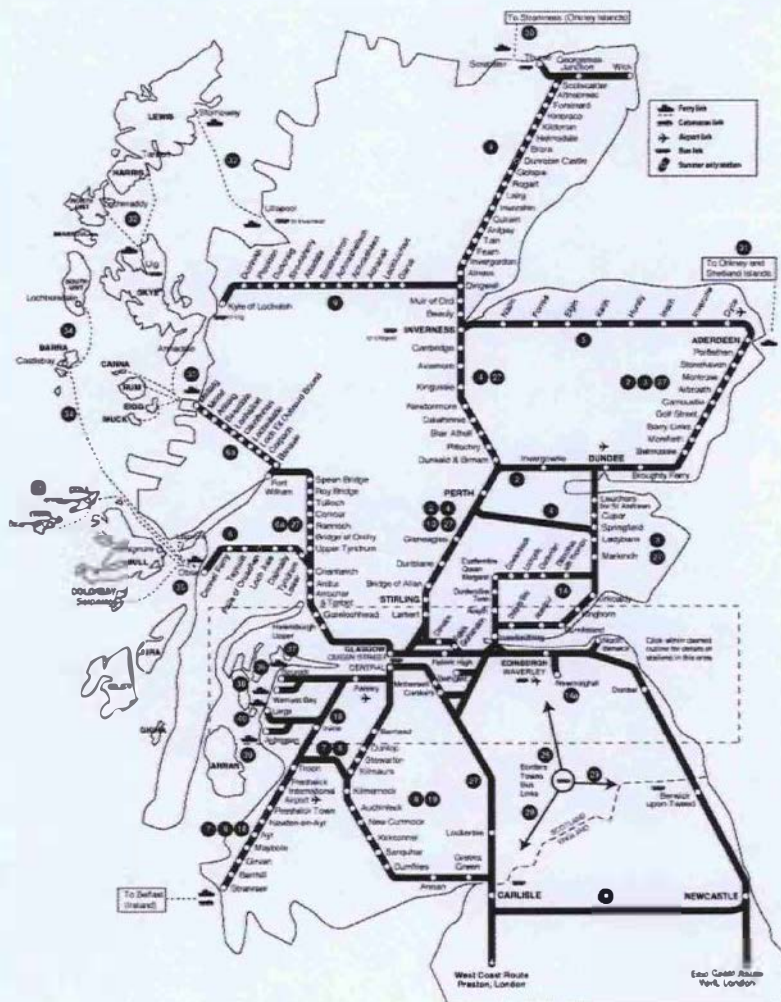
6 Current Issues and Initiatives

Development of Rail Participation in One-Ticket

The Directions and Guidance issued by the Scottish Ministers to the Strategic Rail Authority on 28th June 2002 emphasised the central importance of better co-ordination and integration of different forms of transport. One-Ticket falls very definitely into this category within the commercial bidding process.

The limited inclusion of rail services in the One-Ticket scheme has been recognised as severely restricting potential sales.

First Group, National Express (the previous incumbent operator) and Arriva were involved in negotiations to win the ScotRail franchise. The SRA and Scottish Executive announced a preferred bidder on 11th June, and subsequently confirmed that First Group were successful and the new contract would begin on 17th October. This will run for seven years with a possible extension for an extra three.



SESTRAN AREA - RAIL STATIONS by LOCAL COUNCIL AUTHORITY					
City of Edinburgh	<i>Brunstane</i>	Falkirk	Larbert	Scottish Borders	
City of Edinburgh	<i>Curriehill</i>	Falkirk	Polmont	Stirling	Bridge of Allan
City of Edinburgh	<i>Dalmeny</i>	Fife	Aberdour	Stirling	Crianlarich
City of Edinburgh	<i>Edinburgh Park</i>	Fife	Burntisland	Stirling	Dunblane
City of Edinburgh	<i>Edinburgh Waverley</i>	Fife	Cardenden	Stirling	Stirling
City of Edinburgh	<i>Haymarket</i>	Fife	Cowdenbeath	Stirling	Tyndrum Lower
City of Edinburgh	<i>Kingsknowe</i>	Fife	Cupar	Stirling	Upper Tyndrum
City of Edinburgh	<i>Newcraighall</i>	Fife	Dalgely Bay	West Lothian	Addiewell
City of Edinburgh	<i>Stateford</i>	Fife	Dunfermline Queen Margaret	West Lothian	Bathgate
City of Edinburgh	<i>South Gyle</i>	Fife	Dunfermline Town	West Lothian	Breich
City of Edinburgh	<i>Wester Hailes</i>	Fife	Glenrothes with Thornton	West Lothian	Fauldhouse
Clackmannanshire		Fife	Inverkeithing	West Lothian	Kirknewton
East Lothian	<i>Drem</i>	Fife	Kinghorn	West Lothian	Linlithgow
East Lothian	<i>Dunbar</i>	Fife	Kirkcaldy	West Lothian	Livingston North
East Lothian	<i>Longniddry</i>	Fife	Ladybank	West Lothian	Livingston South
East Lothian	<i>Musselburgh</i>	Fife	Leuchars for St Andrews	West Lothian	Uphall
East Lothian	<i>North Berwick</i>	Fife	Lochgelly	West Lothian	West Calder
East Lothian	<i>Prestonpans</i>	Fife	Markinch		
East Lothian	<i>Wallyford</i>	Fife	North Queensferry		
Falkirk	<i>Camelon</i>	Fife	Rosyth	Other	Berwick Upon Tweed
Falkirk	<i>Falkirk Grahamston</i>	Fife	Springfield	Other	Dundee
Falkirk	<i>Falkirk High</i>	Midlothian		Other	Perth

There are **61 rail stations** "within" the SESTRAN area. Only 18 (11 are within the City of Edinburgh area) currently allows rail passenger usage of "One-Ticket".

It is **recommended** that the successful rail franchise operator will be expected to become a key stakeholder in the One-Ticket scheme. Specifically, the successful rail franchisee will be required to:

- Subscribe for participating shares (at a nominal value).
- Provide a representative to act as a director of the company and attend regular stakeholder meetings and board meetings.
- Enter into a joint venture agreement with other stakeholders of the company.
- Support the continued development and growth of One-Ticket

Opportunities for integrated Smart Card developments within SESTRAN

The legislative framework in Scotland has placed a requirement on Local Authorities to provide concessionary public transport travel schemes for a prescribed range of people. Payment to the bus and rail transport operators for forgone revenue are made by staged payments from Authorities on the basis of locally negotiated arrangements. The current arrangements are regarded as administratively time-consuming and complex by both Local Authorities and transport operators.

The Scottish Executive has **£9 million** available to be phased over the next three years to support the creation of infrastructure to enable smartcards to be used for concessionary fares in Scotland. While concessionary travel will be the reason for introducing the infrastructure, once deployed, opportunities to utilise it for other applications are to be explored. A separate fund of **£6 million** is available for multi-modal integrated ticketing type applications.

The ITSO standard is regarded as a crucial element in the development of an effective multi-application transport smart card application.

Existing paper based systems are administratively time consuming for both Councils and transport operators. Paper cards are liable to fraud through counterfeiting or un-authorized use of a lost card and complicated formulae are used for calculating payments to operators.

An ITSO based smart card system brings with it a very high level of security backed up by a national infrastructure and accreditation process. The installation of ITSO compliant equipment in buses and trains would significantly enhance the business case for other transportation related smart card ticketing products (or products with ticketing or transport related elements).

The City of Dundee, on behalf of the transport group, have proposed that a full time Project Director be appointed to lead the project.

The proposed concept is for an East Coast Corridor from the Lothians to Aberdeenshire. ITSO compliant smart card reading equipment will be installed on the main operators bus fleets and a central, independent ITSO based back office system will be created to manage and distribute the recorded transaction data. This ITSO based infrastructure would then be available for use by transport related smart card applications from other organisations (e.g. One-Ticket, Edinburgh and Lothian Tourist Board visitor card, Forth Bridge, Bus operator commercial ticket products, etc).

A fully integrated East Coast Corridor for bus travel could be a precursor to a full national scheme. The inclusion of First Scotrail should also be seen as a key priority to support a move towards a full multi-modal smart concessionary travel scheme.

The approach to deployment will revolve around the degree of centralisation versus decentralisation adopted in relation to four key elements:-

- card production and card management (a bureau arrangement would avoid the need for individual Councils to setup the necessary infrastructure to handle large volume production).
- concessionary fare data processing (a back office system (HOPS) is required where details of all concessionary trips are processed and passed back from the Bus Operator HOPS to the appropriate Council. A centralised HOPS would be set up on behalf of all the participating Councils. Data would be collected from the bus operators' HOPs and from the various card administration schemes and reports forwarded to each of the Councils for verification prior to payment.

settlement systems and operator payment (an ITSO based smart card scheme potentially allows this to be based on the actual number of journeys undertaken, due to the accuracy and timeous provision of statistics. This is of direct advantage to both operators and Councils. The development of a centralised HOPS for collecting and processing information on all concessionary journeys within a scheme would also facilitate the development of a centralised system for issuing payments to operators. This could offer efficiency savings in comparison to individual Councils carrying out this function, particularly if done by the same organisation managing the centralised HOPS for travel data referred to above).

customer support services (it would also be beneficial during the development and implementation phase of any large scale, ITSO based, concessionary travel smart card project to put in place a central support and advisory mechanism for the participating authorities and organisations).

The success of One-Ticket is seen as important to the future developments involving trams, airport and other new rail links, and park and ride schemes being taken forward by tie. All of these are being developed to provide a viable, public transport alternative to car travel in the city, and there is an expectation that passengers may utilise more than one method of transport during trips. An effective multi-modal travel smart card scheme would greatly facilitate this.

A successful "pilot" scheme in SESTRAN would lead to a Scotland wide implementation.

PayPoint

Lothian Buses recently entered into an agreement with PayPoint which has resulted in their customers being able to purchase and update GoSmart at an additional 130+ PayPoint outlets in the City.

Their new payment terminal is an ITSO compliant contactless smart card reader/writer. Edinburgh has been chosen as the first area for the new terminals because of the contract with Lothian Buses.

PayPoint are also working with First Bus to provide a retail network for their Smart Card products being implemented as part of the Yorcard Smart Card Scheme.

It is likely the PayPoint would respond to an increase in the availability of Smart Card products within the SESTRAN area by accelerating the replacement of the remaining 397 terminals.

The investment by PayPoint in ITSO compliant equipment will ensure compatibility with Lothian Buses ticketing products, should it require to be changed following the introduction of a Scottish Executive funded concessionary card scheme. It could also allow the PayPoint network to be used as a retail outlet for other ITSO compliant Smart Card.

Grant Funded Project – “One Ticket” Pilot Integrated Ticketing Scheme

At the **instigation of the Scottish Executive**, and the award of funding by the SE, the TAS Partnership were awarded a contract to carry out:

- a) Evaluation of ONE-TICKET to date, to include:
- The appropriateness of the initial targets set for the scheme and how far these targets have been met.
 - Examination of the extent to which the limited participation of rail services has constrained sales.
 - Examination of the management structure of the scheme, in particular the partnership aspect and how effective this has been. Recommendations for improvement should be made where appropriate.
 - Examination of ticket pricing structures, how these were predicated, and an indication of how pricing policies can be developed and built upon in future to establish a viable scheme in the medium to long term.
 - Evaluation of the existing and planned distribution and marketing plans for the scheme, with recommendations for change and improvement where appropriate.
 - Assessment of the potential for the scheme to grow (i) on the basis of the current modal involvement, (ii) on the basis of participation of all Scotrail services in the scheme area, (iii) on the basis of the participation of all Scotrail, Virgin and GNER services in the scheme area.
 - Assessment of any additional qualitative benefits which the scheme has provided.
 - Recommendations on future performance targets for the scheme.
 - An analysis of the key learning points from operating the scheme to date and which may have wider relevance to possible schemes in other parts of Scotland in the future.
- b) Recommended Marketing Strategy for ONE-TICKET

The current marketing strategy is based on initial work carried out in January 2003. The scope of that initial work covered 2 of the 4 P's of Marketing, namely Promotion and Place (distribution). An independent evaluation of these 2 elements of the marketing strategy is required, along with recommendations for strategies to be pursued in the other 2 areas of marketing, i.e. Pricing and Product.

The following areas are to be addressed specifically:

- Identify the strengths and weaknesses of the current marketing strategy in the areas of Promotion and Place (distribution), as outlined in the current Distribution and Marketing Strategy.
- Recommend additional future strategies in the areas of **Promotion** and **Place**, where appropriate. The key objective is to increase awareness of ONE-TICKET amongst target groups, and to make the product easy for customers to purchase. The cost of undertaking such activities should be estimated, along with targets against which success can be measured.
- Outline possible pricing scenarios and recommend an appropriate **Pricing** strategy, including an appropriate pricing level for ONE-TICKET versus single operator products.
- Examine the current **Product** line-up and recommend how the product offering could be improved from a customer perspective.

- Estimate the total size of the market, identify target markets, and recommend an appropriate market share target for ONE-TICKET.

c) Business Plan

A Business Plan for the period 2004/05 to 2006/07 is required, to be prepared on the basis of the recommendations made within a) and b) above. The Business Plan should include full supporting financial information.

This work has been completed (Supplementary papers are available).

Plus Bus

PLUSBUS gives you unlimited travel on most buses at either or both ends of your rail journey. It can be bought as an add-on to any rail journey that starts or finishes at participating stations, and gives you access to most of the bus network in that area for the whole day.

Since October 2002, 135 stations currently have a *PLUSBUS* scheme, and *PLUSBUS* will be progressively rolled out across the country to every significant town in England, Scotland and Wales.

PLUSBUS offers you:

- A combined bus-rail ticket to cover all legs of the journey bought in a single transaction
- Unlimited access to bus services around participating stations for a full day
- Good quality travel information about the local bus network at participating stations

PLUSBUS gives you access to most of the bus network in that area for the whole day. ONE-TICKET's primary market is season tickets.

7 "Areas of Focus"

"Areas of Focus" Timeplan	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	2005 onward
PayPoint - Contract renewed				■									
Scotrail Franchise Award Announcement				■									
Company Name Change "One-Ticket" Ltd				■									
Annual Budget for 2004/05 agreed				■									
Ian Carter employment contract issued & agreed				■									
TAS Report agreed & submitted to SE				■									
Call Centre (Abtel) appointment confirmed						■							
Marketing Plan for 2004/05 and beyond agreed						■	■						
Business Plan for 2004/05 and beyond agreed						■	■						
TAS Report published on SE web-site						■	■						
TAS Report - action plan						■	■						
Falkirk Council subscribe to shares							■						
Stirling Council subscribe to shares							■						
SE Integrated Ticketing Feedback							■						
PayPoint - e tickets in place							■						
Scottish CityLink invited to participate in Scheme							■						
PayPoint - Roll out of sales network							■						
PayPoint - hardware installed in office							■						
Scotrail invited to participate in Scheme							■						
New Agency Agreements investigated for Edinburgh City Centre							■						
Extension of Large Format Bus Shelter Poster Campaign							■						
Product & Pricing Review - mix and viability							■						
Review ticket formats							■						
PayPoint - upgraded hardware installed in all locations							■						
Local Council Agency Arrangements - wind down							■						
PlusBus - identify their 'Way Forward'							■						
Shopping till receipt advertising							■						
Web-site - Further upgrade/links etc.							■						
Major Employer expansion							■						
Scotrail involvement - zone/pricing issues to be addressed							■						
Networking - Intermediaries approached to develop the business							■						
Parking ticket advertising							■						
PR radio campaign							■						
ELTB City Card Implementation							■						
Joint Marketing - City Car Club							■						
Joint Marketing - ELTB							■						
Joint Marketing - tie							■						
Joint Marketing - Traveline							■						
Commercial Manager - STTL Board approval to recruit							■						
Review/Integration with tie projects - Ingliston P&R etc.							■						
Commercial Manager - Appointment made							■						
Ticket Machine technology reviewed							■						
Ongoing Web-site Development	■	■	■	■	■	■	■	■	■	■	■	■	■
Ongoing Marketing Initiatives	■	■	■	■	■	■	■	■	■	■	■	■	■
Funding Sources - Local Authorities	■	■	■	■	■	■	■	■	■	■	■	■	■
Funding Sources - Scottish Executive	■	■	■	■	■	■	■	■	■	■	■	■	■
Funding Sources - Transport Operators	■	■	■	■	■	■	■	■	■	■	■	■	■
Funding Sources - Others?	■	■	■	■	■	■	■	■	■	■	■	■	■
SMART Card Development	■	■	■	■	■	■	■	■	■	■	■	■	■
SMART Card Implementation	■	■	■	■	■	■	■	■	■	■	■	■	■



Agenda Item 4g



West Edinburgh Busways Launch

1.0 Programme

Construction of the WEBS project will be completed during week beginning 22nd November 2004.

Driver Training commences on the Guideway on the 8th November 2004

The PR Launch has been pencilled in to the First Minister's diary for 1st December 2004.

Lothian Buses will commence operation of the Service 22 on the Guideway on Sunday 5th December 2004

2.0 P.R. Launch

The main project management of this event is being carried out within the City's P.R. and Communications team. However both Lothian Buses and Balfour Beatty have intimated commitment to aiding in the management of the Launch.

The format of the event is expected to follow the Edinburgh Crossrail and Edinburgh Park Station format with a Marquee on site and in this instance a ribbon cutting ceremony rather than an unveiling.

Work is presently underway to define an invitation list

3.0 Change of Name

The Chief Executive of the Council has approved a change of name from the construction project title "WEBS" to "Edinburgh Fastlink" pending the normal copyright checks.

The Board is asked to note the position.

