

CITY OF EDINBURGH COUNCIL
MEETING ON 25 OCTOBER 2007

ITEM 8.1

EDINBURGH TRAM

**Presentation by tie Limited, TEL and City of Edinburgh
Council**

**The attached presentation is additional supportive
material to accompany the Edinburgh Tram Final
Business Case report. The presentation was produced
by tie Limited but with input from Transport
Edinburgh Limited and the City of Edinburgh Council.**



Edinburgh Trams

Final Business Case

Background

- **Dec 2006**
 - Draft Final Business Case
 - Phase 1 - £592m, 1(a) - £500m 1(b) - £92m
- **June 2007**
 - Review of Tram Project by Audit Scotland
 - “Sound Financial Management and Reporting”
 - “Clear Procurement Strategy to minimise Risk”
- **June 2007**
 - Government commit to £500m, any additional funding must come from CEC
- **Sep 2007**
 - Further external audit (OGC) confirms project status Green

Presenters

- **Andrew Holmes**

Director of City Development, CEC

- **Willie Gallagher**

Executive Chairman, tie Limited

- **Neil Renilson**

Chief Executive, TEL

Keeping Edinburgh moving

Andrew Holmes

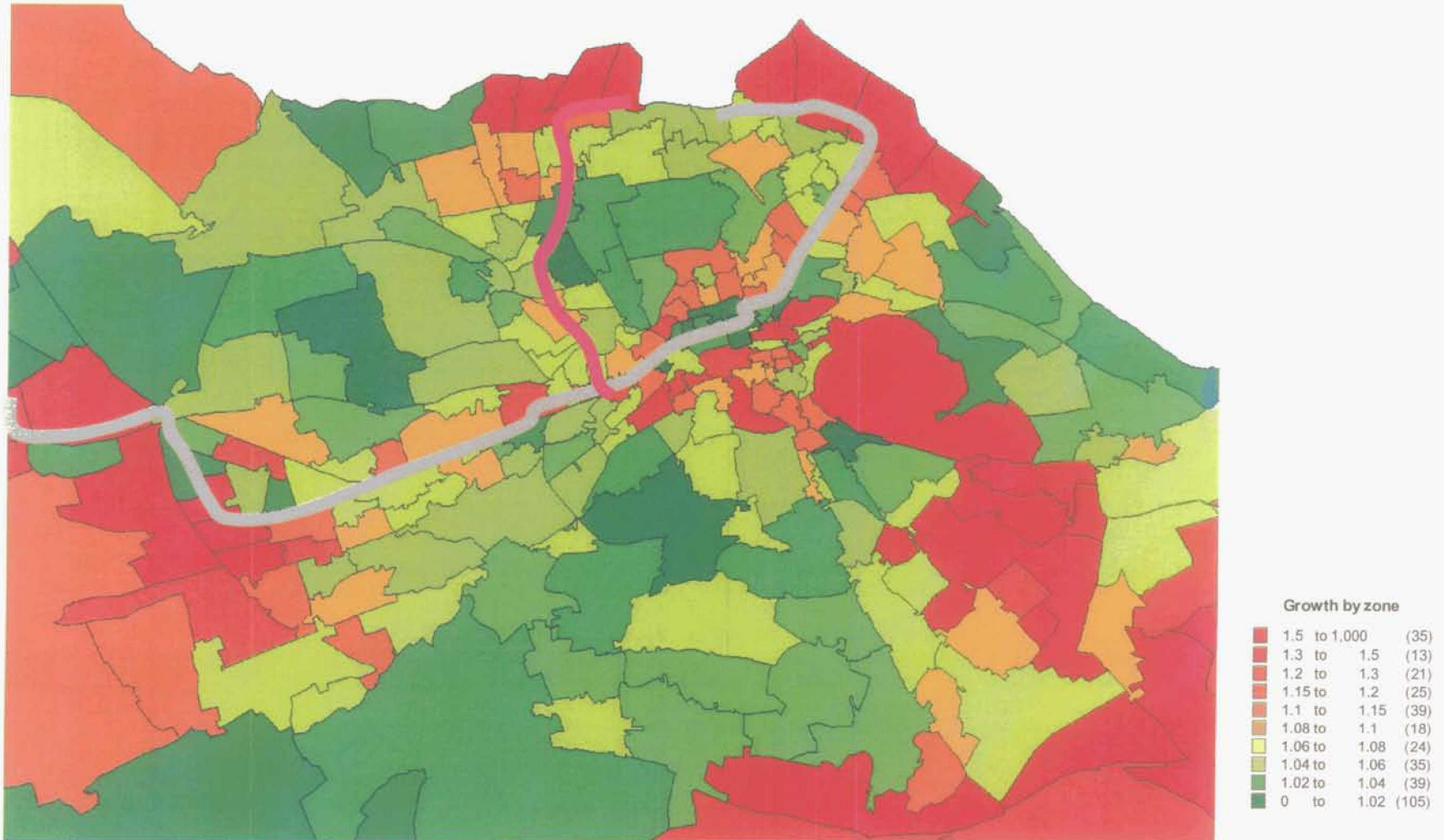
Key players

- City of Edinburgh Council – tram promoter, part funder
- tie ltd (private limited company, wholly owned by CEC)- tram delivery agent
- Transport Edinburgh Limited TEL (established by CEC to manage an integrated tram and bus service)
- Transport Scotland – Principal funder
- Tram project board
- Tram sub committee

Transport needs of Edinburgh

- Growing economy
- Successful city region
- Significant increase in travel demand

Growth in demand (origins)



Keeping Edinburgh moving

The benefits of trams

- Reliable form of transport – trams run on their own lines and are much quicker than other modes of transport
- Growing transport system – tram capacity of 20,000 passengers per hour, trams carry twice as many people as buses
- Improved connections – trams will connect jobs and leisure with people
- Attract investment – trams can attract new investments and businesses along the route

Economic benefits

- Improved connectivity will enhance Edinburgh's competitive position:
