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Tram Project Briefing – 24th November 2008

1 Introduction

- 1.1 This paper is intended to give you an update on the main issues/workstreams associated with the tram project and issues arising from the tram Project Directors (PD) review meeting.

2 Funding Agreement with Transport Scotland (TS)

- 2.1 TS have now contributed £203.48m to the project to facilitate spending to the end of period 10 (period ending 3rd January 2009). The latest cash application to TS is for £6.5m with the Council contributing £588k.

3 MUDFA

- 3.1 Revision 7 of the MUDFA programme has now been agreed with Carillion, and progress against this programme has now been reported. Spend currently stands at £52.4m including risk against a budget of £55.4m which represents 95% spend on the budget. The anticipated final costs (AFC) for MUDFA are currently forecast at £54.9m which includes a transfer from the risk allowance to settle claims. The risk allowance now stands at £3.2m. Due to the complex problems with Traffic Management (TM) at the Mound and the subsequent changes to make the TM workable the knock on effect for MUDFA completion would be September 2009, this extension would come at a price. However the MUDFA team are currently looking at ways to mitigate the problem.
- 3.2 The audit of materials supplied by Proficio has now been completed. The three sites at which this material had been used have now been reinstated using other materials, with the costs associated being picked up by Carillion.
- 3.3 The table below highlights MUDFA progress in period 8 and cumulative to date. This table now reports progress against the new Revision 7 of the MUDFA programme.
- 3.4 The areas principally causing the lack of progress against programme are The Mound, Picardy Place and Ocean terminal with 75% of the slippage resulting from The Mound.

		Period 8 (13.10.08 - 09.11.08)				Overall Performance to Date			
		Planned	Actual	Variance	Percentage Complete	Planned	Actual	Variance	Percentage Complete
	Metres	6380	1993	-4387	31.24	36930	29375	-7555	79.54
TOTAL	Chambers	52	23	-29	44.23	266	210	-56	78.95

4.0 Infraco

- 4.1 Slow mobilisation of Infraco continues in period 8. Progress against the look ahead table has been 9% against planned progress of 42%. The slow procurement of sub contractors continues to hamper progress as well as lack of management resources employed by Infraco and continued problems with their supply chain.
- 4.2 There are currently 26 design related conflicts which is hampering construction, these problems were highlighted in previous periods and no progress have been made in the current period in these areas.
- 4.3 The four prime Infraco risks identified by tie this period are:
- MUDFA do not finish diversion works prior to commencement of Infraco
 - Lack of visibility of design changes between Nov 2007 and May 2008
 - Lack of effective engagement from BSC towards tie and third parties such as Forth Ports, Network Rail and BAA.
 - Failure of BSC to effectively resource up for the project
- 4.4 3 construction milestones have now been certified. 115 failed milestones have now accrued to the value of £13.789m. These failed milestones relates to 77 Structures (£7.6m), 7 Immunisation (£289k), 19 Track (£4.6m), 12 Highways (£1.3m). It should be noted that there is sufficient dynamics within the way track works can be programmed to make significant recovery of slippage in this area. Actual spend in period 8 was £2.071m against a forecast of £2.720m.
- 4.5 The outturn for 2008/09 is now forecast at £49m which is down £5.2m on the previous period projection. The total Infraco slippage is now £27m, based on current programme this slippage will be attributed to 2009/10. Significant work is being undertaken with Infraco to come up with a revised live programme which may impact on when the £27m is spent.

- 4.6 Variations of £5.862m have been submitted by Infraco. The Infraco Anticipated Final Cost (AFC) line is forecast currently at £256.9m against a budget of £246.7m, this adverse variance of £10m does not take account of any drawdown from the Infraco risk allowance which would cover prolongation claims. There will be significant effort made to agree a new live programme with Infraco, along with a review of the budget, which will be in place early in the New Year. This will dovetail with the two forthcoming major milestones of Princes St closure and commencement of the depot at Gogar in January.
- 4.7 Value Engineering opportunities of £8.3m have been instructed to date, tie's view of actual savings is currently around £4.8m. £755k of VE savings has now been banked.
- 4.8 As agreement is yet to be reached on a revised contract programme, tie have been running a live programme in the background based on their view of current progress which includes design and MUDFA issues. The table below highlights the impact. It should be noted that the Live Forecast takes no account of any re-programming or mitigation.