Lindsay Murphy
19th October 2004



Agenda Item 5

Governance & Financial Matters

- a) **Financial Report (C) ***
- b) **tie Business Plan FY05 Outturn
Review (C)**

C = Commercially Confidential
*** = Paper enclosed**



Agenda Item 5a

tie

Monthly Financial Report

September 2004

Prepared by Stuart J Lockhart

18th October 2004

Contents:

- 1 Key Points Summary
- 2 Project Portfolio Structure and Basis of Preparation
- 3 Project Cost Commentary & Graphical Presentation
- 4 Overheads Commentary and Graph
- 5 Detailed Expenditure – Current Month, Year to Date, Full Year Forecast
- 6 Balance Sheet – Month End and Year to Date Progress
- 7 Cash Flow – Year to Date and Full Year Forecast

1. Key Points Summary

tie has reviewed its spending plans for the balance of the year against progress on the projects. The most significant issues relate to the Tram project, described below. All other projects have confirmed their existing budgets.

Tram Lines 1 and 2

On 7 October **tie** was verbally advised that the Minister had approved the request for additional funding of £4m in the current year to support tram procurement. We await written confirmation. The delay since the end of August has necessitated a revised spending plan for the current year and **tie** is aware that no commitment to funding for FY06 has been made by the Executive, which means that all work which is committed to now must be capable of termination as of 31 March 2005 if the spending would exceed the new allocation. It is expected that the FY06 funding will be assessed as part of **tie's** FY06 Business Plan process and it will be necessary that this is approved well in advance of the year-end to avoid disruption.

This project is now in a period where there are a number of complex interactions which have implications for **tie's** spending plans:

- The parliamentary process is underway but the depth of work required to support the Committees and deal with objectors is not yet clear. The timetable for **tie** or its advisors to appear before the Committees is uncertain as is the scope of questioning. The Committees have appointed third party advisors to support their deliberations. The scope of the advisors' role is not clear but it is likely there will be extensive interaction with **tie** and its advisers.
- We are progressing service integration dialogue between Lothian Buses and Transdev. Although there is a long way to go, the encouraging news is that both operators foresee substantial advantage in developing a fully integrated network. This will however create an increasing level of work and in particular, the effect on Lothian Buses financial position will need to be fully factored in. Development of integrated ticketing beyond a basic paper based system is being considered.

- Detailed system design and site investigation work will commence soon. These are processes where the results will require evaluation on a real time basis with consequences for programme and work required to problem solve.
- The process of appointing the technical, design and financial advisers to support the procurement is underway. Actual costs will be influenced by the tenders submitted.
- Recruitment of **tie** people to execute design and procurement can now proceed, although the timing is dependent on availability of suitable candidates.
- The financial underpinning has a number of features which require detailed work to ensure the OBC timed for Spring 2005 is robust, notably the funding structure (work is underway with the Executive on the PFI case), the issue of financial risk-sharing between CEC and the Executive, the effect of integration on the overall revenues and the support for additional income from property and commercial sources.

The attached financial report identifies an estimated overrun on the tram line 1 development budget of £325k in the current year, but this should be regarded as a high level and very subjective assessment at this stage. There is significant overlap between the work required to support the parliamentary process and the design and procurement work and the timelines for these various workstreams do not coincide neatly with the financial year-end.

In assessing the spending plan for the balance of this year and in preparation for next year, it is likely that two features will crystallise. First that the activity under development and implementation will increasingly be shown as an overall picture against specific project milestones. Second, there is likely to be under and over spend around the 31 March 2005 cut-off. **tie** will continue to spend only what is necessary but judgement is needed in discretionary areas such as the depth of work performed to support the parliamentary process. **tie** will also reforecast the current year spend again prior to the end of the calendar year and then monthly as the year-end becomes closer, in order that our funders are fully aware of the likely outturn.

Other projects

The initial feedback from the Congestion Charging Public Inquiry seems supportive of the scope and objectives of the scheme, with the exception of the West Edinburgh exemption. The report needs to be scrutinised in detail, but if the initial view is borne out, the risk to **tie**'s FY05 budget has lessened. Procurement for the scheme is progressing broadly on plan in financial terms.

One area of concern is the control of the Information Campaign budget of £600,000. Although the budget is held by **tie**, the activities are directed by CEC through the TCOG and **tie** has no ability to control and monitor the spending. **tie** has written to CEC highlighting the need to ensure that this aspect gets proper focus and suggesting the following steps to ensure the budget is adhered to:

1. Each month Sue Campbell provides Stuart Lockhart with a note of the spending she is aware of, which gets reported in **tie**'s accounts. Since this is a memorandum entry **tie** has no way of verifying the spend. **tie** will ensure that the reported information is provided for tabling monthly at the TCOG meeting.
2. The detailed budget supporting the £600k should be tabled at least monthly at the TCOG and that those with the power to instigate spend sign on for the amounts therein and confirm the amount they have committed, to be compared to the reported spend. To ensure the baseline position is clear, the next meeting should use the spend report as at 30 September.
3. TCOG confirms exactly who can commit spend and establishes how this is to be authorised and controlled.

WEBS construction is nearing completion. The contingency headroom has been largely absorbed by additional work requested by CEC and care will be required to ensure that adequate contingency is retained through to project completion.

Two limited adjustments have been made to **tie**'s current year budget:

- An additional spend on WEBS of £148k was sanctioned by CEC and this is now reflected in the project budget
- The planned spend by tie on SAK of £163k which is underwritten by the Executive is now reflected in tie's budget. The scope of work by tie remains under assessment.

The delays in payment by CEC of tie invoices, with no reason given, impacted on tie's overdraft limit and its ability to pay suppliers within agreed credit terms. A timetable for submission and payment has been agreed.

No other material changes from last month.

2 Project Portfolio Structure and Basis of Preparation

tie's project portfolio comprises:

	Projects Director	Programme Manager	Project Manager	2004/05 Expenditure		2004/5 Expenditure		Variance YTD Delta (%)	Monthly Confirmations Completed per Timetable
				Plan (£'000's)	YTD Actual (£'000's)	YTD Plan (£'000's)	YTD Actual (£'000's)		
Congestion Charging Programme									
1	A Macaulay	J Saunders	D Burns	1,131	817	679	817	20%	Yes
2	A Macaulay	J Saunders	S Healy	2,049	585	1,003	585	-42%	Yes
3	A Macaulay	J Saunders	S Campbell	600	168	410	168	-59%	No
Tram Programme									
3	A Macaulay	A Callander	K Murray	1,073	1,025	590	1,025	74%	Yes
4	A Macaulay	A Callander	G Duke	1,838	548	1,003	548	-45%	Yes
5	A Macaulay	A Callander	I Kendall	5,008	837	771	837	9%	No
6	A Macaulay	A Callander	I Kendall	0	0	0	0	0%	No
7	A Macaulay	A Callander	W Fraser	1,984	954	1,336	954	-29%	Yes
Other ITI Projects									
8	A Macaulay	-	L Murphy	7,772	4,259	6,200	4,259	-31%	Yes
9	A Macaulay	-	L Murphy	2,470	135	1,245	135	-89%	Yes
10	A Macaulay	-	S Lockhart	50	7	25	7	-72%	Yes
Heavy Rail Projects									
11	P Prescott	-	S Clark	4,256	1,271	1,597	1,271	-20%	Yes
12	P Prescott	-	R Hudson	163	79	81	79		No
13	M Howell	-	S Lockhart	28,394	10,685	14,940	10,685	-28%	N/A
				1,119	481	500	481	-4%	
Variance reported if +/- 5% delta on budget									

Each of these 12 projects is managed and financially controlled by the tie managers noted above. The underlying business reasons for the variances from Plan are explained in detail, together with graphical presentation, in Section 3 below.

3 Project Cost Commentary & Graphical Presentation

Congestion Charging Scheme - Development

No material change to financial prospects compared to August report.

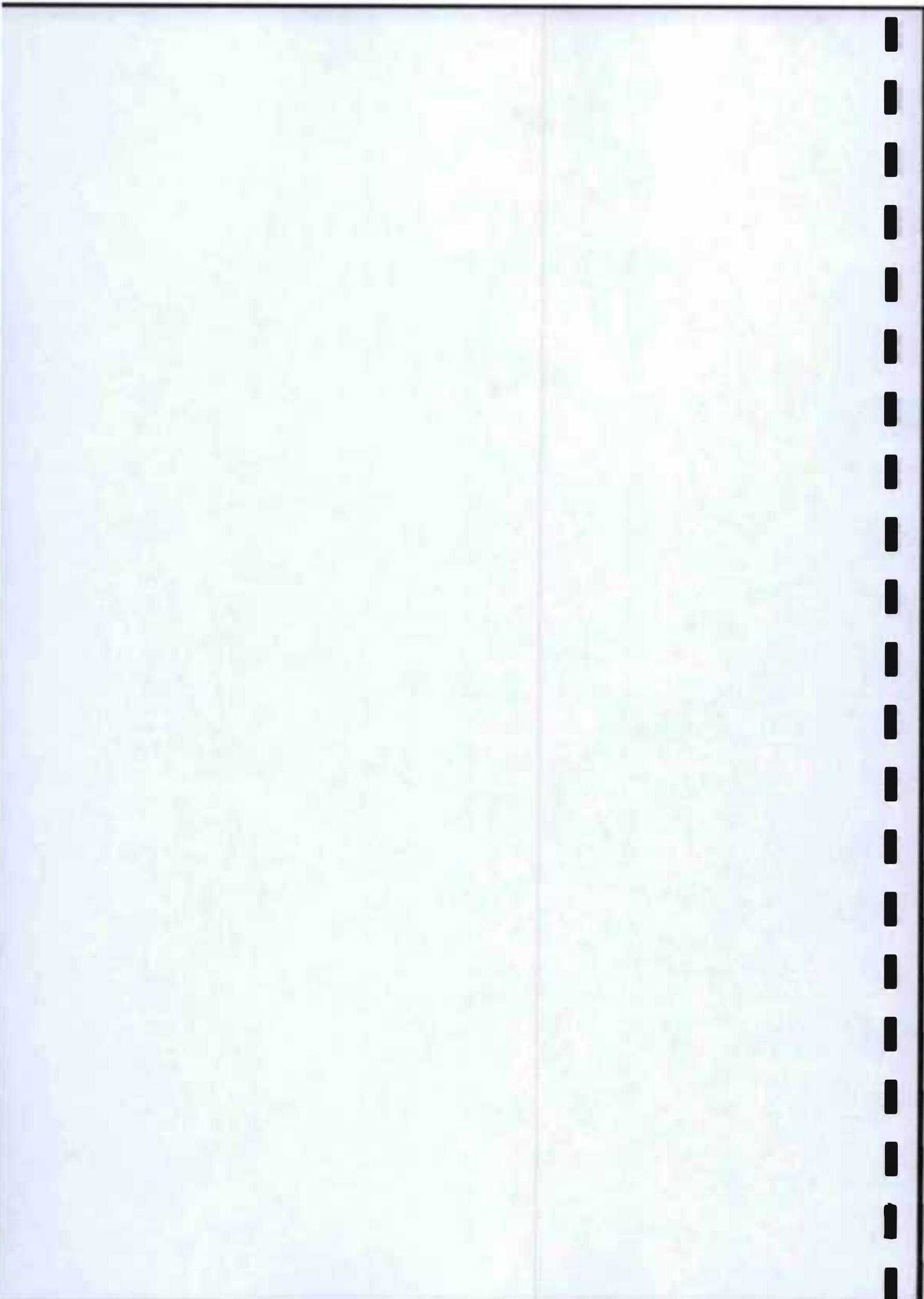
	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Congestion Charging - Development	44,565	26,300	18,265	816,580	679,278	137,302	1,156,200	1,131,201	24,999

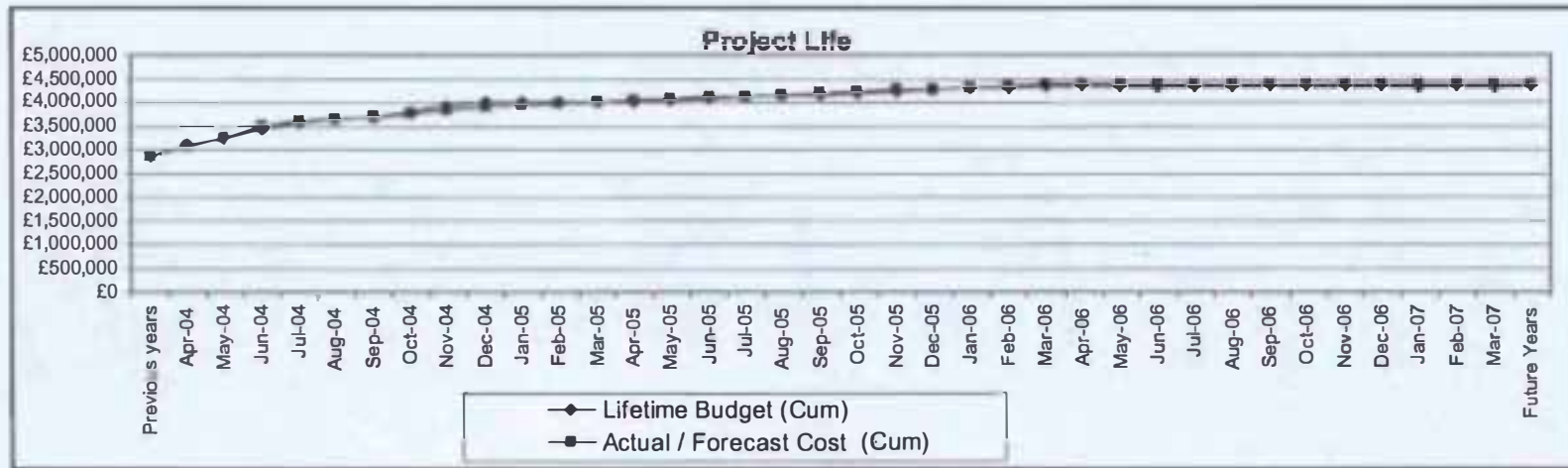
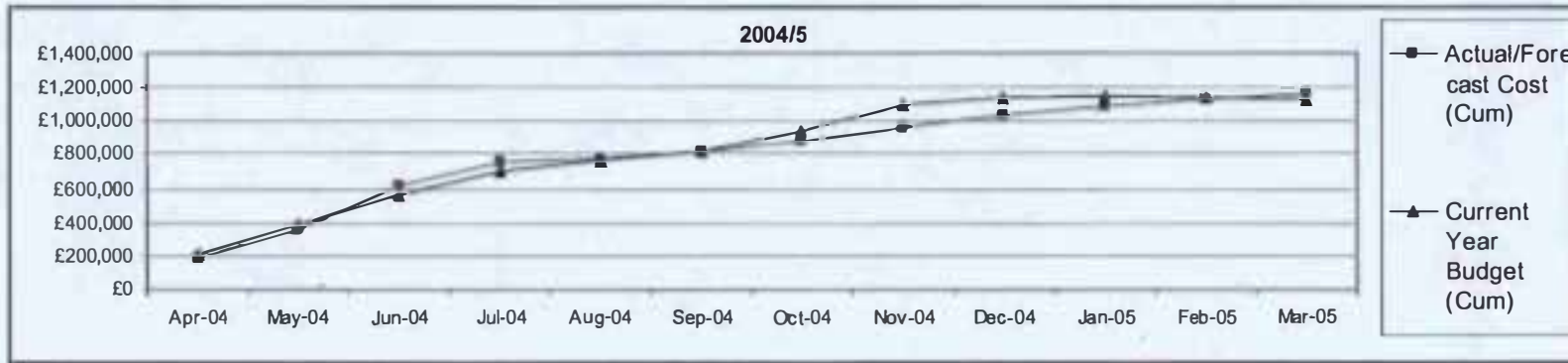
The report on the Public Inquiry has just been published and **tie** will report to CEC on the implications of the findings to enable a report to be put before the Council. Technical advisors are considering the likely impact of making changes to the configuration of the scheme. Advisors are also re-commencing work on the STAG II assessment.

Clarification is being sought on the coverage and meaning of particular clauses of the final draft charging order and consideration is being given to how areas can be simplified for the user and from an operational aspect.

The report on the economic impact that the congestion charging proposals could have in relation to retail activity in the city centre is being finalised and once approved by the City Centre Management Group will be reported to the Council.

A programme is currently being developed to identify the various milestones and tasks requiring implementation to ensure that the Congestion Charging scheme could become operational in Spring 2006. Once the programme is developed the cost implications will be assessed. As budgets presently stand it would not be possible to fund any additional development work during this current financial year.





Congestion Charging Scheme - Procurement

No material change to financial prospects compared to August report.