 - Improved connectivity has been identified as the city's number one economic priority
- Opportunities for previously deprived areas
 - Improved accessibility/availability will help long-term economic performance and prospects to areas such as Granton
- Support for key areas of national economy

On track with trams

Willie Gallagher

Edinburgh Tram – Phase 1



TM01ab23

Edinburgh trams – contract framework

Contracts
Design
MUDFA
Tramco
Infraco

Framework
Code of construction
Local business support
Open for Business
Partnership tie

Tramco - CAF



Strong economic benefits

- For every £1 spent, provides £1.77 transport benefits
- No EARL improves the Business Case
- Supports reduction of congestion in major travel corridors
- Acts as a catalyst for regeneration – brings forward investment
- Creates 1000 jobs during construction
- 930 permanent new jobs

Capital costs

	Current Estimate	Draft Final Business Case 2006
Phase 1a	£498m	£500m
Phase 1b	£87m*	£92m
Budget Costs:	£585m	£592m

- £49m contingency
- Firm prices for Design, MUDFA, Legals & Trams
- Firm bid for Infrastructure for Phase 1a – subject to due diligence
- In total, 99% of costs now firm – fixed or based on agreed rates
- Phased commitments on construction – Phase 1b option to be finalised

* *Further £5m discount if Phase 1b is constructed at the same time*

Risk and contingency



* Risk as percentage of "to go" cost

- Based on no major delays / cost over-runs between October 07 and Financial Close
- If programme and scope are adhered to by Council & tie, very limited exposure to cost overrun

Funding

Transport Scotland	£500m
CEC	£45m
TOTAL	£545m
Headroom above Phase 1a cost	£47m
Headroom & Risk allowance	£96m
<i>As % of all Phase 1a costs post Financial Close</i>	<i>29%</i>

Phase 1 (a)

- £498m (inc contingency)

Phase 1(b)

- £87m (inc contingency)
- Important to the delivery of the wider benefits
- Potential opportunity to reduce costs in final negotiations
- Review decision on 1(b) by March 09, when final prices and extent & pace of Granton Development are known

