

Joint Tram Project Board and **tie** Board

24 March 2009

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Agenda

Minutes and Matters Arising	D Mackay
Supplementary Agreement	S Bell
Cost Review	S McGarrity
Programme Recalibration	S Bell

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Overview

- Opening remarks by the Chairman.

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Princes Street Dispute – Way Forward

- Supplemental Agreement (SA) made on 20 March 2009:
For Princes Street Only
- Work commenced on 23 March in Princes Street on the basis of the S.A.
- Commitment made to Framework Management Team proposal (renamed as Project Management Panel)
 - Initial meeting arranged for 14.00 on Wednesday 25 March
 - Prioritisation of outstanding issues to be discussed.
- Work to progress elsewhere without impediments (e.g. Depot)
- No debate via the press

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Supplemental Agreement – Why it is important?

- Provides an equitable and constructive way forward to facilitate the consortium working flexibly when encountering impediments to construction - consistent with obligations under the Infraco Contract.
- Will actually facilitate closer working between the two parties without a fundamental variation to the contract.
- Not unusual –supplement or amplification of original contract terms is used to build the confidence and trust of both parties in the context of emerging issues - within the framework of the contract.
- Construction on Princes Street will be an important demonstration of the consortium's expertise and experience and delivery - the enthusiasm and appetite of **tie** and BSC's delivery teams to get on with the job is palpable.
- We now have commitment to constructive engagement (Framework Management) in developing solutions to delivery of the project in total – SA is a catalyst for that re-invigorated engagement.

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Supplemental Agreement – Principal Terms

- Restricted to Princes Street only (4% by volume of route, 3.7% by direct cost value)
- Demonstrable costs basis, recorded and signed off by BSC / tie with daily records.
- Credits back for allowances within Construction Works Price for excavation etc.
- No change in construction and cost above tendered formation level.
- Allows impact (cost and time) of any unexpected obstructions / change events to be addressed more quickly as the works progress – in essence an acceleration of mechanistic application of the Notified Departure Change or Compensation Events rules in the Contract
- No significant change in allocation of risks / liabilities as anticipated in the Infraco Contract and requires honest and open approach to delivery, measurement and evaluation of Works

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Costs Review – Review of Headroom

- Budget of £512m includes an unutilised risk allowance of £24.2m.
- There is “headroom” of £33m between the budget and available funding of £545m.
- This makes a total of **£57.2m** available.
- We know that we will require £3.6m to complete utility diversions and £6.2m for the postponement of Ph1b leaving **£47.4m** for Infraco related risks and other possible cost increases offset by opportunities.
- In January we estimated we would require a “high side” risk allowance required for Infraco of **£35.7m**
- In January we identified a series of possible base cost increases of £12m offset by opportunities of £10.1m – we have a high level of confidence there will be no net additional costs in aggregate.
- Prima-facie, allowing for the “high side” Infraco allowance of £35.7m we would still have funding headroom of **£11.7m**

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Costs Review – Review of Infraco Risk Allowance

- The high side Infraco risk-allowance of **£35.7m** was calculated to deal with a range of known risks including:
 - Design delay at the point of contract award
 - Fair share of delays/programme extensions/acceleration costs
 - Design changes outwith normal development
 - Unforeseen ground conditions or utilities
 - Full road reconstruction where necessary
 - Non delivery of Value Engineering items taken into contract
- In assessing the adequacy of the risk allowance we also assumed
 - No significant future disruptive traffic mgt or design changes
 - Construction by Infraco (incl. Princes Street) with no further delay
 - Commercial engagement and delivery impetus improves significantly
 - Principal contractual disagreements found in our favour

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Costs Review – Path to Greater Certainty

- Constructive engagement with BSC through “Framework Management” will yield an agreed programme and commercial resolution but will take time (end of May?)
- We need to see the evidence of the Princes St arrangements working to demonstrate on-street delivery capability, quality and productivity.
- Base assumption is that BB are on-board for the duration but we will carefully monitor commitment and keep Siemens/CAF involved
- DRP may still be a desirable route to resolve some commercial differences.
- **tie** will immediately deploy the resources required to assess and test our further exposure to costs (= adequacy of **£11.7m** headroom) in advance of agreement with BSC.

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Programme Review - Recalibration

- Recalibration exercise has been ongoing for some weeks now with BSC and has suffered greatly from other disputes.
- On a section by section basis swings and roundabouts identified in terms of improvement/degradation of delivery dates.
- Integration of these sections now ongoing but no date for completion provided by BSC.
- In reality, level of engagement from BSC in this process has been poor with very few opportunities for improvement identified by BSC.
- Re-invigoration of this process will be discussed at the PMP on Wednesday.
- Despite this, an exercise has been completed internally by **tie** to identify optimistic and pessimistic programmes.
- No consideration has been taken for;
 - Productivity dates
 - Embargo relaxations
 - Alternative methodologies
 - Testing and Commissioning adjustments
 - Partial Opening options

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Programme Recalibration –Optimistic

Section	Contract	Optimistic
Section A (Depot)	25/03/10	15/10/10
Section B (Test Track)	23/04/10	27/12/10
Section C (1a construction)	17/01/11	27/08/11
Section D (Open for revenue service)	16/07/11	23/02/12

Assumptions

- Logic changes will be accepted by BSC
- No additional design delays
- 20% additional construction durations for structures where designs have changed
- Improved excavation rates compared to BSC rates.
- Still opportunities to look at further integration of utilities

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Programme Recalibration –Pessimistic

Section	Contract	Pessimistic
Section A (Depot)	25/03/10	21/01/11
Section B (Test Track)	23/04/10	07/07/11
Section C (1a construction)	17/01/11	20/04/12
Section D (Open for revenue service)	16/07/11	17/10/12

Assumptions

- No allowance made for Gogar Interchange
- No allowance made for additional utility diversions as a result of St James Centre.
- Based on V42 designs and additional time for integrating track design.
- 20% allowance for construction due to design changes for all structures.

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