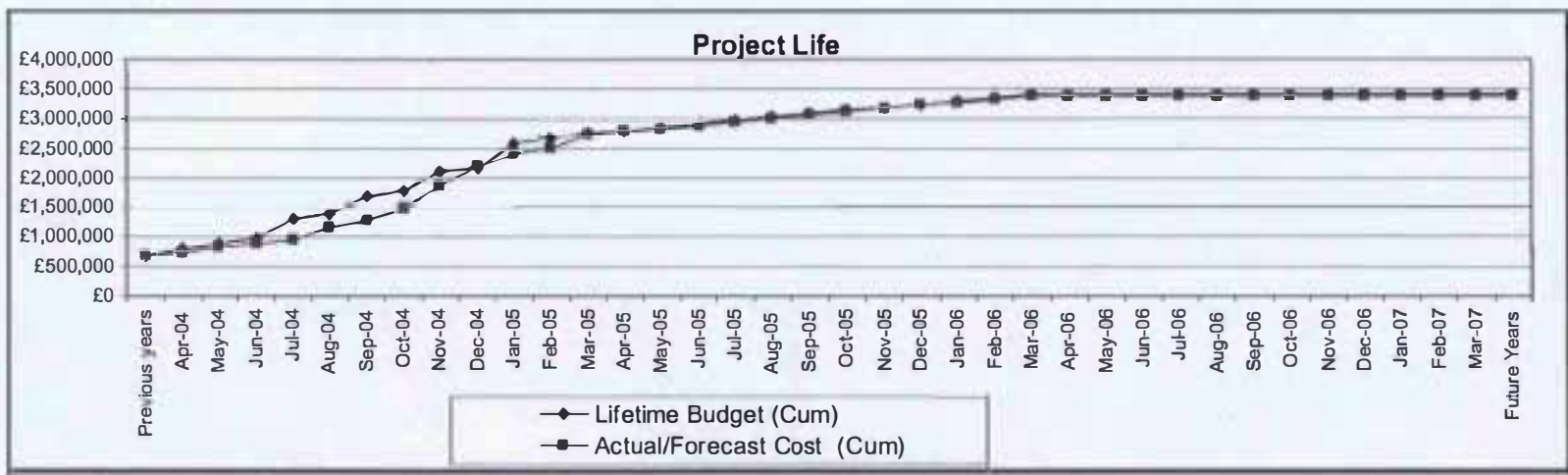
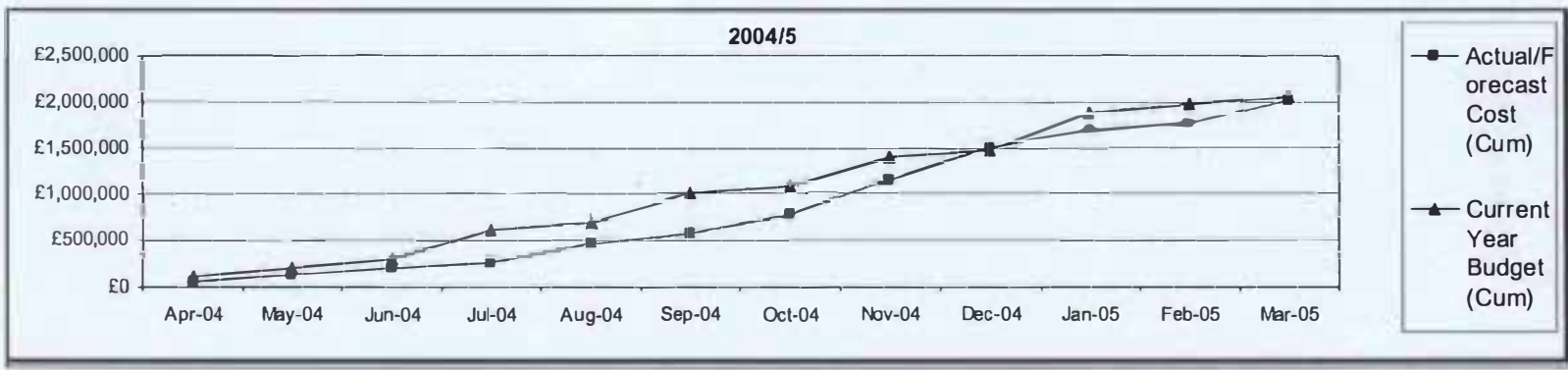
	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Congestion Charging - Procurement	123,583	315,822	-192,239	585,127	1,003,461	-418,334	2,023,701	2,048,711	-25,010

Operations

Business Process designs complete for both contractors. Technical and prototype designs are progressing.

Financial

Spend profile for September was approximately as expected across most spend areas with the exception that a major milestone payment for one of the contractors will now be realised in October due to acceptance criteria timetable.

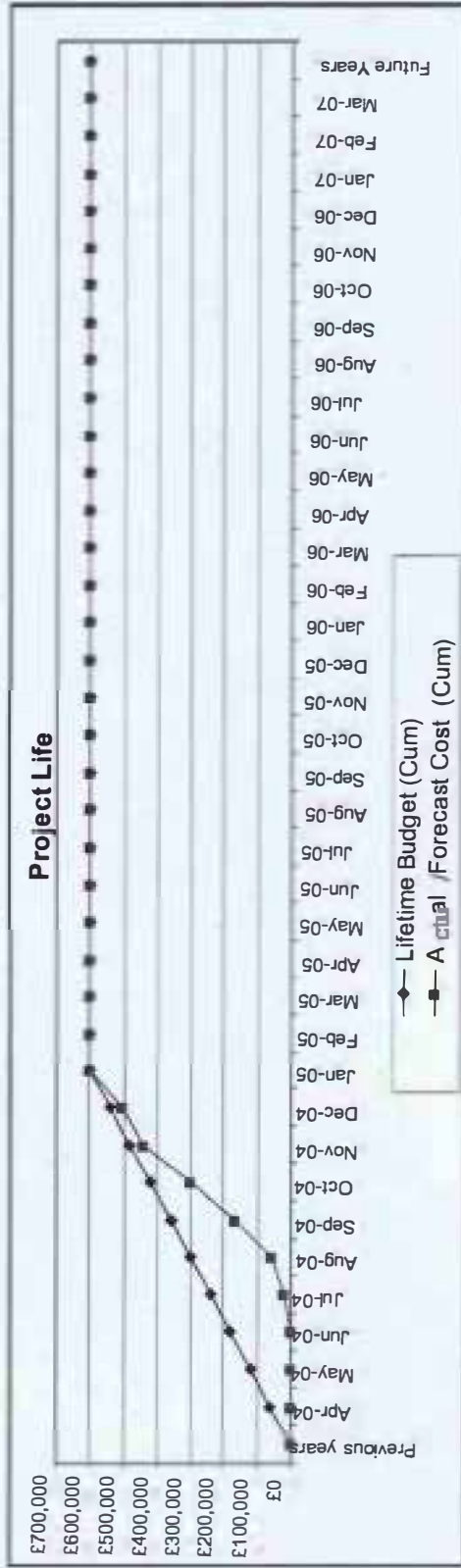
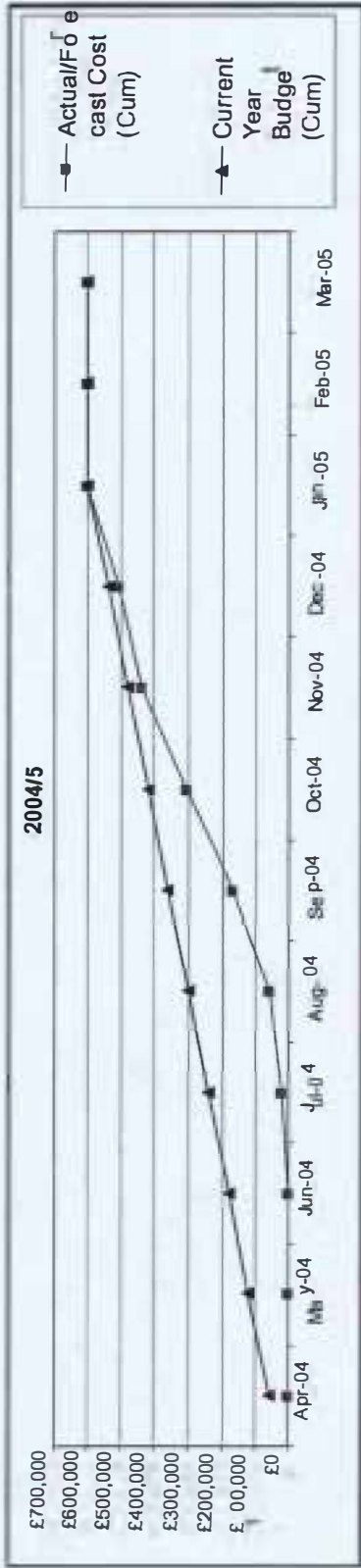


Congestion Charging Scheme – Information Programme

No material change to financial prospects compared to August report.

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Congestion Charging - Information Campaign	110,953	50,000	60,953	168,396	410,000	-241,604	600,000	600,000	0

It should be noted that actual spend information is provided to **tie** by CEC. **tie** has no accounting involvement in this spending.



Tram Lines One & Two*Important financial issues being addressed*

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Tram 1	57,071	92,539	-35,468	1,024,890	589,526	435,364	1,398,010	1,072,736	325,274
Tram 2	53,534	184,675	-131,141	548,376	1,002,790	-454,413	1,838,361	1,838,320	41

See Key Points Summary**Line One**

The parliamentary process will last longer and looks like requiring? more detailed information than anticipated. In order to satisfy the parliament, further resources are required in the development of procurement and operator involvement. Additional development funding will also be required? for 2004/5.

Tram Line One costing for 2004/5 includes an element of cross funding from Tram Line Two, which reflects work carried out on the common section and the significant issues requiring resolution in the city centre.

A 2003/4 DPOF cost for PUK and **tie** of £108,162 was incurred and was recovered from the DPOF budget in September.

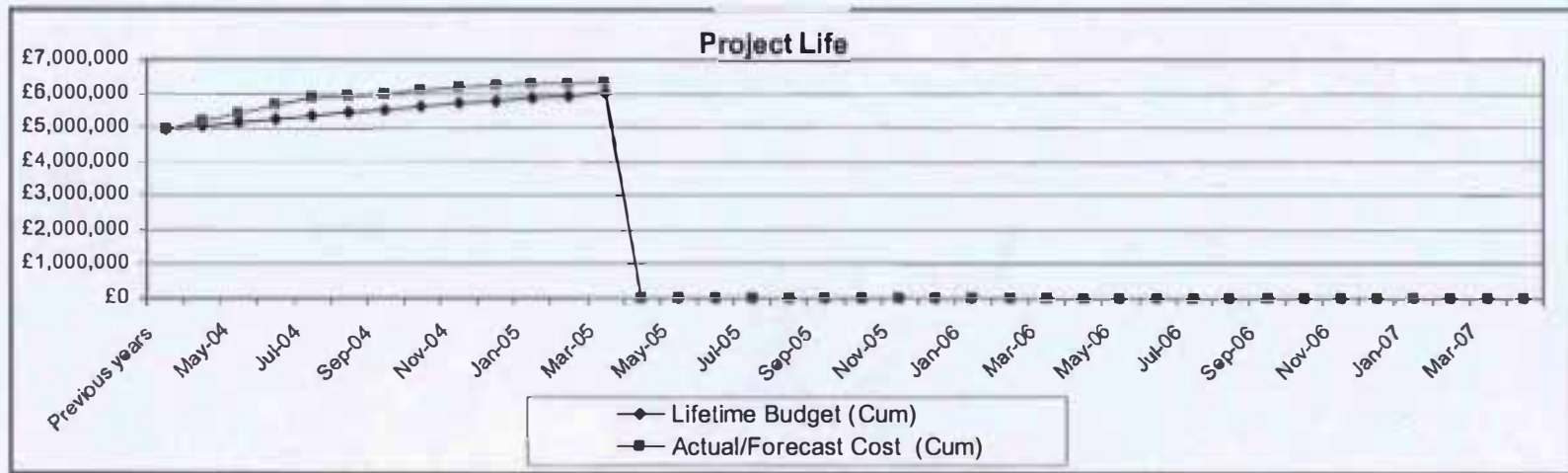
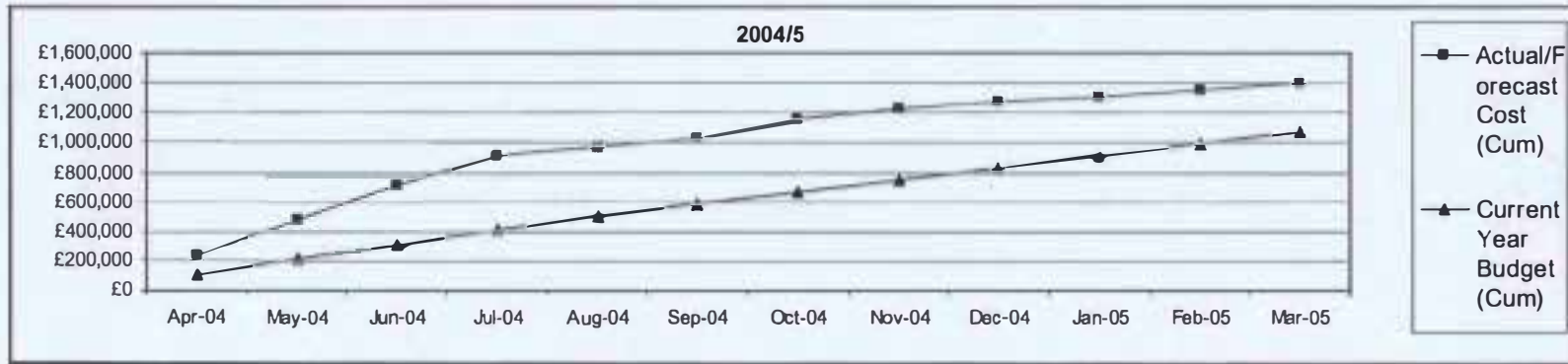
The sum of £325m potential overrun is under detailed assessment.

Line Two

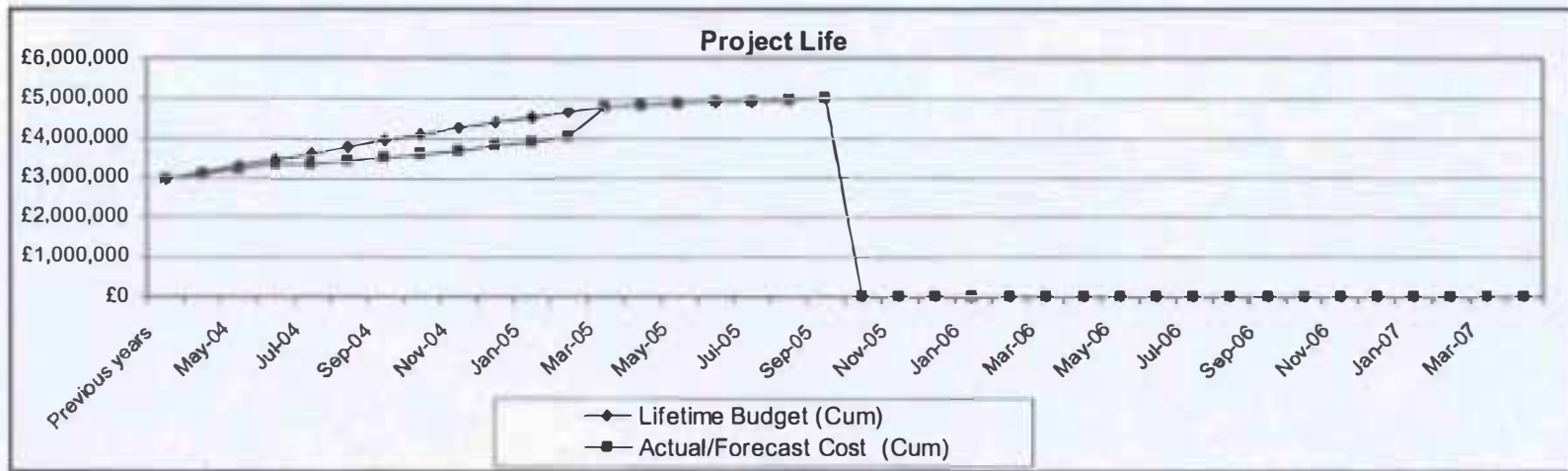
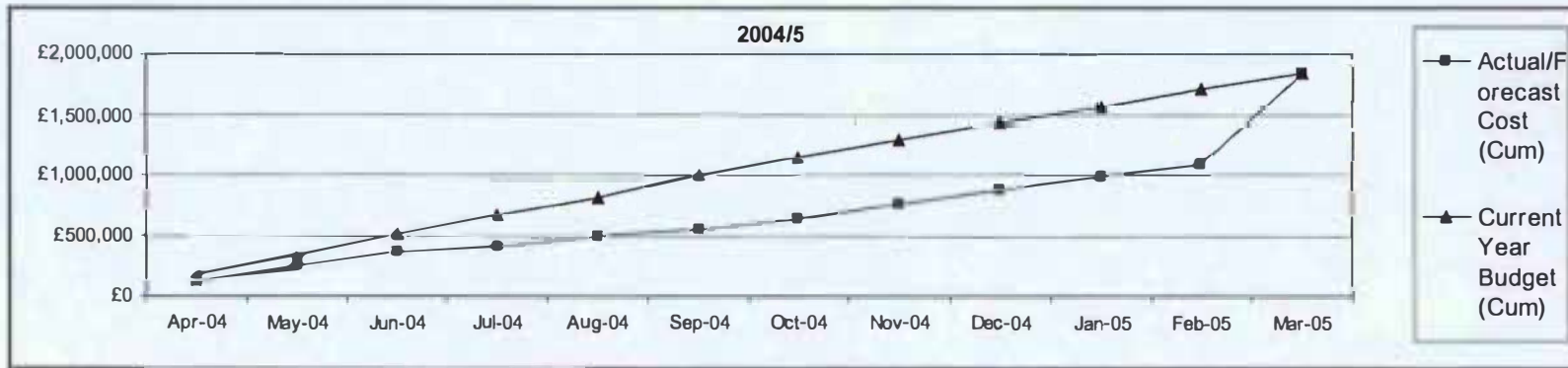
A 2003/4 DPOF cost for PUK and **tie** of £108,162 was incurred and was recovered from the DPOF budget in September.

FM have submitted a claim for £175k for additional work incurred in meeting the programme for Bill submission in 2003. **tie** has not accepted this and are resisting FM's claim. £80k has been provided for in the year end forecast.

Tram Line 1



Tram Line 2



DPOF Execution

Important financial issues being addressed. Current year budget now approved.