Risk allocation, management & mitigation

Private sector responsibilities

- Design, manufacture, construction, commissioning & maintenance

Public sector responsibilities

- Approvals, TROs and third parties

Risk management & mitigation (already in place)

- Robust contracts with unambiguous risk allocation
- Insurance
- Close CEC-TEL-tie co-operation
- Discipline through change control and prior approvals
- Careful management of all affected third parties
- TEL as tram/bus service integration director & system manager

Key dates going forward

- **25 Oct 2007** Full Council Meeting on FBC
- **21 Dec 2007** Final Council Approval on FBC
- **28 Jan 2008** TramCo and InfraCo financial close
- **Feb 2008** InfraCo commences
- **Dec 2008** MUDFA complete
- **Mar 2009** Option for 1(b) expires
- **Dec 2009** Commissioning and testing
- **July 2010** Driver training
- **Feb 2011** Commercial services commence

TEL – Transport Edinburgh Limited

Neil Renilson

Objectives

- To operate the City's buses and trams as one integrated network
- To ensure bus and tram work together to deliver the maximum benefits possible

TEL – Transport Edinburgh Limited

Requirements

- To ensure the combined bus and tram network operates at a profit sufficient to:
 - renew its assets
 - pay dividends to CEC, minimum £2m p.a.
- To maintain policies of:
 - high quality service
 - affordable fares
 - comprehensive network of services
 - operation without any subsidy

Lothian Buses



..connecting our Capital

Trams for Edinburgh

TEL – Transport Edinburgh Limited

Integration

- Branding
- Fares and tickets
- Publicity and information
- Routes and timetables
- With other operators
- Of physical infrastructure

Lothian Buses



Trams for Edinburgh

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TEL – Transport Edinburgh Limited

Integrated fares and tickets

- ‘Off-tram’ ticketing
- Fares **will** be the same on bus and tram
- Ridacards and Day Tickets **will** be valid on both tram and bus
- One Ticket and ‘PlusBus’ for multi-operator journeys (less than half of 1%)



Lothian Buses



Trams for Edinburgh

TEL – Transport Edinburgh Limited

Integrated information

24hr info
555 6363

Phone



Travelshops



Leaflets



Maps



Website

Lothian Buses



Trams for Edinburgh

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Integration of services



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Replacement of buses by tram

- Double deck bus - capacity approx. 100
- 40m tram - capacity approx. 260
- Hence 1 tram carries the same as 2.6 buses
- Where bus and tram run in parallel, buses are replaced with trams at a ratio of 1 tram for every 2.6 buses

Impact of tram on Lothian Buses

- Local service fleet – today 547
– post tram 528
- - 19 buses or 3.5%

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Trams for Edinburgh

TEL – Transport Edinburgh Limited

City Centre - Airport

- Current  every 7½ mins. (8 per/hr)
-

- Future  every 10 mins. (6 per/hr)

-  every 15 mins. (4 per/hr)

