

Review of Major Projects: Edinburgh Tram

3 February 2006

Attendees-		Panel	
Ian Kendall	tie ltd	Bill Reeve	Transport Scotland
Gerry Henderson	tie ltd	Damian Sharp	Transport Scotland
Dave Ramsay	tie ltd	Ian Mylroi	Transport Scotland
Pat Lydon	tie ltd	Ken Davis	Transport Scotland
		John Ramsay	Transport Scotland
		Lorna Davis	Transport Scotland

Disclaimer: Unless otherwise stated the views expressed in this note are those of the Transport Scotland Review Panel, and do not necessarily reflect the views or opinions of the Project Promoter.

Item	Notes	Action & Date
Purpose of Meeting	<p>To follow on from the first panel review meeting of 25 October 2005. This second panel review meeting focussed primarily on the following areas:</p> <ul style="list-style-type: none"> -Notes/actions from the last meeting -Forecast for the project -Scope and Cost -Procurement and Implementation -Resources and Budget (FY06/07) -Conclusions and Actions <p>Transport Scotland outlined a commitment to circulate the notes from this meeting within 3 weeks of the review and that future review dates will be communicated well in advance.</p> <p><u>Actions from previous meeting (25.10.05)</u></p> <p>Interchange between tram and train at Haymarket is key to securing patronage for the tram and an integrated public transport system for Edinburgh. Further dialogue is required between tie and CEC to ensure that suitable interchange is provided when the tram becomes operational that fits as far as possible with the longer-term redevelopment of Haymarket Interchange. A further update will be expected before the next Panel Review meeting.</p>	<p>(1)</p> <p>(2)</p>

<p>Forecast for the Project</p>	<p>The release of the Infraco OJEU had been delayed pending the outcome of the Council’s consideration of scope and affordability issues. Following the Council decision on 26 January the OJEU has now been issued.</p> <p>The current key programme dates and activities are:</p> <ol style="list-style-type: none"> 1. The programme is being revised to take into account the scope and phasing decisions of the Council.. 2. Overall procurement programme remains achievable with financial close by Summer 2007 subject to governance milestones being met. 3. MUDFA tenders are due to be issued ASAP after 8 February for contract award in June 2006 & authority to proceed to diversion design and mobilisation but not physical works. 4. First draft of final business case expected October 2006 – approval of this will depend on indicative tender prices, output of the Joint Revenue Committee, further evidence from CEC on the deliverability of its capital contribution to the scheme and progress towards a sustainable TEL Business Plan as well as continuing development and implementation of the risk management strategy including clear procedures within CEC for taking the necessary decisions timeously at all levels. 5. Approval of the draft Final Business Case would trigger physical works under the MUDFA contract. 6. Approval of the Final Business Case leading to Financial Close will depend on final infrastructure prices, continuing development and implementation of the risk management strategy, confirmation of CEC’s commitment to the capital costs and an agreed TEL Business Plan based on the Joint Revenue Committee conclusions. 	
<p>Scope and Cost</p>	<p>Further work is currently being undertaken to determine the estimated costs associated with the revised scope of works ie Phase 1 (Ocean Terminal to Airport) but we have confidence that Phase 1 is in all probability affordable. Haymarket to Granton Square may be affordable but this depends on a sound business case for that phase.</p> <p>That business case will need to address not just the capital cost but also the impact on the viability of TEL’s business plan. Ministers are likely to require confirmation that the risks identified in the final business case are not impacting on Phase 1 before considering starting work on Phase 2.</p> <p>Further financial modelling work is required including the</p>	<p>(3)</p>

	<p>application of the Scottish Executive’s preferred indexation methodology to refine cost estimates.</p> <p>The cost-loaded programme, risk register and QRA are all being revised to take account of revised scope.</p>	
<p>Procurement and Implementation</p>	<p>The project needs all parties to have clear processes for the future milestones and critical decisions on funding and operations. It was agreed that tie would supply within 10 days their proposed milestones/key decisions together with the tests to be applied at those points and that Transport Scotland would revert within 10 days of that.</p> <p>It was agreed that it was vital for CEC to have a shared understanding of the milestones to be achieved and the key tests to be applied and for CEC to have processes in place for turning around the decisions they will need to take. tie and Transport Scotland to ensure CEC fully understand critical milestones.</p> <p>An approvals plan needs to be produced that will clearly spell out which documents need to be approved by whom and the programme needs to allow adequate time for these approvals to be given.</p> <p>tie ltd reported that JRC analysis and refinement of the TEL business plan will be ready before Infracore tender prices are received.</p> <p>An important part of the implementation plan will be a robust process to ensure the tramway was built to “fit-for-purpose” quality levels and avoid pressures either for over specification or for infrastructure cost savings that would have a long-term impact on operation. tie ltd would propose a process for CEC and Transport Scotland to consider.</p> <p>tie ltd’s preferred procurement strategy is a combination of conventional capital procurement for the infrastructure and leasing of the tram vehicles rather than PPP. Some further work is needed to complete this assessment in 2 areas: (1) to update the existing assessment to reflect the revised scope; and (2) clear proposals for how disciplined and rigorous risk management that would be brought by PPP can be fully achieved in this project given tie’s preferred procurement structure. tie ltd have already carried out work on this and are due to present further proposals as part of the next business case update in March 2006.</p>	<p>(4)</p> <p>(5)</p> <p>(6)</p> <p>(7)</p>

Resources and Budget (FY 06/07)	<p>tie ltd reported that an analysis of resource and budget requirements for next financial year (06/07) are currently underway and the results of which will be included within the Business Plan for 06/07. tie ltd confirmed it is their intention to have this Business Plan complete by 17 February 2006 and circulated to Transport Scotland by 24 February 2006.</p> <p>tie ltd stated that they are examining 2 major projects (EARL and Tram) to identify key core skills and commonalities/overlaps for both. In addition tie ltd reported that they are aspiring to have the Designer in the same location as tie personnel as this would ultimately improve communications.</p> <p>tie ltd reported that they have the necessary strategies in place to recruit the most appropriate personnel when required. Several key personnel have already been brought in from other UK tram schemes and it is likely that in turn these might be approached to work with potential Tramco and Infracore bidders. tie ltd accepted that this is a risk but is inevitable in the current marketplace.</p>	(8)
Conclusions and Actions	<ol style="list-style-type: none"> 1. Transport Scotland to circulate notes no later than 3 weeks after meeting date. 2. Transport Scotland to facilitate meeting on link at Haymarket. 3. Transport Scotland to provide more information on indexation methodology being applied. 4. tie ltd to provide Transport Scotland with key tests and critical decision points associated with revised programme. Transport Scotland to respond within further 10 days. 5. tie ltd and Transport Scotland to ensure CEC fully understand critical milestones. 6. tie ltd to propose clear process for securing “fit-for-purpose” quality decisions. 7. tie ltd to provide clear proposals for how disciplined and rigorous risk management that would be brought by PPP can be fully achieved in the procurement structure that they are proposing. 8. tie ltd to provide Business Plan 06/07 to Transport Scotland 	<p>TS – 24 Feb 06</p> <p>TS – 24 March 06</p> <p>TS – end February 06</p> <p>tie ltd – 13 Feb 06 & TS – 23 Feb 06</p> <p>tie ltd & TS – March 2006</p> <p>tie ltd – March 2006</p> <p>tie ltd – March 2006</p> <p>tie ltd – 24 Feb 06</p>