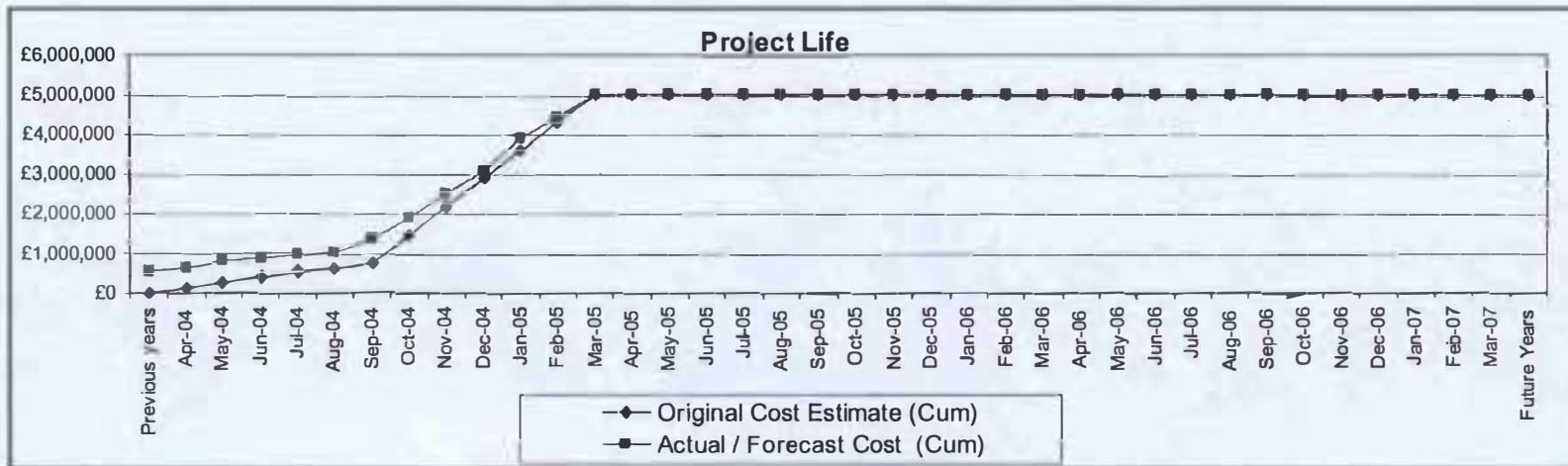
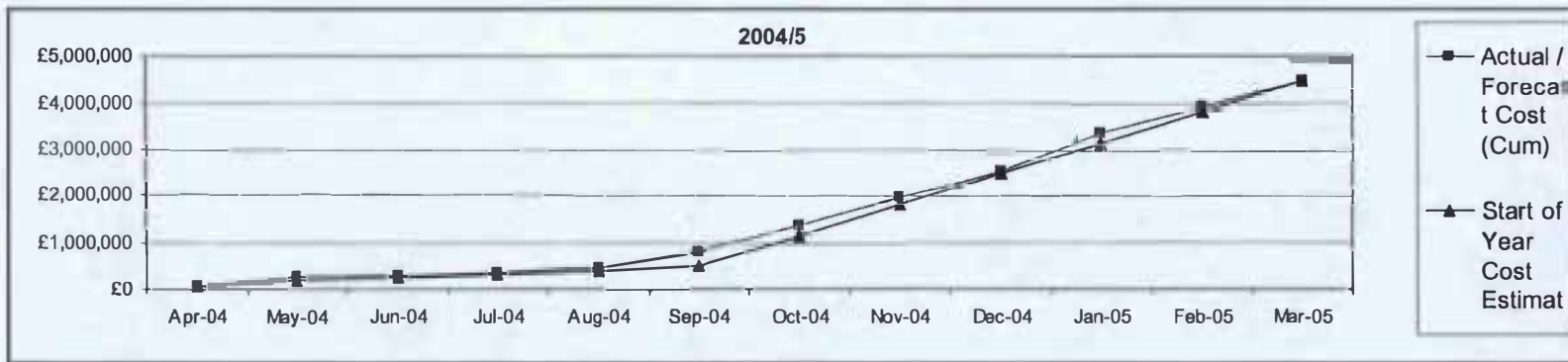
	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Trams - DPOF	343,898	128,500	215,398	836,709	771,000	65,709	5,008,000	5,008,000	0

Work is underway on a range of issues as set out in DPOF but, where necessary, priority is being given to the preparation of Scottish Executive answers regarding line alignment, integration plans, interchanges and passenger transport growth through service integration. The Transdev team is now directly interfacing at several levels with the **tie** team.

Completion dates as above are reflected in the SE outline business case.

The budget, in tandem with the Infracore workstreams, is being re-visited.

A 2003/4 DPOF cost for PUK and **tie** of £280,960 was incurred and split between the three tram line projects. This has now been recovered from the DPOF budget in September.

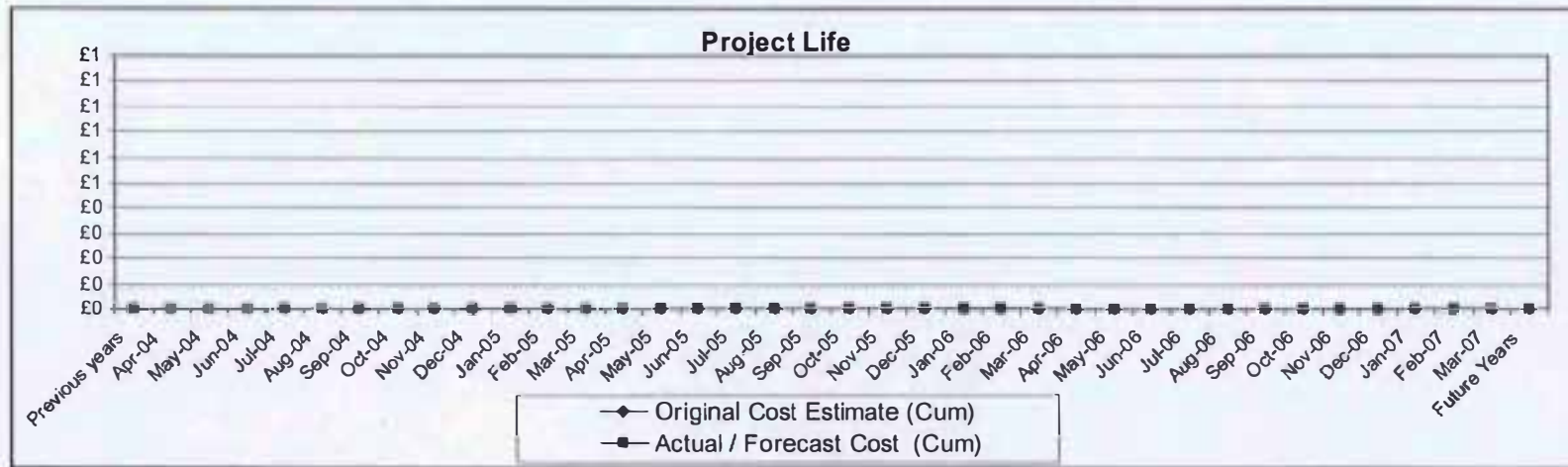
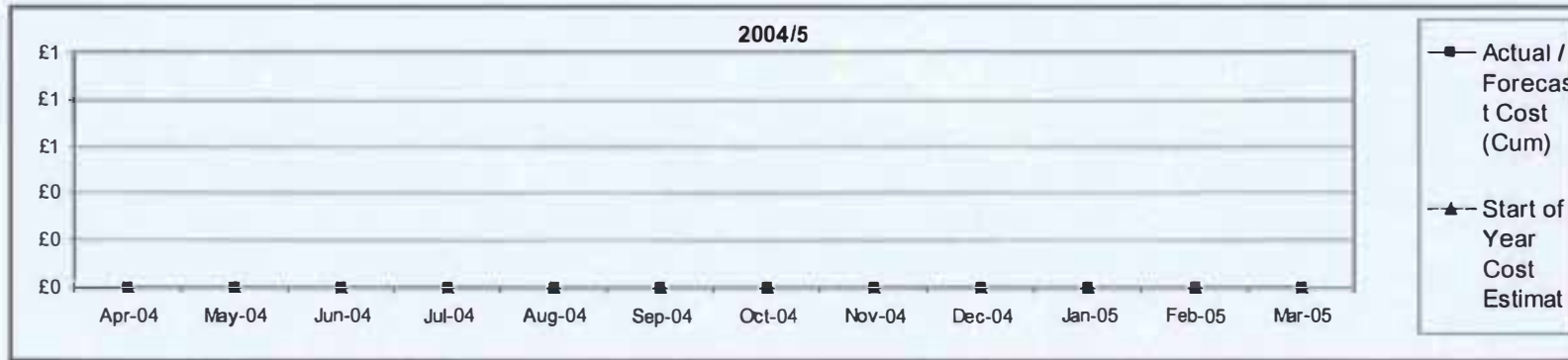


INFRACO Procurement & Funding

Important financial issues being addressed. Current year budget now approved.

	Current Month (Sept'04)		Year to Date (6mths to 30/9/04)		Year End (12 mths ending 31/3/05)	
	Actual	Budget Variance	Actual	Budget Variance	Forecast	Budget Variance
Project Costs (Total Incl. OH)						
Trams - INFRACO	0	0	0	0	0	0

Expenditure profile currently being reviewed (see DPOF note above).



Tram Line Three

No material change to financial prospects compared to August report.

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Tram 3	83,742	187,669	-103,927	954,317	1,336,433	-382,116	1,853,125	1,983,962	-130,837

Operational Issues

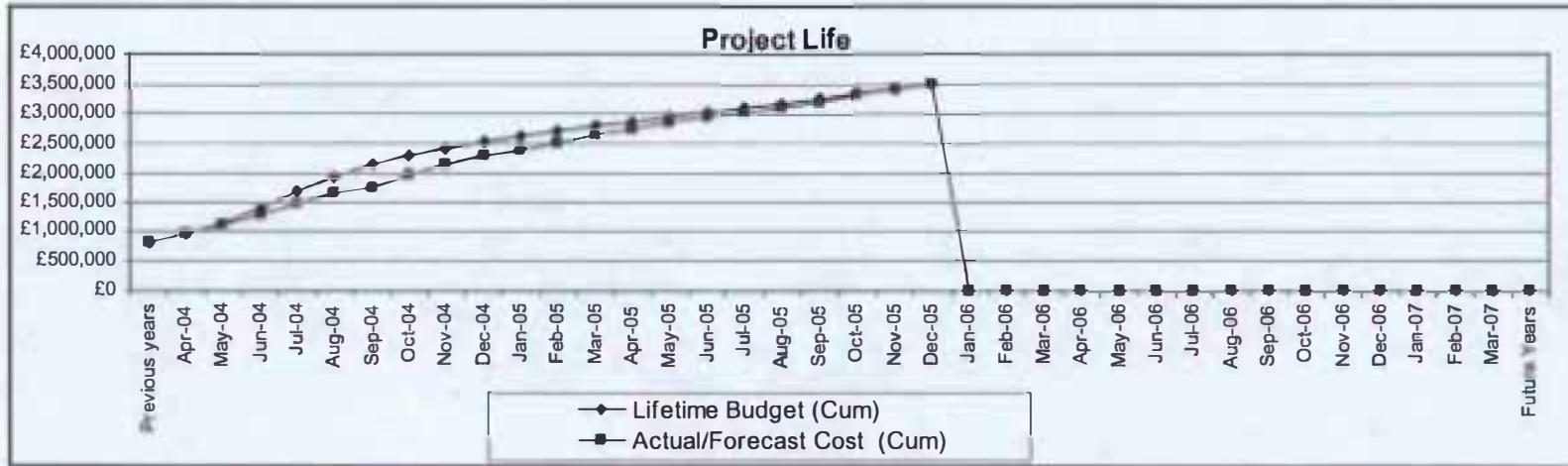
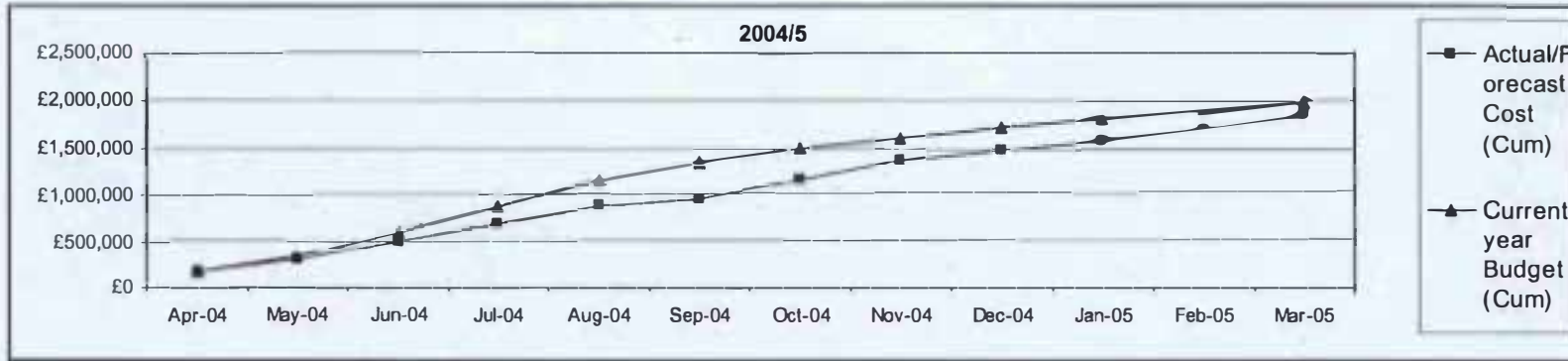
The milestone date on the immediate project programme is to submit the Parliamentary Bill prior to Christmas. The project is progressing as per programme. The Final Route Alignment (FRA) was approved by the tie board in September. It will now progress through CEC approval, as outlined below:

- 19/10/04: Report to CEC Executive on Final Route Alignment (FRA)
- 05/11/04: Report to CEC Planning Committee on FRA
- 11/11/04: Approval of FRA by Full Council
- 09/12/04: Approval of Parliamentary Bill & Supporting Documents by Full Council.

Financial Issues

Line 3 has forecasted an £130k under-spend for this financial year, due to efficiencies against the agreed deliverables. This will be re-directed into the 2005/06 budget. The available spend for 2005/06 is anticipated to be circa £0.9M. The required level of spend will be based on actual spend on Lines One and Two as Line Three will follow the same process. Initial benchmarking indicates that the required spend for the Parliamentary stage may be significantly greater than allowed for in the budget. Work is underway to determine where efficiencies can be realised, and the Board will be updated in due course. The impact will be in FY06, and potentially FY07, depending on the parliamentary timetable.

A 2003/4 DPOF cost for PUK and tie of £64,670 was incurred and was recovered from the DPOF budget in September.



WEBS development

No material change to financial prospects compared to August report.

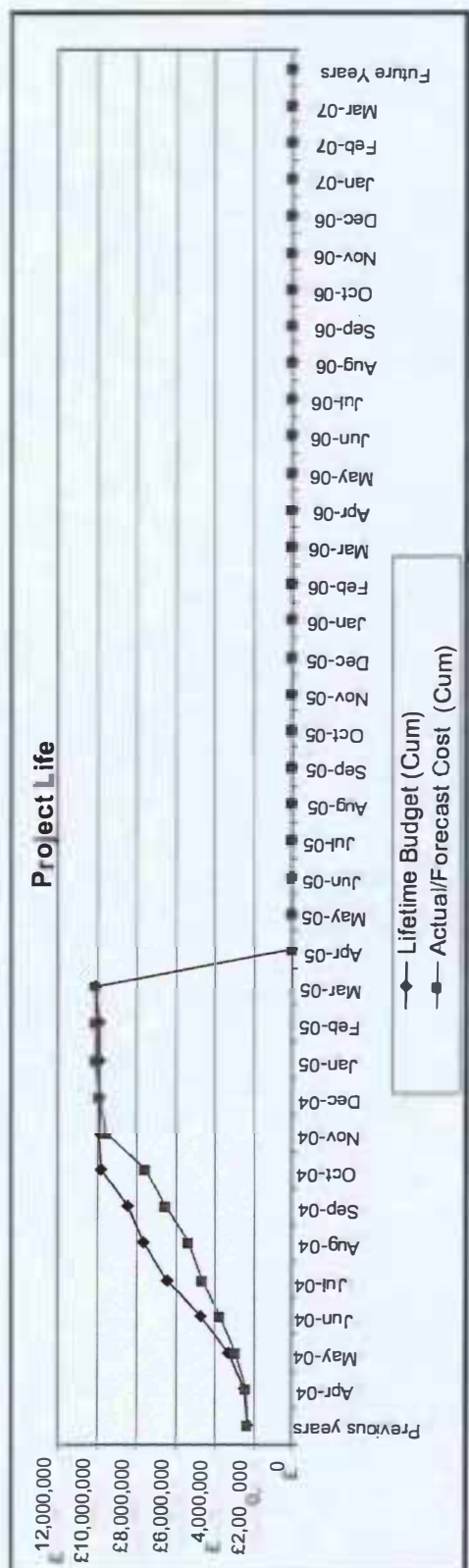
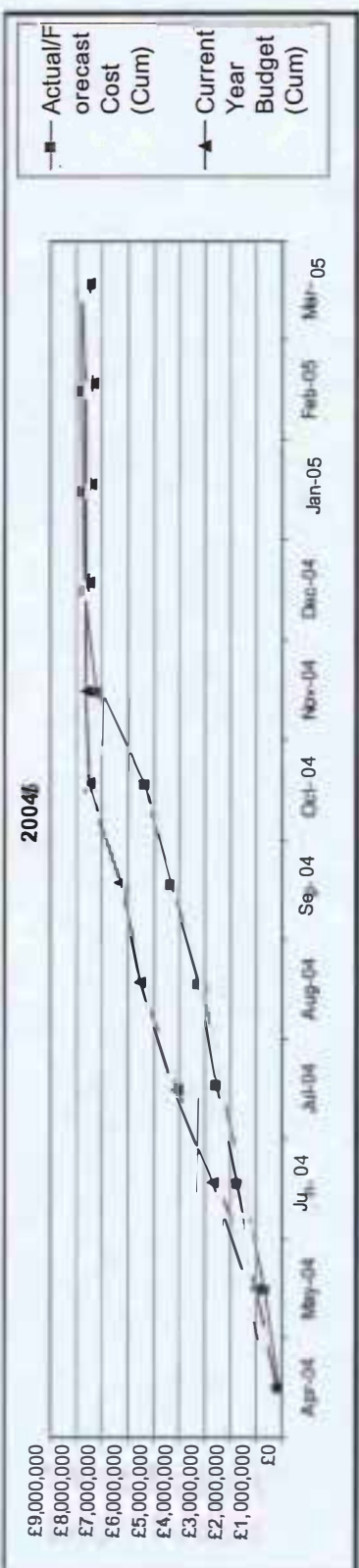
	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total Incl. OH)									
WEBS	1,164,763	855,014	309,748	4,259,212	6,199,628	-1,940,416	7,771,577	7,771,577	0

Construction of the Guideway is nearing completion. The Final Inspection by the HMRI has been rescheduled for early November. Following the last Operations and Maintenance meeting the Council were sent a letter of permission to test. ERDC are continuing with the on street bus priority measures contract with the widening of Stevenson Drive to accommodate a new bus lane. The programme has been revised to align completion with the guideway works. Some difficulties arose requiring design changes due to Fibre optic ducts hence some further costs have been incurred. TRO's were approved by the Council Executive on the 27th July reviewed at scrutiny on 1st September then referred to full Council on the 16th September. Orders should be in place for 1st November.