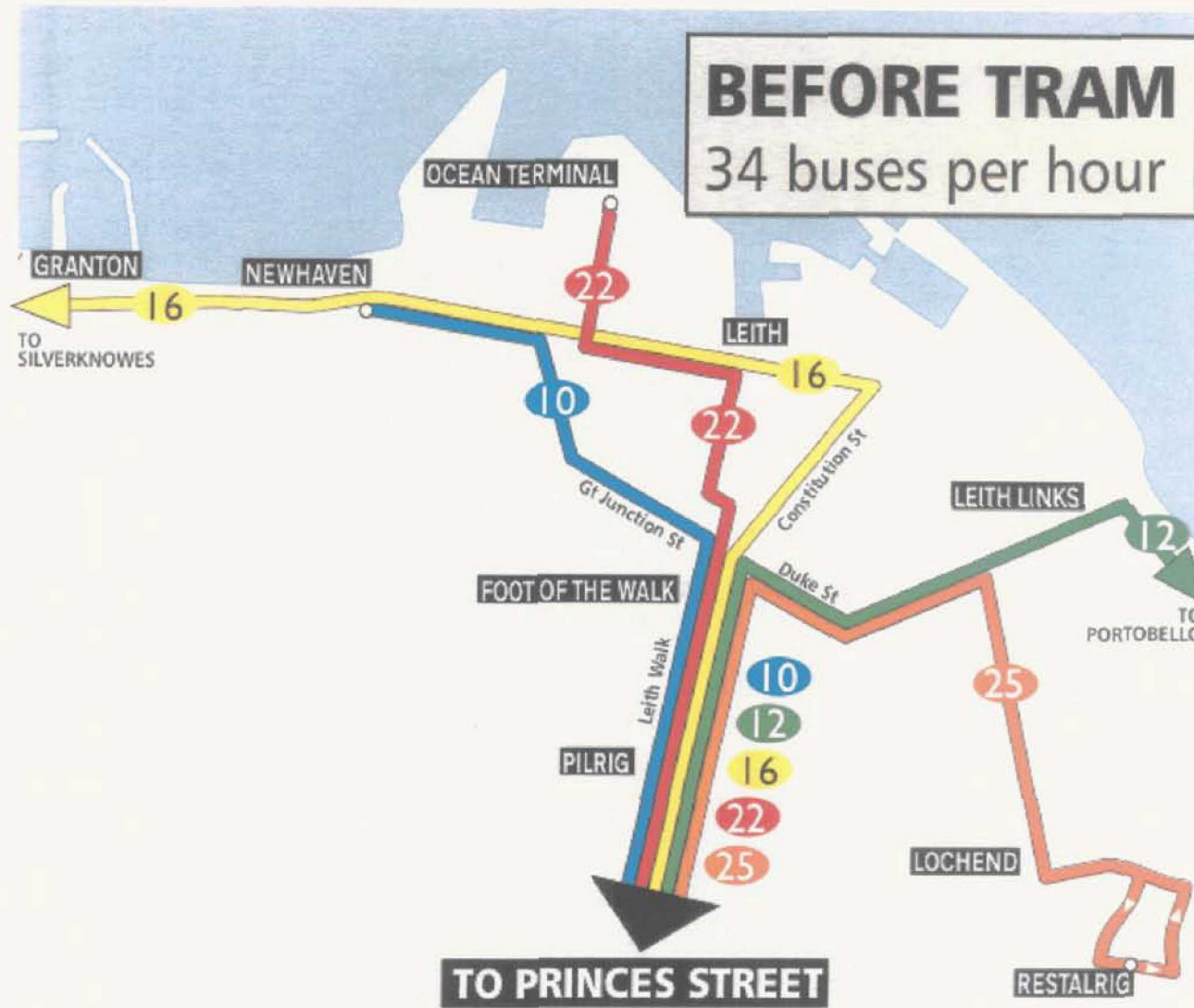
Total = 10 per/hr

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Trams for Edinburgh

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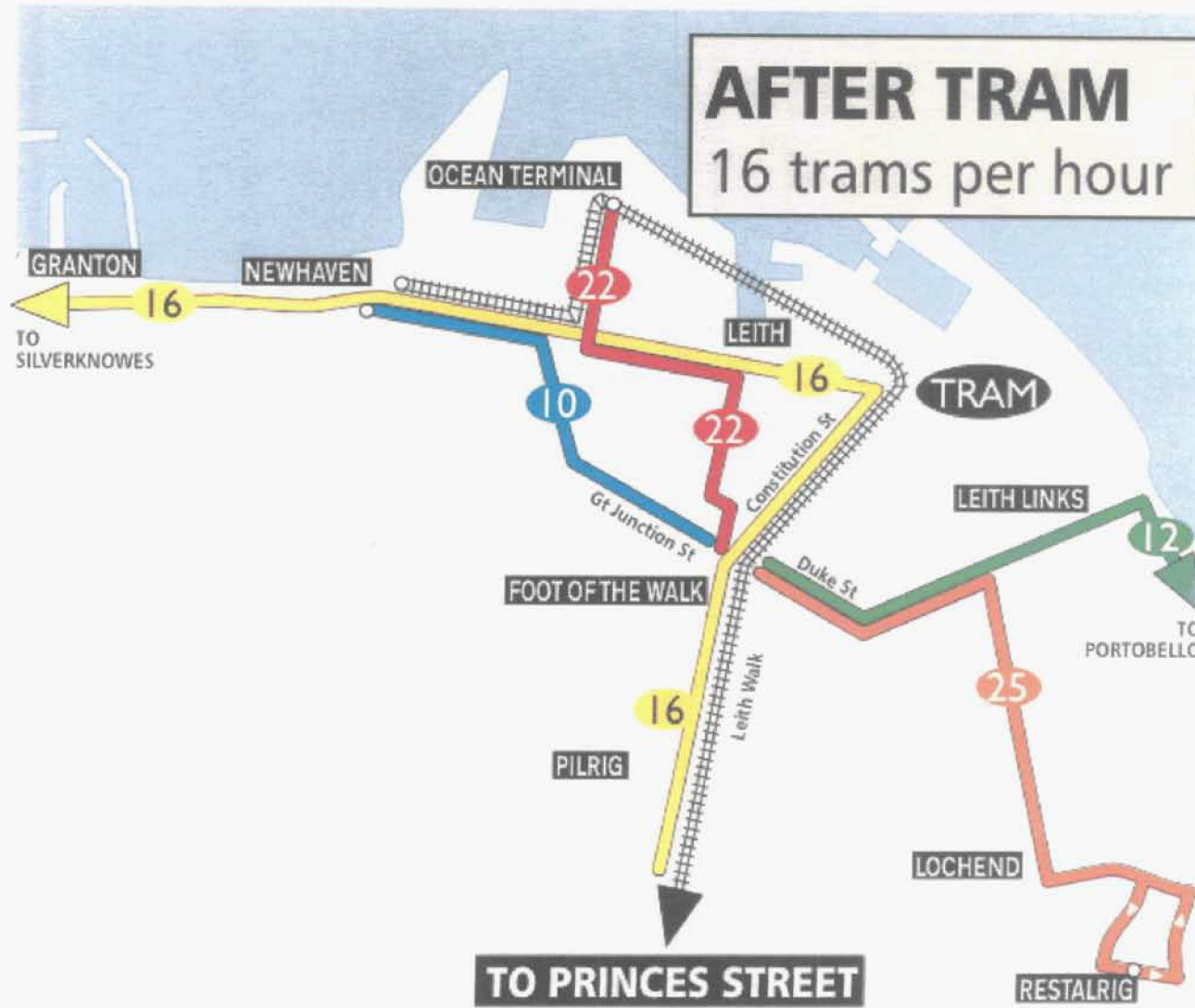


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Trams for Edinburgh

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Trams for Edinburgh

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Leith Walk – Princes Street

- Currently **34** buses per hour
0 trams per hour
- Future **6** buses per hour
16 trams per hour

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Trams for Edinburgh

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Financial performance – costs

- Bus costs
 - Well known and understood
- Tram costs
 - Comparisons with other tram systems

Patronage

- Based on projections prepared by transport modellers
- Based on CEC structure plan projections for new residential, employment and retail developments
- Assumes economic growth rate of 2% per annum
- 83% of tram passengers transfer from bus
- 17% of tram passengers are 'new'