Section	Description	Contract	BSC Forecast	Live Forecast
Section A	Depot Completion	25/10/2010	20/08/2010	30/09/2010
Section B	Test Track Available	23/04/2010	02/12/2010	09/02/2011
Section C	All Phase 1a Construction Complete	17/01/2011	25/08/2011	30/12/2011
Section D	Open for Revenue Service	16/07/2011	21/02/2012	26/06/2012

5.0 Tramco

- 5.1 Tramco is currently showing no variance on the final AFC. Budget stands at £58.1m, there is no risk allowance for Tramco. Costs are currently in line with budget. The mock up tram will arrive in Edinburgh in the week commencing 17th November. This will initially be placed in Lothian Buses Annandale St Depot for work with Stakeholder groups before being moved to Princes St Gardens. Fabrication of the tram vehicles will begin in January 2009 with the first tram programmed to be delivered in March 2010.

6.0 Phase 1b & Tramline 3/South East Tram Line (SETL)

- 6.1 The assessment of the Phase 1b business case and lobbying for support on SETL is on-going.
- 6.2 Progress on both of these proposals will likely be reported to Council in December 2009.

7.0 SDS (Systems Design Services Contract)

- 7.1 Progress on Issue for Construction (IFC) packages
 Prior/Planning/Technical Approvals are highlighted in the table below.
 The current AFC for SDS is £27.2m which is an adverse variance of £375k as a result of incentivisation costs related to on time delivery of IFC packages which will only be payable if this is achieved.

		Period 8 (13.10.08 - 09.11.08)				Overall Performance to Date			
		Planned	Actual	Variance	Percentage Complete	Planned	Actual	Variance	Percentage Complete
	IFC Packages submitted to tie Prior Approvals/Planning Applications Submitted	0	2	2		109	79	-30	72.47
	Prior Approvals/Planning Applications Granted	0	1	1		71	67	-4	94.36
	Design Packages Finished	0	2	2		71	62	-9	87.32
	Technical Approvals Submitted	0	0	0		317	314	-3	99.05
	Technical Approvals Submitted	1	4	3	400.00	95	91	-4	95.79
TOTAL	Technical Approvals Granted	3	9	6	300.00	89	81	-3	91.01

8 Cashflow/Spend Profile

- 8.1 Transport Scotland funding is capped at £120m for 2008/09 with tie's current spend forecast £126m. The spend forecast for 2009/10 is £158m with TS funding capped at £149m. TS have contributed £203.48m funding to date with forecast spending for the next period of £6.5m.
- 8.2 The project AFC reported to Transport Scotland remains at £512m. As stated above there is significant work which will re-align programme and costs over the coming weeks. The impact on the AFC associated with these costs is detailed in the table below. The potential change in budget reflects a July 2011 opening. The £512m remains the reportable figure until the new project programme is established.
- 8.3 The following table attempts to quantify some of the sensitivities around the £512m AFC. It should be noted these costs have not yet crystallised and is merely a guide to the sensitivity of the cost estimates.

£m	Description
512.0	Anticipated Final Cost as per Contract Price
6.2	Phase 1b Costs incurred in the event 1b does not proceed
11.0	Shortfall on Infraco Value Engineering and additional costs not foreseen at Financial Close
11.0	Claims Settlement Infraco/MUDFA
(11.0)	Drawdown on Risk Allowance to cover claims
529.2	

9.0 External Interfaces/Risks

- 9.1 Management of key interfaces with other known projects will be key as the project develops. The major projects currently known are:
- Waverley Steps/Roof (Transport Scotland)
 - Gogar Station (Transport Scotland)
 - St James Centre Re-development (CEC/Henderson Global)
 - Haymarket Interchange
 - Haymarket Station Re-furbishment (Network Rail/Scotrail)
 - Haymarket Hotel (Tiger Developments)
 - RBS Tramstop (RBS)
 - National Portrait Gallery.