An assessment of the remaining risks was undertaken and it was demonstrated that some contingency should be retained. In conjunction with Transport Planning, elements have been prioritised that were required to be added back in to the contract to deliver a fully configured and operational scheme. These considerable additional works are underway they include surfacing areas of Carriageway which were demonstrated to be sub standard before being painted for bus lanes. CCTV, Real time, further transport study work, network improvements to traffic signals which arose from the TRO and Safety Audit process and were highlighted as essential. These costs and contingencies are reflected in the revised profile.

Lothian have taken delivery of the first of their new fleet. Both the guideway and the on street bus priority measures contracts will be complete including HMRI approvals and considerable additional works in advance of the Launch. Discussions are underway with CEC and Lothian to define an operational start date. This will require a period of 4 to 6 weeks for driver training.

Costs	2002/03	2003/04	2004/05	
	Actuals	Actuals	Forecast	Total
WEBS	426,740	1,846,282	7,771,578	10,044,600
Funding				
Original Budget				9,708,000
Access to Growth Areas Funding - award 26 May 04				336,600
				10,044,600



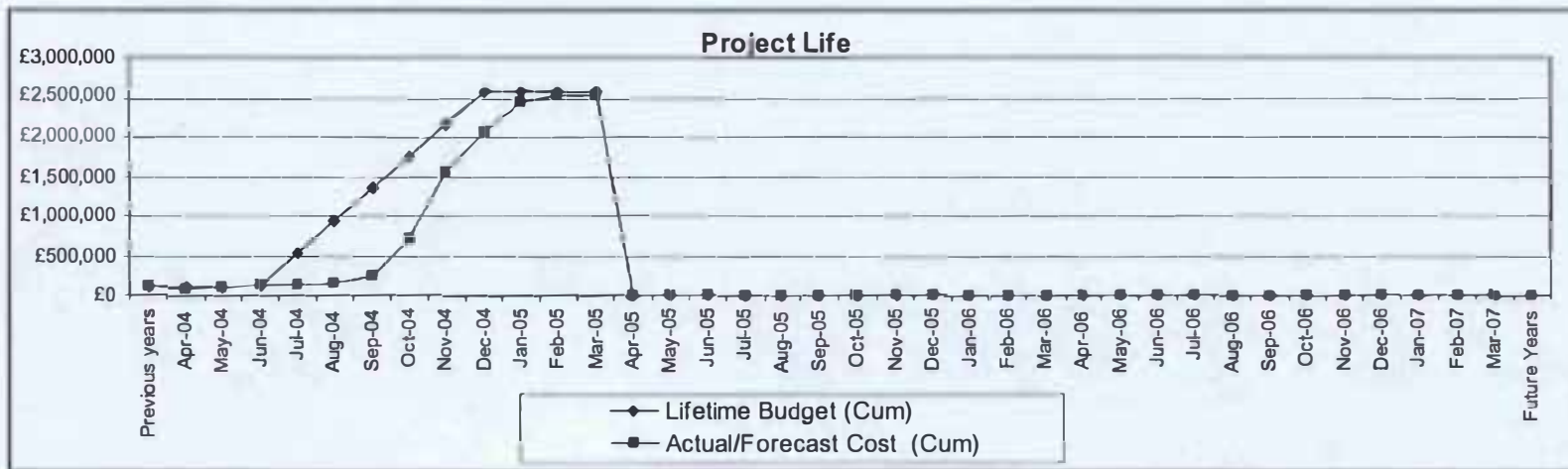
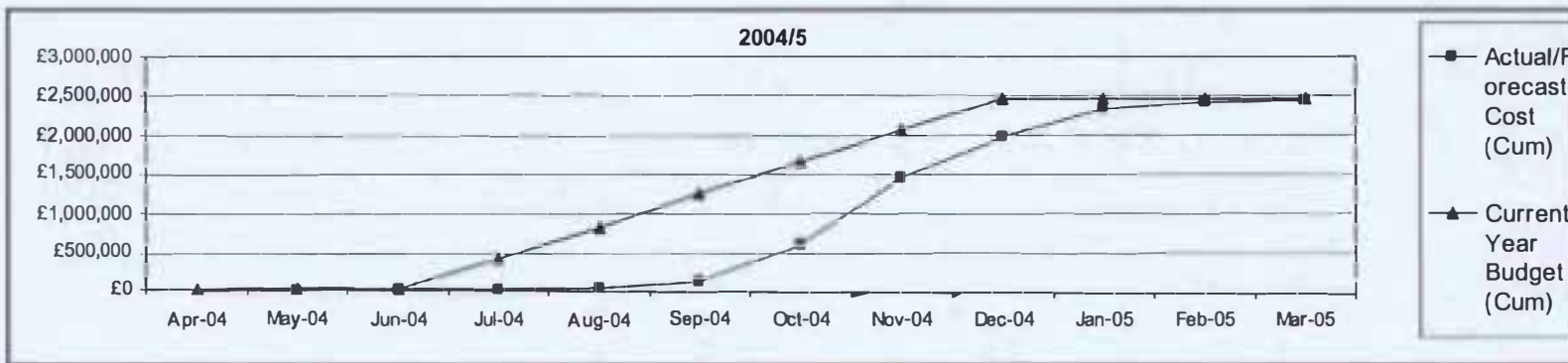
Ingliston Park & Ride

No material change to financial prospects compared to August report.

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total Incl. OH)									
Ingliston Park & Ride	89,963	407,259	-317,296	134,929	1,245,289	-1,110,360	2,433,371	2,469,539	-36,168

The initial stage of the Archaeological investigation is complete. Construction is underway. In addition Border Construction value engineering workshop has been held and minor design amendments are being prepared by Border for consideration. Representatives from CEC have been involved in this process to ensure delivery of their aspirations. In line with the original programme, Construction is planned for completion in early 2005

Consultation documents are being produced for TROs for the enforcement of the bus lanes proposed for Eastfield Road as part of the further detailed design.



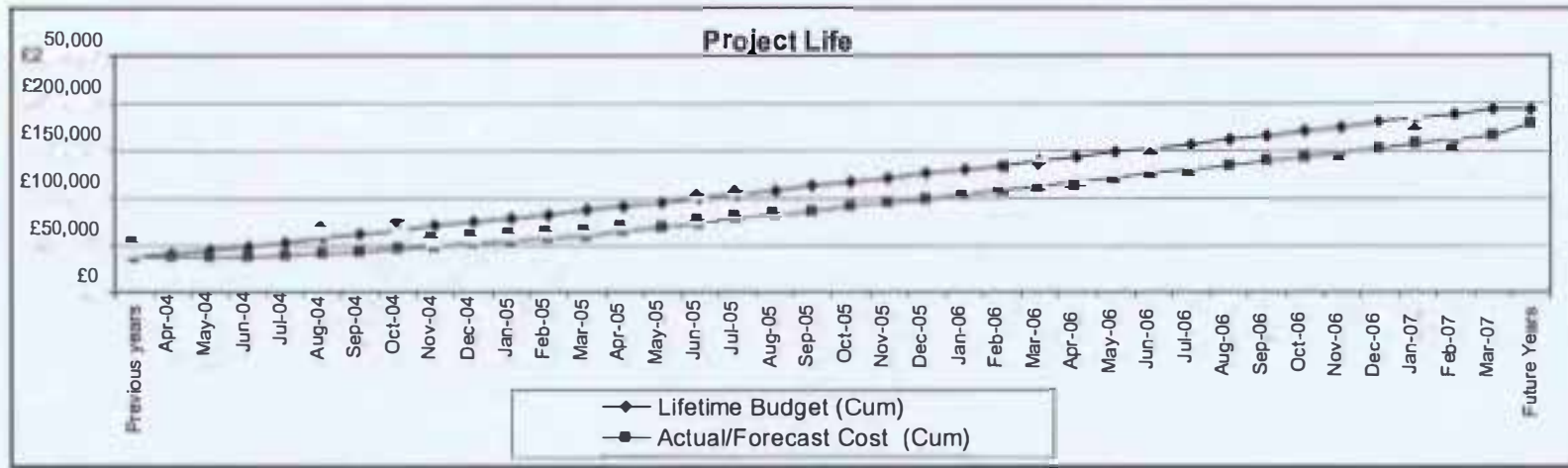
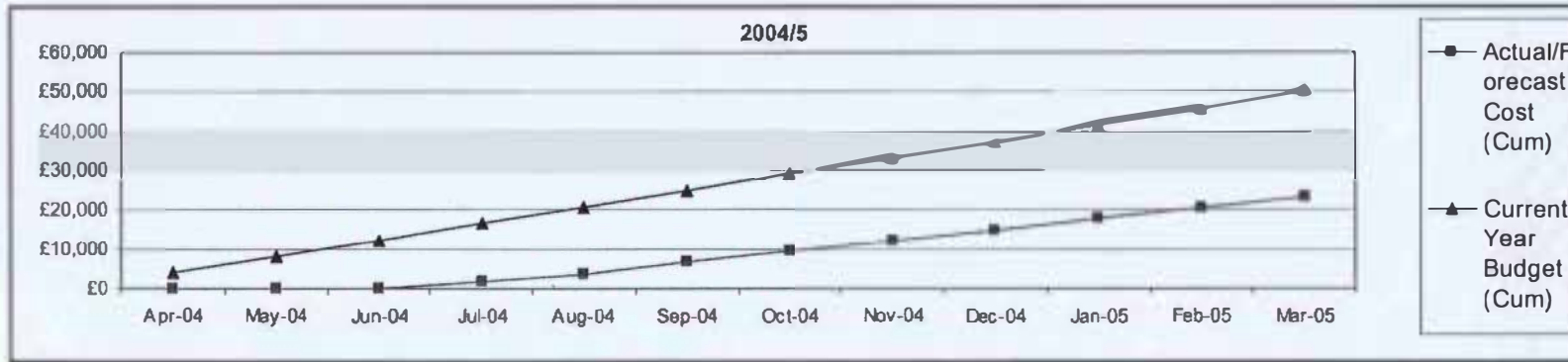
'One-Ticket'

No material change to financial prospects compared to August report.

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total Incl. OH)									
One Ticket	2,798	4,216	-1,418	6,504	24,686	-18,182	23,303	49,982	-26,679

The only costs incurred by **tie** are those relating to the employment of a Marketing Assistant/Administrator. The current incumbent, Ian Carter became a member of ties staff on 1st July 2004.

The TAS Partnership carried out a fully funded business review and their final report is now available.



EARL

No material change to financial prospects compared to August report.

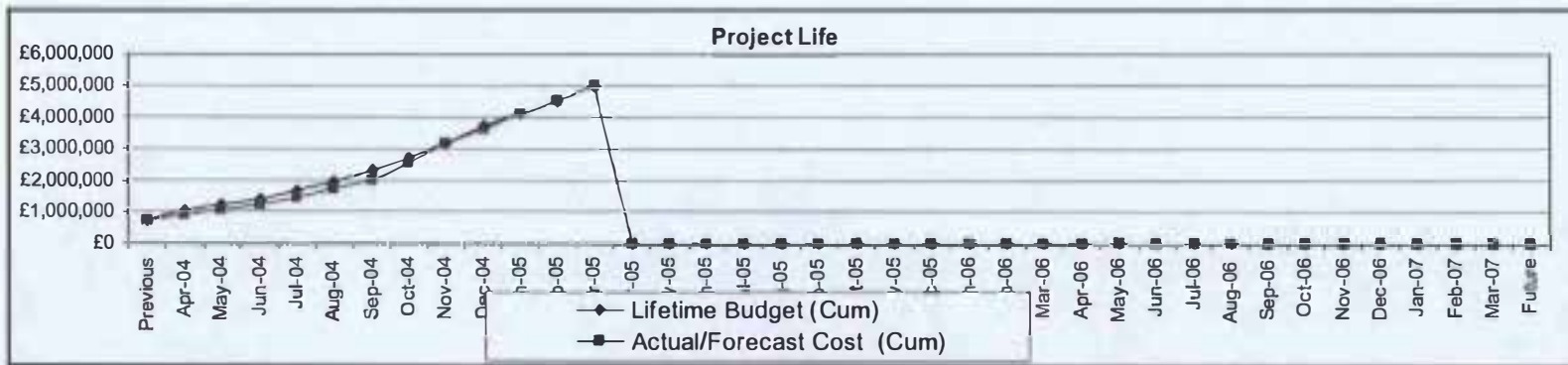
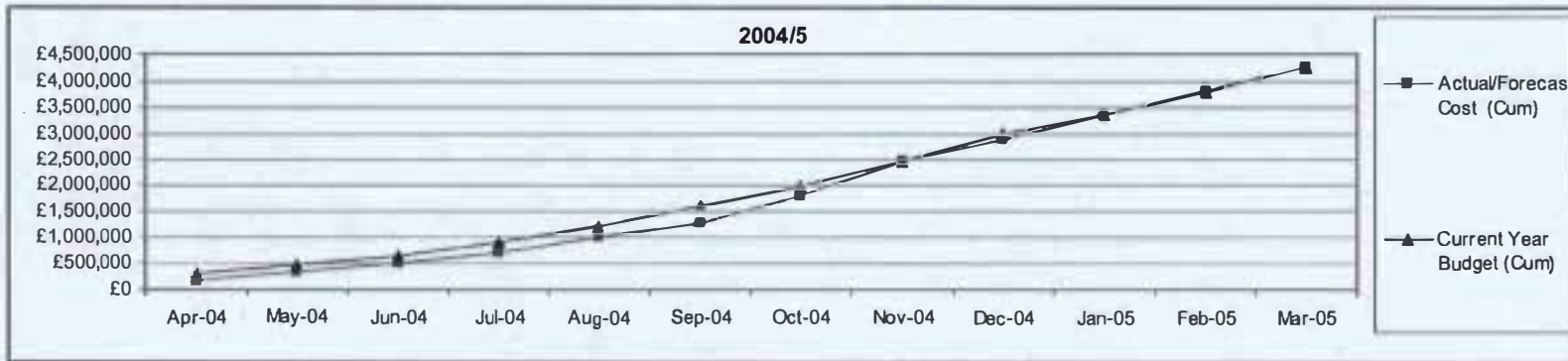
	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total Incl. OH)									
EARL	270,830	381,294	-110,464	1,270,849	1,597,009	-326,159	4,255,797	4,255,797	0

The Minister has now agreed to the launch of Public consultation for EARL. A date for this is now being fixed and following this the programme will be reviewed to ascertain the full impact of this delay.

Technically, work has been progressing on production of engineering drawings and review sessions for these are being set up during November. Meetings have been held with HMRI and a letter of no objection to the concept has been received from HMRI. Meetings with the Fire Brigade arranged to discuss ventilation & evacuation measures for the tunnel. In addition a further contract for demand modelling has been awarded to review the work done by SKM. This will feed into the business case.

Procurement strategy work progresses with ideas now developing about early works. These will include further geotechnical work, potential minework stabilisation, utility diversions, tender preparation, land acquisition and environmental monitoring. A paper is with SE about some advance works required to allow the construction of the BAA East Pier.

Finally, there is still no word from SE concerning who is to promote the bill. This must be resolved to ensure the correct approvals are in place prior to the bill being lodged.