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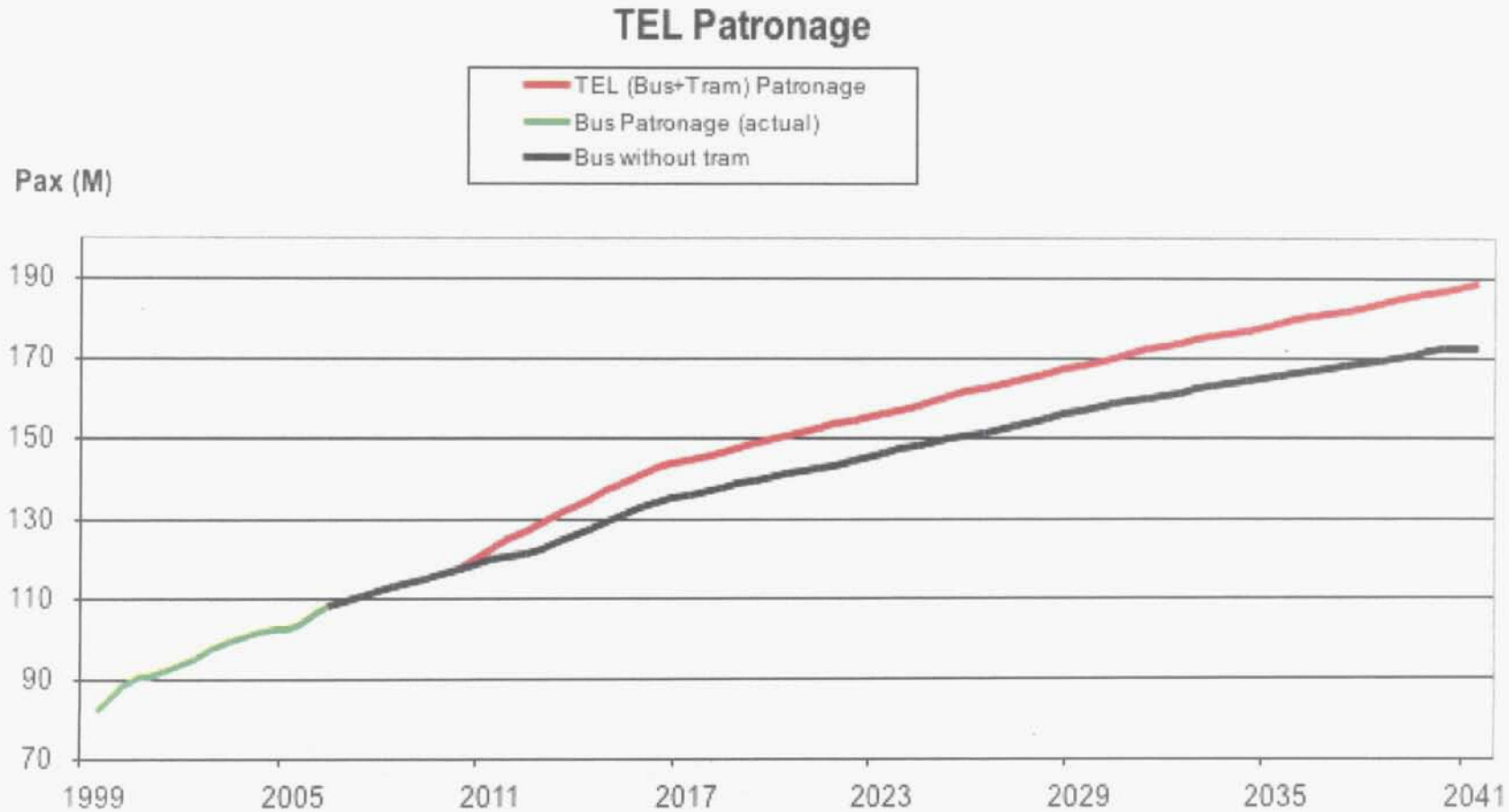


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Patronage forecast



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Fares and Tickets

- Day ticket – 10%
- OAP / Concession – 24%
- Ridacard – 30%
- Cash singles – 36%



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Trams for Edinburgh

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Revenue

- Maintain network – wide flat fare
- Fares increase at RPI + 1% per annum
- “Off-tram” ticket purchase
- 100% inspection
 - revenue protection
 - passenger security
 - anti-social behaviour

Lothian Buses



..connecting our Capital

Trams for Edinburgh

Conclusion

Willie Gallagher

Vision - What is possible?

- Line 1(b)
- Newhaven and Newbridge
- Line 3
- Tram–Rail–Airport interchange (Gogar)
- Park and Rides

Going forward with trams

- Professional Project
- Costs at £498m for 1(a)
- Option for 1(b) until March 2009
- Focussed Risk Management
- Early involvement of operator
- Integrated Transport Solution for Edinburgh
 - **27 Trams**
 - **528 Buses**

Questions?