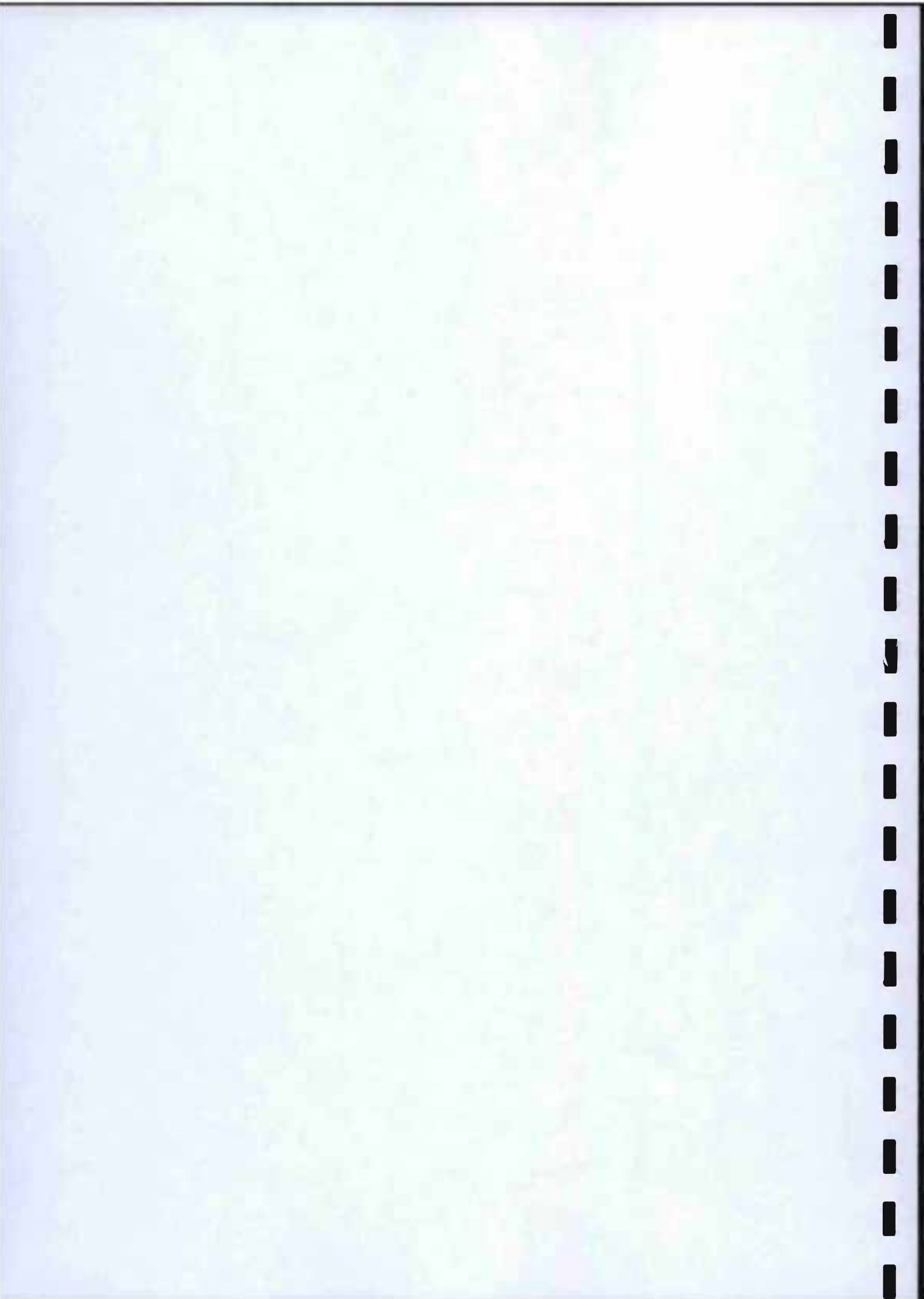


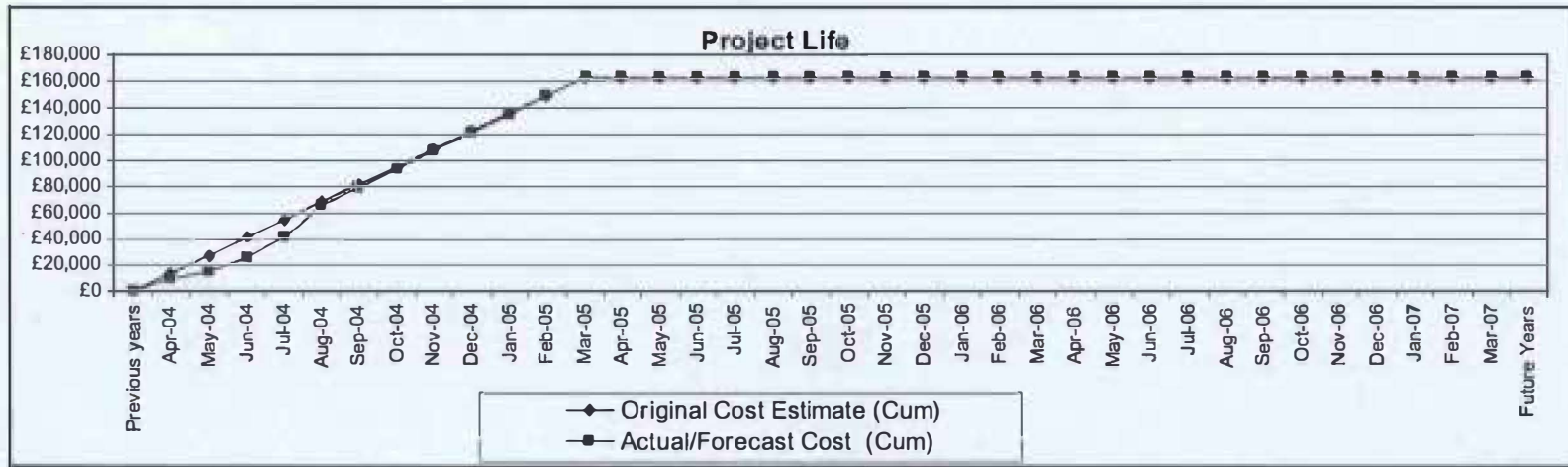
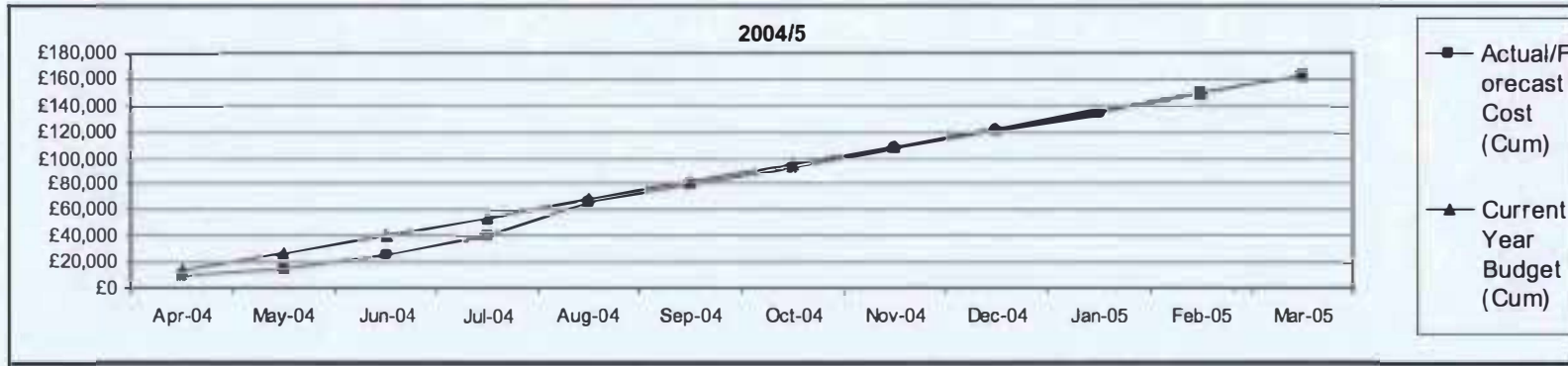
Stirling Alloa Rail Link

Important financial issues being addressed.

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
SAK	13,773	13,580	193	78,959	81,479	-2,520	162,958	162,958	0

This project is currently under review. **tie** received a letter of comfort, dated 9th August, from the Executive. A detailed budget is under preparation.





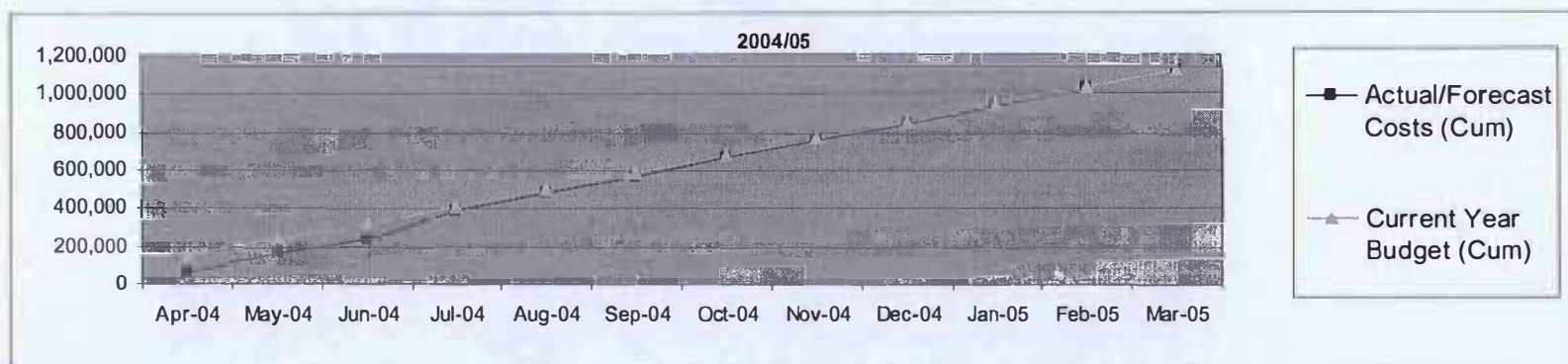
4 Overheads Commentary and Graph

No material change to financial prospects compared to August report.

Overheads are allocated, and charged to CEC on a monthly basis, to each project pro rata as per business plan budget.

The main reasons for the variances on budget are primarily as the budget anticipated major spend being incurred in April due to office re-location. The actual spend was incurred in July.

The office re-location was executed efficiently and within the cost budget in the **tie** Business Plan.



Bank

CEC have been issued with five invoices for September. CC – Information Campaign, WEBS, EARL and Ingliston Park & Ride are now being invoiced separately. These are due for payment by 28th October. The August invoices were paid on 11th October. The "book" bank balance (overdrawn) as at 30th September totalled £1.896m. This delay in payment by CEC impacted on **tie**'s overdraft limit and its ability to pay suppliers within agreed credit terms. However an agreed timetable has now been agreed with CEC. An overdraft limit of £2m has been established.

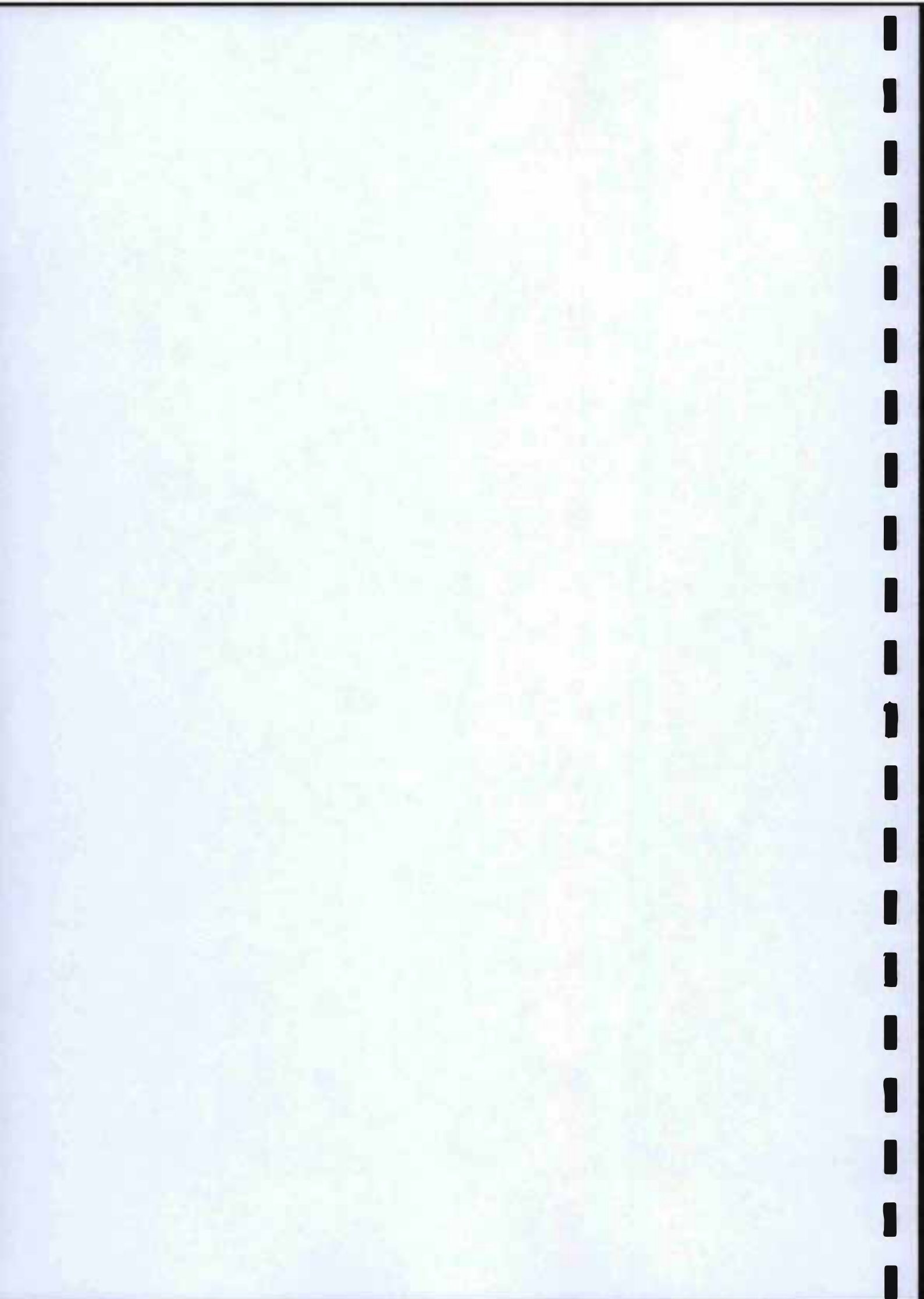
Relationship with CEC

tie has issued invoices to CEC to 30th September. Accrued costs and depreciation are not included in these re-charges to CEC. A monthly CEC/tie liaison meeting is held which involves representatives from CEC City Development, Finance and the Scottish Executive.

5 Detailed Expenditure Report for Period Ended 30th September 2004

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Staff)									
Congestion Charging - Development	12,743	14,718	-1,973	97,138	86,171	10,965	184,474	174,491	9,983
Congestion Charging - Procurement	17,869	21,912	-4,243	85,975	118,389	-30,414	191,990	247,849	-55,859
Congestion Charging - Information Campaign	5,335	0	5,335	21,237	0	21,237	42,577	0	42,577
WEBS	3,593	3,756	-163	20,416	21,986	-1,570	34,790	44,522	-9,732
One Ticket	2,798	4,218	-1,418	6,504	24,686	-18,182	23,303	49,982	-26,679
EARL	19,012	27,245	-8,233	113,125	159,490	-46,365	227,197	322,948	-95,751
SAK	13,773	13,580	193	84,611	81,479	16,868	148,811	148,611	0
Inglston Park & Ride	2,021	893	1,328	11,408	4,073	7,335	23,532	8,249	15,283
Trams - DPOF	13,302	28,181	-14,879	74,348	165,001	-90,653	334,111	334,111	0
Trams - INFRACO	0	0	0	0	0	0	0	0	0
Tram 1	10,438	17,864	-7,426	83,860	104,564	-40,704	126,488	211,724	-85,236
Tram 2	10,774	17,955	-7,181	65,186	105,100	-39,914	129,830	212,812	-82,982
Tram 3	10,599	17,864	-7,265	84,058	104,564	-40,506	127,653	211,724	-84,071
Sub-Total	122,056	187,982	-45,928	687,864	973,503	-285,639	1,594,558	1,967,023	-372,467
Project Costs (External Costs)									
Congestion Charging - Development	23,254	2,920	20,334	663,730	535,428	128,302	862,064	847,048	15,018
Congestion Charging - Procurement	93,159	281,011	-187,853	418,206	801,201	-384,995	1,668,449	1,637,600	30,849
Congestion Charging - Information Campaign	105,818	50,000	55,818	147,159	410,000	-262,841	557,423	800,000	-242,577
WEBS	1,158,984	849,048	309,938	4,224,582	6,162,928	-1,938,346	7,708,812	7,899,080	-9,732
One Ticket	0	0	0	0	0	0	0	0	0
EARL	235,959	338,013	-102,053	1,054,595	1,330,753	-276,158	3,825,614	3,729,883	95,751
SAK	0	0	0	14,347	0	14,347	14,347	14,347	0
Inglston Park & Ride	87,531	406,150	-318,619	120,850	1,238,450	-1,117,601	2,404,580	2,456,031	-51,451
Trams - DPOF	314,187	83,725	230,462	655,850	495,526	160,125	4,463,853	4,463,853	-0
Trams - INFRACO	0	0	0	0	0	0	0	0	0
Tram 1	36,239	64,164	-27,925	893,433	414,982	478,452	1,138,473	727,963	410,510
Tram 2	32,313	156,155	-123,842	415,253	827,357	-412,104	1,574,811	1,491,788	83,023
Tram 3	62,749	159,294	-96,545	822,683	1,181,889	-339,228	1,592,423	1,839,189	-46,766
Sub-Total	2,149,993	2,390,480	-240,487	9,428,488	13,378,512	-3,950,044	25,810,849	25,306,762	504,087
Project Costs (Total)									
Congestion Charging - Development	35,997	17,638	18,361	760,868	621,599	139,287	1,046,538	1,021,539	24,999
Congestion Charging - Procurement	110,828	302,923	-192,096	502,180	917,590	-415,409	1,860,439	1,885,449	-25,010
Congestion Charging - Information Campaign	110,953	50,000	60,953	188,398	410,000	-221,604	600,000	600,000	0
WEBS	1,162,577	852,804	309,773	4,244,999	6,184,914	-1,939,915	7,743,602	7,743,802	0
One Ticket	2,798	4,216	-1,418	6,504	24,686	-18,182	23,303	49,982	-26,679
EARL	254,972	365,258	-110,286	1,167,720	1,490,243	-322,523	4,052,811	4,052,811	0
SAK	13,773	13,580	193	78,959	81,479	-2,520	162,958	162,958	0
Inglston Park & Ride	89,552	408,843	-317,291	132,257	1,242,523	-1,110,266	2,428,112	2,464,280	-36,168
Trams - DPOF	327,489	111,908	215,583	729,998	660,527	69,472	4,797,964	4,797,964	-0
Trams - INFRACO	0	0	0	0	0	0	270,000	0	270,000
Tram 1	46,677	82,028	-35,351	957,293	519,546	437,748	1,264,961	939,687	325,274
Tram 2	43,087	174,110	-131,024	480,439	932,457	-452,018	1,704,641	1,704,600	41
Tram 3	73,347	177,158	-103,811	886,720	1,266,453	-379,733	1,720,076	1,650,913	-130,837
Sub-Total	2,272,049	2,558,462	-286,413	10,116,332	14,352,015	-4,235,683	27,675,405	27,273,785	401,620

	Current Month (Sept'04)			Year to Date (6mths to 30/9/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Overheads									
IT	3,435	2,600	835	53,299	35,600	17,699	31,200	51,200	-20,000
Administration	70,901	73,839	-2,938	368,151	430,164	-62,013	636,198	673,198	-37,000
Sales & Marketing	825	0	825	1,785	0	1,785	0	0	0
Legal & financial	595	7,533	-6,938	38,833	45,200	-6,367	20,400	90,400	-70,000
Overheads	8,812	3,083	5,729	29,852	69,600	-39,748	145,200	88,000	57,200
Interest on Overdraft	2,855	1,350	1,505	5,270	8,100	-2,830	15,000	16,200	-1,200
Tax & Dividends	0	0	0	0	0	0	0	0	0
Capital Expenditure:									
Computer Equipment	0	0	0	17,548	0	17,548	20,000	0	20,000
Furniture, Equipment etc.	0	0	0	53,780	0	53,780	51,000	0	51,000
Sub-Total	87,424	88,408	-982	588,516	588,564	-20,048	1,118,998	1,118,998	0
Overheads (Allocated by Project)									
Congestion Charging - Development (9.80%)	8,568	8,664	-96	55,715	57,679	-1,965	109,862	109,862	0
Congestion Charging - Procurement (14.69%)	12,755	12,898	-143	82,948	85,871	-2,925	163,262	163,262	0
Congestion Charging - Information Campaign (0.00%)	0	0	0	0	0	0	0	0	0
WEBS (2.50%)	2,166	2,210	-25	14,213	14,714	-501	27,975	27,975	0
One Ticket (0.00%)	0	0	0	0	0	0	0	0	0
EARL (18.14%)	15,859	16,037	-178	103,129	106,788	-3,657	202,988	202,988	0
SAK (0.00%)	0	0	0	0	0	0	0	0	0
Ingliston Park & Ride (0.46%)	411	416	-5	2,672	2,768	-94	5,259	5,259	0
Trams - DPOF (16.77%)	16,409	16,594	-184	106,710	110,473	-3,763	210,036	210,036	0
Trams - INFRACO (0.00%)	0	0	0	0	0	0	0	0	0
Tram 1 (11.69%)	10,395	10,511	-117	67,597	69,980	-2,384	133,049	133,049	0
Tram 2 (11.95%)	10,447	10,564	-117	67,938	70,333	-2,396	133,720	133,720	0
Tram 3 (11.89%)	10,395	10,511	-117	67,597	69,980	-2,384	133,049	133,049	0
Sub-Total	87,424	88,408	-982	588,516	588,564	-20,048	1,118,998	1,118,998	0
Project Costs (Total Incl. OH)									
Congestion Charging - Development	44,565	26,300	18,265	816,580	679,278	137,302	1,156,200	1,131,201	24,999
Congestion Charging - Procurement	123,583	315,822	-192,239	585,127	1,003,461	-418,334	2,023,701	2,048,711	-25,010
Congestion Charging - Information Campaign	110,953	50,000	60,953	188,396	410,000	-221,604	600,000	600,000	0
WEBS	1,164,763	855,014	309,748	4,259,212	6,199,628	-1,940,416	7,771,577	7,771,577	0
One Ticket	2,798	4,216	-1,418	6,504	24,686	-18,182	23,303	49,982	-26,679
EARL	270,830	381,294	-110,464	1,270,849	1,697,009	-326,159	4,255,797	4,255,797	0
SAK	13,773	13,580	193	78,959	81,479	-2,520	162,958	162,958	0
Ingliston Park & Ride	89,983	407,259	-317,296	134,929	1,245,289	-1,110,360	2,433,371	2,489,539	-36,168
Trams - DPOF	343,898	128,500	215,398	836,709	771,000	65,709	5,008,000	5,008,000	0
Trams - INFRACO	0	0	0	0	0	0	0	0	0
Tram 1	57,071	82,539	-25,468	1,024,890	589,526	435,364	1,398,010	1,072,766	325,244
Tram 2	53,534	53,534	0	548,376	1,002,790	-454,413	1,818,361	1,838,320	41
Tram 3	83,742	83,742	0	954,317	1,336,433	-382,116	1,873,126	1,841,000	32,126
Sub-Total	2,359,473	2,846,868	-287,395	10,684,848	14,940,679	-4,255,731	26,524,403	28,392,783	131,620
							Spending Profile (Incl O/Hds)	Secured Funding Profile	Variance
Forecast Project Out-turns									
Congestion Charging - Development							4,367,118	3,932,784	384,334
Congestion Charging - Procurement							3,381,217	2,742,880	638,357
Congestion Charging - Information Campaign							600,000	600,000	0
WEBS							10,044,600	10,044,600	0
One Ticket							177,993	177,993	0
EARL							5,000,000	5,000,000	0
SAK							162,958	162,958	0
Ingliston Park & Ride							2,539,788	2,575,882	-36,094
Trams - DPOF							5,008,000	5,008,000	0
Trams - INFRACO							0	0	0
Tram 1							6,350,247	6,025,000	325,247
Tram 2							5,000,000	5,000,000	0
Tram 3							3,500,000	3,500,000	0
Sub-Total							46,131,921	44,820,077	1,311,844



6 Balance Sheet – Month End and Year to Date Progress

	Year Ended 31/03/2004	1 Month Ended 30/04/2004	2 Months Ended 31/05/2004	3 Months Ended 30/06/2004	4 Months Ended 31/07/2004	5 Months Ended 31/08/2004	6 Months Ended 30/09/2004
FIXED ASSETS	34,090	35,800	36,252	39,774	98,473	97,122	94,634
	34,090	35,800	36,252	39,774	98,473	97,122	94,634
CURRENT ASSETS							
Trade Debtors	2,003,455	3,221,220	3,404,964	3,083,030	3,082,234	5,188,900	5,357,348
Other Debtors	5,774	4,282	4,282	4,425	4,425	4,425	4,425
Prepayments & Accrued Income	20,788	20,304	20,009	1,178	883	0	0
CEC Loan	0	0	0	0	0	0	0
Petty Cash	424	62	112	69	319	25	18
	2,030,441	3,245,868	3,429,367	3,088,702	3,087,860	5,193,350	5,361,791
CURRENT LIABILITIES							
Trade Creditors	1,925,102	1,251,205	1,388,699	1,862,376	2,460,584	2,195,592	1,712,746
Employee Creditor	-209	577	523	53	721	169	32
Bank Account	-229,479	1,218,285	1,102,852	405,612	-46,864	2,326,045	1,895,795
Pension Creditor	11,985	12,615	13,245	10,546	10,598	9,973	10,540
Lease Liabilities	0	0	0	0	0	0	0
Accruals	273,948	749,828	888,194	784,784	704,732	688,960	1,741,287
VAT Payable/(Refundable)	56,514	19,465	38,960	29,879	18,870	32,401	56,643
PAYE/NIC	25,670	28,667	32,095	34,228	36,692	35,178	37,236
Corporation Tax	0	0	0	0	0	0	0
Other Creditors	0	26	52	0	0	1,156	1,146
	2,063,531	3,280,668	3,464,619	3,127,476	3,185,333	5,289,472	5,455,425
NET CURRENT ASSETS/(LIABILITIES)	-33,090	-34,800	-35,252	-38,775	-97,473	-96,122	-93,635
Liabilities > 1 Year	0	0	0	0	0	0	0
NET ASSETS	1,000	1,000	1,000	999	1,000	1,000	1,000
Represented by:							
Share Capital	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Reserves	0	0	0	0	0	0	0
Profit & Loss Account	0	0	0	0	0	0	0
Balance as at Period End	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Edinburgh Airport Rail Link

20/10/2004

	Forecast for Oct	Forecast for Nov	Forecast for Dec	Forecast for Jan	Forecast for Feb	Forecast for March
Paul Prescott	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00
Alan Somerville	£4,600.00	£4,600.00	£4,600.00	£4,600.00	£4,600.00	£4,600.00
Other PM Costs (Susan, Karen & Mark)	£14,500.00	£14,500.00	£14,500.00	£14,500.00	£14,500.00	£14,500.00
Overheads	£16,000.00	£16,000.00	£16,000.00	£16,000.00	£16,000.00	£16,000.00
SWH	£175,643.54	£142,971.18	£60,312.90	£58,758.64	£60,340.03	£36,320.23
CARs/Contingency	£7,297.28	£1,136.25	£12,500.00	£12,500.00	£5,000.00	£5,000.00
AEG via SWH - Geotech Inv	£19,353.00	£0.00	£0.00	£0.00	£0.00	£0.00
Masons - Topo	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Andy Sloan/Donaldsons	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00
AEA	£5,950.00	£12,500.00	£12,500.00	£7,000.00	£7,000.00	£7,000.00
DSK - Legal Adv	£42,000.00	£41,000.00	£46,200.00	£51,475.00	£47,150.00	£57,000.00
PWC-Financial Adv	£17,115.00	£25,620.00	£31,600.00	£31,600.00	£31,600.00	£31,600.00
Media House	£23,005.00	£151,028.00	£20,000.00	£20,000.00	£20,000.00	£20,000.00
HSE	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00
PUK	£9,000.00	£9,000.00	£9,000.00	£9,000.00	£9,000.00	£9,000.00
Expenses	£500.00	£500.00	£500.00	£500.00	£500.00	£500.00
Network Rail	£10,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00
Collfers Cre (Carlowrie)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Jeff Knight, Transport Modelling, Halcrow	£3,000.00	£3,000.00	£3,000.00	£3,000.00	£3,000.00	£3,000.00
Transport Modelling Consult	£0.00	£12,500.00	£12,500.00	£12,500.00	£12,500.00	£0.00
Weber Shandwick EARL website link	£195.00	£0.00	£0.00	£0.00	£0.00	£0.00
Mott MacDonald for SKM mtg	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
	£1,328,601.00	£355,458.82	£442,655.43	£251,512.90	£249,733.64	£239,490.03
						£212,820.23

£3,080,272.05

Edinburgh Airport Rail Link

20/10/2004

	Forecast for Oct	Forecast for Nov	Forecast for Dec	Forecast for Jan	Forecast for Feb	Forecast for March
Paul Prescott	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00
Alan Somerville	£4,600.00	£4,600.00	£4,600.00	£4,600.00	£4,600.00	£4,600.00
Other PM Costs (Susan, Karen & Mark)	£14,500.00	£14,500.00	£14,500.00	£14,500.00	£14,500.00	£14,500.00
Overheads	£16,000.00	£16,000.00	£16,000.00	£16,000.00	£16,000.00	£16,000.00
SWH	£175,643.54	£142,971.18	£60,312.90	£58,758.64	£60,340.03	£36,320.23
CARs/Contingency	£7,297.28	£1,136.25	£12,500.00	£12,500.00	£5,000.00	£5,000.00
AEG via SWH - Geotech Inv	£19,353.00	£0.00	£0.00	£0.00	£0.00	£0.00
Masons - Topo	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Andy Sloan/Donaldsons	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00
AEA	£5,950.00	£12,500.00	£12,500.00	£7,000.00	£7,000.00	£7,000.00
DSK - Legal Adv	£42,000.00	£41,000.00	£46,200.00	£51,475.00	£47,150.00	£57,000.00
PWC-Financial Adv	£17,115.00	£25,620.00	£31,600.00	£31,600.00	£31,600.00	£31,600.00
Media House	£23,005.00	£151,028.00	£20,000.00	£20,000.00	£20,000.00	£20,000.00
HSE	£300.00	£300.00	£300.00	£300.00	£300.00	£300.00
PUK	£9,000.00	£9,000.00	£9,000.00	£9,000.00	£9,000.00	£9,000.00
Expenses	£500.00	£500.00	£500.00	£500.00	£500.00	£500.00
Network Rail	£10,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00
Colliers Cre (Carlowrie)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Jeff Knight, Transport Modelling, Halcrow	£3,000.00	£3,000.00	£3,000.00	£3,000.00	£3,000.00	£3,000.00
Transport Modelling Consult	£0.00	£12,500.00	£12,500.00	£12,500.00	£12,500.00	£0.00
Weber Shandwick EARL website link	£195.00	£0.00	£0.00	£0.00	£0.00	£0.00
Mott MacDonald for SKM mtg	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
	£1,328,601.00	£355,458.82	£442,655.43	£251,512.90	£249,733.64	£212,820.23

£3,080,272.05



Agenda Item 6

Communications

- a) ITI Communications**
- b) Stakeholder Report**

C = Commercially Confidential
*** = Paper enclosed**

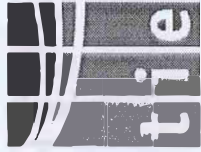


Agenda Item 7

Heavy Rail

- a) EARL *
- b) SAK *

C = Commercially Confidential
* = Paper enclosed



Paper to: tie Board
25th October 2004

Subject: Heavy Rail Update

From: Paul Prescott

Date: 18th October 2004

Edinburgh Airport Rail Link (Susan Clark)

Public Consultation

Public Consultation for the project will be launched on 8th November by Nicol Stephen. The scope of the consultation has also been agreed by SE. This means that the consultation process will be completed by Christmas. Dates for Stakeholder meetings and the Public Meeting are being arranged at present. The full impact of the delay is being assessed at present to understand the final impact on introduction of the Bill to Parliament.

Project Governance

No progress appears to have been made with the question of who will promote the EARL Bill since the last report to Board. As Hybrid Bill legislation does not exist within the Scottish Parliament, there is a potential impact on programme if Ministers decide to promote the Bill themselves. The Project Team continues to provide advice to SE in relation to promotion of the Bill but pressure from Board level continues to be required until this matter is resolved.

Procurement

Detailed work has been ongoing to assess the best procurement route, packaging optimisation and contracting strategy for the project. The Procurement working Group (PWG) sees merit in the bundling of certain aspects of the construction as early works to facilitate de-risking the main works and achieve greater cost and programme certainty. Indeed a recent assessment has indicated that the programme may slip as much as 2-3 years if works not permitted in advance of Royal Assent. These elements include land acquisition, ground investigation, environmental monitoring, utility diversions, mine work stabilisation (if required) and outline design to tender documentation stage. A paper on this is being presented to the EARL Operating Group on 20th October and will be discussed with SE on the same day. In parallel the costs for these are being developed.

Item 7 a & b – **Commercially Confidential**

For the main works the most appropriate contract types are being reviewed. Work so far has indicated that there are 3 types that are aligned with **tie's** requirements and these are being reviewed in further detail at present.

Planning

The paper due to be presented to Planning Committee on 30th September was pulled due to the consultation delay. There is a special Planning committee on 3rd November and it has been recommended to CEC that a paper is presented at this meeting.

3rd Parties

Discussions with BAA and Network Rail are continuing with the aim of agreeing Heads of Terms in advance of introduction of the Bill.

Stirling-Alloa-Kincardine (Richard Hudson)

The three workstreams of Technical, Operations & Contracts and Legal have been progressing in parallel towards the previously agreed target dates for phase 1 as follows:

- 29/10/04 Agreement of Target Cost and Completion of Phase 1.
- 17/11/04 Network Rail Investment Board Approval of Asset Protection Agreement.
- 11/11/04 Council Approval to go to Phase 2.
- 10/1/05 Commencement of Construction.

The First Nuttall team have progressed the outline design and, through a series of risk and value workshops, have developed a greater understanding of the project risks and identified areas of potential added value.

The initial thoughts on the phase 2 programme have been issued and this has generated an approximate date for completion of construction works of April 2006. However, more work is being undertaken to understand the implications of this date on opening of the line to take into consideration driver training, available disruptive possessions and commissioning. This date is obviously dependant on the above Phase1 dates being achieved.

The first review of the budget cost for phase 2 has been prepared and this is discussed in more detail in Item 2. However, it is clear that, based on the level of detail produced to date and the current understanding/perception of project risks, this cost is unacceptable.

The Asset Protection Agreement (APA) with Network Rail has been drafted and discussed at several meetings. Several of the key issues have been agreed. However, key issues regarding Track Access Revenues, Performance Benefits and the funding of maintenance of the infrastructure prior to its entry into the Regulatory Asset Base remain to be agreed. It has also become clear that Network Rail require to have agreed a scope of works for the project, which will be appended to the APA. To this end, it has been agreed with NR that dialogue with NR's asset engineers will be required and this has been agreed.

This will serve two purposes:

- (a) It will form the basis of an agreement of the scope of the works for inclusion in the APA.
- and
- (b) It will clarify many of the design assumptions and remove several of the perceived project risks.

Conclusion

The current understanding of project risks and their effect on the target cost for the project, especially in relation to mineworkings and signalling issues is inadequate to take the project forward at this stage. Further investigatory works should be carried out to understand the extent of possible remediation works. In addition, it is clear, now that this has been agreed with Network Rail, that dialogue is required with their Asset Engineers to understand and agree the scope of the engineering works.

Additionally, the status of the negotiations with Network Rail over certain key issues in the Asset Protection Agreement will make it very unlikely that an agreed document could be submitted to their Third Party Enhancement Panel on 17th November.

This strategy was agreed at the Operating Group of 14th October 2004.



Agenda Item 8

AOB –

- a) **Future Meetings 2005 dates ***
- b) **Procurement Policy ***

C = Commercially Confidential
*** = Paper enclosed**

Agenda Item 8a



2005 PROPOSED tie OPCOM & BOARD MEETING DATES

DAY	PROPOSED DATE	MEETING	TIME	LOCATION
Monday	17th January	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Friday	21st January	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	14th February	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	21st February	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	14th March	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	21st March	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	11th April	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Tuesday*	19th April	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	16th May	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Tuesday**	24th May	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	13th June	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	20th June	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	18th July	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	25th July	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	15th August	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	22nd August	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	12th September	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Tuesday***	20th September	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	17th October	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	24th October	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	14th November	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Tuesday	22nd November	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House
Monday	12th December	OPCOM	10.00 - 12.00	Labour Group Room, CEC
Monday	19th December	tie BOARD MEETING	10.00 - 12.00	tie Board Room, Verity House

* = Alternative Dates for:

* 18/4/05 Easter Monday

** Monday 23/5/05 Bank Holiday

*** Monday 19/9/05 Public Holiday



Agenda Item 8b



Agenda Item 8b

Note: Procurement Policy

As part of the continuing Business Improvement Programme attached is the proposed Procurement Policy for Board approval.

M. Bourke
19th October 2004



Procurement Policy

1. Introduction	
1.1	tie limited employs approximately 30 staff and has budgeted expenditure in excess of £24 million for 2004/5. tie are responsible for the procurement, project management and delivery of approximately £1.4 billion of transport schemes including congestion charging, tram, heavy rail, parking, bus and ticketing related projects over the next 5-10 years.
1.2	As with other delivery organisations, our normal practice is to award business through competition which supports the key elements of tie 's procurement Policy.
1.3	tie 's prime objective of procurement is to select the most economically advantageous tender and achieve value for money (VFM). tie seek the optimum combination of whole life costs and quality to meet the Project Sponsor's requirements through procurement of professional, contracting, supply and operational services.
1.4	tie will review the procurement options available to ensure that suitable delivery mechanisms are adopted that are fit for purpose and appropriate for the individual project needs. This Policy is supported by tie 's procedures for the <i>Development of a Procurement Strategy</i> .
1.5	An important part of this approach has been the introduction of this Procurement Policy which was approved by tie 's Board on [25 October 2004]. This Policy is supported by procedures for the <i>Preparation of Tender Documentation</i> and <i>Evaluation of Pre-Qualifications and Tenders</i> for use on all schemes which provides detailed guidance on how procurement will be dealt with.
1.6	The Policy set out in this document covers the following areas:- <ul style="list-style-type: none">• Procurement Strategy;• Value for Money;• Competition;• Legal Obligations;• Secondees;• Contract Management; and• Sustainable Procurement.
2. Procurement Strategy	
2.1	tie undertake to identify the most appropriate procurement strategy that transfers and shares design, development, supply, construction and operational risks with the Private Sector. tie plan to undertake this decision making process through involvement of Project Sponsors and by taking due account of supporting professional advice from legal, financial, technical and other advisors as necessary.
2.2	tie will select procurement strategies with clear understanding of risks retained (and shared) by the public sector and potential grounds for claim under the Contract. tie 's Project Managers should additionally have a clear understanding of the advantages and disadvantages of the preferred procurement route. This Policy is supported by tie 's procedures for the <i>Development of a Procurement Strategy</i> .
2.3	tie aim to ensure that the preferred procurement strategy can deliver overall scheme quality cost and programme objectives.



Procurement Policy

2.4	tie will review the need for the inclusion of incentives for performance against clear targets and where appropriate penalties for poor performance.
2.5	tie will consider the alternative fee arrangements to secure VFM in planned and additional services. tie will avoid uncapped scaleable fees linked to overall project capital costs where possible.
2.6	tie will engage advisors, suppliers, contractors and operators who are suitably experienced with the procurement method selected. tie will assess staff training needs to ensure staff awareness in emerging forms of procurement.
2.7	tie will review security and safety considerations as an integral part of the procurement. tie's Project Managers will seek early design freeze to obviate risks of loss of quality, cost creep and programme slippage.
2.8	tie will assess the need for guarantees, collateral warranties and performance bonds, in conjunction with Project Sponsors, at the outset to protect the public purse.
3. Value for Money	
3.1	tie consider that an understanding of the Project Sponsor's requirements is fundamental. To ensure best VFM in procurement the relevant factor is whole life cost, not lowest short term price. Whole life cost takes into account all aspects of cost over time, including capital, maintenance, management and operating costs, whenever they fall.
3.2	All Project Managers, not only those directly procuring services, are responsible for ensuring that most economically advantageous tender is selected through the procurement process. This assurance should consider tie's costs for the procurement process itself.
3.3	tie's policy is that Project Managers should also use their commercial understanding and experience in designing any procurement process to maximise the opportunities for service providers to submit cost effective and competitive bids, e.g. by ensuring that the services which they buy, as far as possible, reflect the requirements (in terms of quality and price) of market conditions. tie's Project Managers should encourage innovation in specifications where possible.
3.4	Clear scope of works will be defined for all services within Contracts and clear VFM tests established prior to placement of Contracts by the Project Managers.
3.5	tie propose that Project Directors will seek verification of value for money for all fixed, call-off and timescale charged services, on a quarterly to annual basis.
3.6	tie are committed to ensuring that service providers should not be put to unnecessary cost through casual enquiries for bids.
4. Competition	
4.1	All services should be acquired by competition unless there are convincing reasons to the contrary. Competition avoids any suggestion of favouritism and the encouragement of monopoly; it also helps to promote efficiency and economy. The form of competition should be appropriate to the value and complexity of the services acquired.
4.2	It is tie's policy that procurement should be undertaken through open competition. Project Managers, in consultation with Project Sponsors, are responsible for identifying professional, contracting, supply and operational services most likely to offer the most economically advantageous bid and for encouraging them to tender. This Policy is supported by procedures for the



Procurement Policy

	<i>Preparation of Tender Documentation and Evaluation of Pre-Qualifications and Tenders</i> for use on all schemes which provides detailed guidance on how procurement will be dealt with.								
4.3	Within limited competitive markets, tie will give additional attention to VFM testing, including areas of specialist services.								
4.4	<p>tie's key aspects of tendering competition policy are as follows:-</p> <ul style="list-style-type: none"> • A minimum of 2 quotations are required for services below £20k; • A minimum of 4 quotations/tenders are required for all services above £20k (and maximum of 6); • The following sources shall be used for selecting tenderers to ensure competitive tender (subject to the aggregation rules discussed below). <table border="1" data-bbox="338 837 1326 1295"> <thead> <tr> <th>Tender Value</th> <th>Sources</th> </tr> </thead> <tbody> <tr> <td><£20k</td> <td>Short-list of invitees identified by tie Project Manager.</td> </tr> <tr> <td>>£20k and < EU Threshold</td> <td>Advertising in local press/national industry publications. Local and national pre-qualified construction and construction-related service registers e.g. Construction-Line. Short-list of invitees identified by tie Project Manager.</td> </tr> <tr> <td>> EU Threshold</td> <td>EU procedures primarily through restricted procedure or negotiated procedure as appropriate.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Sealed bid procedures must be used for all procurements with a value greater than £20k, and for any lower value for potentially contentious procurements; • Post-tender negotiations (PTN) should only be undertaken if appropriate to form of procurement (Project Director level authority is required before PTN is used, and practitioners require to be suitably trained and experienced). The EC Procurement Directives do not permit post-tender negotiation and therefore PTN should usually be avoided; and • In the case of all prospective procurements of services, the Project Director and Finance Manager must be advised at the earliest opportunity. <p>tie's procedures for the <i>Development of a Procurement Strategy</i> includes a summary of the steps of procurement.</p>	Tender Value	Sources	<£20k	Short-list of invitees identified by tie Project Manager.	>£20k and < EU Threshold	Advertising in local press/national industry publications. Local and national pre-qualified construction and construction-related service registers e.g. Construction-Line. Short-list of invitees identified by tie Project Manager.	> EU Threshold	EU procedures primarily through restricted procedure or negotiated procedure as appropriate.
Tender Value	Sources								
<£20k	Short-list of invitees identified by tie Project Manager.								
>£20k and < EU Threshold	Advertising in local press/national industry publications. Local and national pre-qualified construction and construction-related service registers e.g. Construction-Line. Short-list of invitees identified by tie Project Manager.								
> EU Threshold	EU procedures primarily through restricted procedure or negotiated procedure as appropriate.								
4.5	tie will conduct the evaluation of all tenders received in an orderly manner, adopting a consistent approach and document the conduct of the competition.								
4.6	tie will seek an understanding of bidders previous experience, including any public sector contracts they have been awarded during the relevant period and seek details from a referee for such contracts.								
4.7	A decision to award a Contract will only be taken with a clear understanding of								



Procurement Policy

obligations and after all remaining elements have been clarified. Approvals to proceed with a contractual commitments for project and non-project services are subject to the limits shown below.

Project Commitment - Tender Value	Approval
<£20k	Project Director
>£20k and < 50% EU Threshold	Project Director & CEO
> 50% EU Threshold	Board

Non Project Commitment - Tender Value	Approval
<£5k	Finance Manager
>£5k and <£10k	Project Director
>£10k and <£50k	CEO
>£50k	Board

These limits and additional governance contractual and financial arrangements are defined in **tie's Delegated Authority Rules (DAR's)** as approved by **tie's Board** on 22 March 2004. Compliance with the **DAR's** is mandatory for all **tie** employees.

4.8 Where the minimum competition requirements cannot be met a Non-Competitive Action (NCA) may be required. All NCA are subject to the approval of the Projects Director and Finance Manager.

4.9 Under both EU procurement law and good industry practice, unsuccessful tenderers will be given the opportunity for a debriefing by **tie's Project Managers**.

5. Legal Obligations

5.1 Within the European Union a series of Procurement Directives (known as EC Procurement Directives) apply to promote fair and open competition. These require public organizations to publish details of Contracts above specified thresholds which they intend to place, and to follow other specified procurement procedural rules.

5.2 Failure to comply with this legislation carries risk of penalties and imports the risk of potential legal challenge by unsuccessful bidders. Audit Scotland and the European Commission may also review **tie's** procurement processes. Failing to comply with the relevant rules may result in any ERDF funding being withdrawn.

5.3 The EC Procurement Rules apply to **tie** and set out detailed procedures for the award of Contracts whose value equals or exceeds specific thresholds. The thresholds differ depending upon whether the Contract is for:-

- Works (i.e. general building or civil engineering work, construction of buildings etc);
- Services (i.e. designing bespoke software, maintenance and repair services, management services etc); or
- Supplies (i.e. the purchase or hire of goods)



Procurement Policy

	<p>The current thresholds (which will be replaced in Jan 2006) are:-</p> <table border="1"> <thead> <tr> <th>Type of Contract</th> <th>Threshold</th> </tr> </thead> <tbody> <tr> <td>Works</td> <td>£3,834,411</td> </tr> <tr> <td>Services</td> <td>£153,376</td> </tr> <tr> <td>Supplies</td> <td>£153,376</td> </tr> </tbody> </table>	Type of Contract	Threshold	Works	£3,834,411	Services	£153,376	Supplies	£153,376
Type of Contract	Threshold								
Works	£3,834,411								
Services	£153,376								
Supplies	£153,376								
5.4	<p>Certain types of services Contracts (known as Part B services or non-priority services) do not have to comply with all aspects of the procurement rules. In particular there is no requirement to advertise such Contracts in the OJEU, although there is a need to publish a contact award notice. The Part B services include:-</p> <ul style="list-style-type: none"> • Transport by rail; • Transport by water; • Supporting and auxiliary transport services; • Legal services; • Personnel placement and supply services; and • Investigation and security services. 								
5.5	<p>tie in conjunction with legal advisors will review the characteristics of each procurement and select one of the following three award procedures.</p> <ul style="list-style-type: none"> • Open – no prequalification stage resulting in large number of bidders and generally applicable to ‘simple’ Contracts. (In general tie will not use this procedure as it is very inefficient in tendering and evaluation); • Restricted – allows selection of number of bidders with no scope available for meaningful negotiation as limited to issues of clarification; and • Negotiated – allows selection of number of bidders with ability to negotiate with bidders and may be applicable to PPP/PFI Contracts. 								
5.6	<p>tie’s Project Managers should seek legal advice to verify currency and applicability of thresholds and the requirements of UK Public Procurement Legislation. In particular they should verify whether in the context of the particular project:-</p> <ul style="list-style-type: none"> • tie is obliged to comply with the Public Sector Directives for works, services or supplies or whether tie is in fact acting as a utility (which is subject to a higher set of thresholds); and • Any services Contract involves a Part A service. 								
5.7	<p>Where services fail below the EU threshold, tie will maintain compliance with tie’s competition policy as outlined in 4.3 and 4.4 above. tie’s Project Managers should consider the following:-</p> <ul style="list-style-type: none"> • Degree of promotion/advertising of Invitation to Tender (ITT) to ensure demonstrable VFM in competition e.g. advertising in local press/national industry publications. • Selection of bidders from published industry short-lists e.g. Construction-Line (a register of local and national pre-qualified construction and 								



Procurement Policy

	<p>construction-related services).</p> <ul style="list-style-type: none"> • Extent of bespoke pre-qualification and ITT stages for each service. • Consider the use of call-off arrangements for services for the wider tie portfolio; • Avoid extension to current agreements where VFM is ambiguous (without competition with other incumbent service providers) or could draw challenge from an unsuccessful bidder; and • The application of the aggregation rules (discussed in 5.8 and 5.9 below).
5.8	tie's Projects Director or delegated representative will maintain a register of all contracts and estimate the aggregate value of all contracts of a similar type over its financial year.
5.9	tie's Project Managers will consider the potential for an obligation to place an OJEU advertisements if the aggregated value of the relevant contracts of a similar type. tie's Project Managers will also consider the potential for an obligation to place an OJEU advertisements for services that comprise many different skills relating to 'one distinct project' which when aggregated will exceed the threshold. tie's Project Managers should seek legal advice on the application of procurement rules relating to aggregation.
5.10	tie's Project Managers will establish clarity of each procurement with City of Edinburgh Council or for itself as principal and account for the agent/principal distinction in the drafting any OJEU notices.
6. Secondees	
6.1	External consultancies may be approached to provide secondees for professional services on a part-time basis. Depending upon the nature and value of the services to be provided, such secondments may be subject to the EC Procurement Directives. Project Directors should seek most economically advantageous solution and ensure that when employing secondees that monitoring procedures are implemented effectively.
6.2	Project Directors should set targets for individuals and undertake regular one-to-one assessments to ensure motivation and VFM.
6.3	Project Directors should review the need to seek confidentiality agreements with all secondees.
7. Contract Management	
7.1	tie recognise that Contract management is an essential part of the contracting process. Project Managers are responsible for defining the Contract monitoring procedures to ensure that the service providers meet the service levels set out in the Contract and to ensuring continuing value for money. Project Managers are responsible for regular review of quality, cost and time objectives through the project lifecycle.
7.2	tie undertake to define clear roles and responsibilities for all parties.
7.3	tie Board will ensure that points of control and leadership are defined and explicit authority and responsibility for Contract governance and appropriate support to the Project Director. This governance will be allied to tie Board's requirements and tie's <i>Delegated Authority Rules</i> .
7.4	The project team will be encouraged to communicate issues and problems in achieving the delivery dates, budget or quality thresholds and a 'partnering' relationship fostered to ensure individuals feel free to express reservations. tie



Procurement Policy

	will review options to cap, fix and agree fees for professional services at the earliest opportunity.
7.5	tie will consider the use of Contract completion reviews and feedback the results into the process.
8. Sustainable Procurement	
8.1	<p>tie is committed to playing a role in Scotland's sustainable development. When tie acquire services the aim is to do so in a way which minimises impact on the environment. tie expect that our service providers share our commitment to continuous environmental improvement.</p> <ul style="list-style-type: none"> • It is important that our service providers keep pace with environmental developments in their particular markets; • Those who fail to demonstrate an ability to comply with relevant environmental legislation may be excluded from that contract award process where environmental considerations have been specified as relevant criteria for assessment; and • Development of environmentally preferable goods and services and use of recycled/renewable materials is likely to offer a competitive advantage.
8.2	Where environmentally preferable goods and services are viable on cost and quality grounds and are both affordable and readily available, they will usually be specified to the exclusion of others.
8.3	Where environmental considerations have been specified as relevant criteria for assessment bidders will be required to disclose details of any breaches of environmental legislation. Those found to have an unsatisfactory track record in complying with environmental legislation may be excluded from bidding for that specific contract.
8.4	Where it is relevant to the product or service to be purchased and where environmental considerations have been specified as relevant criteria for assessment, tie will seek evidence that service providers have in place appropriate environmental management policies.
9. Conclusion	
9.1	tie is committed to ensuring robust procurement of all professional, contracting, supply and operational services that will present VFM and meet Project Sponsors requirements. tie's procedures for this will be effective and organised and will rely on the principles contained within this document.
9.2	tie will continue to review its procedures and will ensure that this Policy document is reviewed annually to make sure it remains effective.

Prepared by: **Mark Bourke**
 Date: **15 October 2004**
 Revision: **8 (For tie Board Approval)**

File: **09.22.09 Procurement**